



WEEK 14

FRIDAY 1 APR 2016

THIS WEEK

- **Aspers wins Southampton casino contract**
- **Playtech quits posting Q1, Q3 trading updates**
- **DFS legalised in second US state**
- **Column: Kris Deyanov, MiFinity Payments**

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TOP STORY

BAAZOV TAKES INDEFINITE LEAVE FROM AMAYA

Former CEO steps down following insider trading charges; could still pursue company purchase



Baazov said he was "dedicated to doing the right thing for Amaya and all its stakeholders"

David Baazov is to take an indefinite, voluntary, paid leave of absence from Amaya in order to concentrate on fighting charges related to insider trading, it was revealed this week.

Baazov has vacated his positions as chairman and CEO, with the CEO role being filled on an interim basis by Rafi Ashkenazi, CEO of the Rational Group, which operates the PokerStars and Full Tilt brands and is owned by Amaya.

Dave Gadhia, who has been an Amaya director since 2010, will take over as interim chairman.

Quebec financial security regulator the Autorité des marchés financiers (AMF) announced last week it had charged Baazov, along with five others, with using privileged information related to Amaya for trading purposes between December 2013 and June 2014.

June 2014 was the month when the announcement of Amaya's \$4.9bn agreement to buy Oldford Group, and with it PokerStars and Full Tilt, was made.

On stepping down as CEO and chairman, Baazov commented: "As always, I continue to be dedicated to doing the right thing for Amaya and all its stakeholders. I believe that stepping down in the short term will help to avoid distraction for the company and its management while I vigorously contest all allegations **CONTINUED ON NEXT PAGE** ▶"



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FROM FRONT PAGE ►

made against me and pursue my bid to acquire the company.”

The five charges brought against Baazov in particular are for “aiding with trades while in possession of privileged information, influencing or attempting to influence the market price of the securities of Amaya inc., and communicating privileged information.” Baazov denies all charges.

The AMF also announced that Baazov's brother Josh is among 13 individuals to have received freeze and cease trade orders, after making a profit of close to \$1.5m between 2011 and 2016.

Baazov owns an approximate 18.6% share in Amaya, and in February he announced that he intended to make an all-cash proposal to acquire the company at a purchase price of an estimated CAD\$21 per common share. Despite the allegations, an offer does still seem an option, with Baazov keen to emphasise that the decision to walk away from Amaya was at least in part motivated by the desire to devote more time to the bid.

KEY POINTS

- David Baazov has left Amaya indefinitely on paid leave
- Baazov is facing charges related to insider trading, but has not ruled out still buying the company
- Rafi Ashkenazi will be interim CEO and Dave Gadhia will be interim chairman

CASINO

ASPERS TO RUN NEW SOUTHAMPTON CASINO

Grosvenor among operators beaten to the punch

Aspers has been selected to operate a new casino in Southampton. The venue is set to open in 2021 with up to 150 slot machines and 30 gaming tables.

The city was granted one of the eight ‘large’ casino licences in the UK, although only three are currently in operation, two of which are Aspers properties in London and Milton Keynes.

The casino will form part of the £450m Royal Pier Waterfront development, which will also include 730 apartments, a 250-bed hotel, shops and restaurants, if planning permission is granted.

Aspers fended off competition from Grosvenor, Global Gaming Ventures and Kymeira to win the licence.

As per the terms of the deal, Southampton City Council will receive an initial payment of £100,000, and a further £150,000 when the casino opens.

Authorities will also receive at least 2% of the casino's gross gaming revenue, while Aspers will contribute £50,000 p.a towards problem gambling initiatives.

Aspers Chairman Damian Aspinall said: “We are very proud to have successfully delivered the first two operational large licence casinos to the UK and are excited to now have the opportunity to bring a third high quality Aspers casino, including bars, dining facilities and live entertainment, to the city of Southampton.”

FINANCIALS

PLAYTECH OPTS TO QUIT PUBLISHING Q1 AND Q3 TRADING UPDATES

Follows UKIA recommendation to encourage long-term investment

In a move that sees the company fall in line with many other Premium

Listing businesses on the London Stock Exchange, gambling software giant Playtech has announced that it will no longer release trading updates for the first or third quarters of the year.

A Q1 trading update was due in the near future, but is now not expected until the company's AGM on 18 May.

The decision to cut Q1 reports follows a recommendation from the UK Investment Association for companies to cease publishing four trading updates a year in order to encourage responsible long-term investment strategies.

In other news, Playtech also announced this week that online operator Mr Green is set to go live on the developer's Open Platform in the near future.

FANTASY SPORTS

DFS IS NOW REGULATED IN THREE US STATES

Indiana joins Virginia in legalising daily fantasy sports

A number of updates have occurred with regards to US daily fantasy sports (DFS)

this week, with two states taking steps to regulate the contests and a new trade association being formed.

Indiana joined Virginia in making DFS officially legal, after Governor Mike Pence signed Senate Bill S339.

Under the new law operators may not offer contests on amateur events and will have to pay a \$50,000 licence fee, which could later be increased to \$75,000, with a \$5,000 renewal. The legal minimum age to play is 18.

Massachusetts attorney general Maura Healey has also filed regulations for DFS that would force operators to exclude college events from their offering, and the minimum age to play would be 21.

Lobbying to continue the DFS legalisation wave will be conducted by the Small Businesses of Fantasy Sports Trade Association (SBFSTA), which currently consists of 35 operators but does not include DraftKings or FanDuel.

The SBFSTA is attempting to amend proposed legislation in New York that would require operators to pay a \$500,000 licensing fee.

SPORTS BETTING

RACING REVIEW RECOMMENDS BETTING PARTNERSHIP EXTENSION

BHA lays out ideas for new strategies

An Integrity Review conducted by the British Horseracing Authority (BHA) has recommended that the organisation extends its partnerships across the betting industry.

It states that such partnerships could, where necessary, be formalised by way of information sharing agreements to further develop intelligence and evidence-gathering efforts.

The measure was one of a raft of recommendations put forward by the review, which was launched last summer and spent numerous months interviewing more than 100 horse racing stakeholders including trainers, owners, jockeys, legal representatives and the betting public.

Its other recommended measures include the creation of a stakeholder integrity forum, improvements in the investigation process and the formalising of a new integrity strategy.

THIS WEEK IN NUMBERS

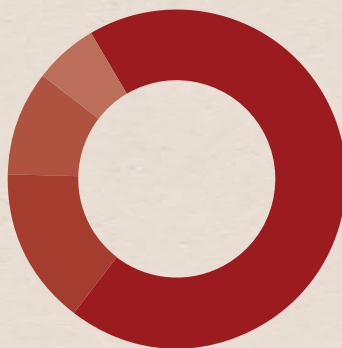
The facts and figures that have caught our eye in the past seven days

200

Potential number of jobs set to be created by the new Aspers casino in Southampton, according to the operator

53%

Percentage of US casino revenue generated by commercial casinos in 2015, compared to 41.3% by tribal casinos, according to a RubinBrown 'Gaming Statistics' report



Most popular games (% of total eSports market) by betting turnover on Bwin (Source: news.bwin.com/en/football-betting/champions-league)



Number of breaches of the FA's gambling regulations Manchester City defender Martin Demichelis has been charged with

290P

Morgan Stanley's new price target for William Hill shares, down c.30% following the operator's surprise profit warning



Generated by the US casino market in 2015, up 2.3%, according to RubinBrown's 'Gaming Statistics' report

\$1.3BN

Cost of NFL-grade stadium proposed by Las Vegas Sands for the University of Nevada, Las Vegas



The new opening date for the delayed Crown Sydney resort following planning issues

GUEST COLUMNIST

"FRIENDLY WAGER VS. FRIENDLY FRAUD: HOW TECHNOLOGY COMBATS CONSUMER FRAUD RISK IN ONLINE GAMBLING"


By Kris Deyanov,
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Executive
at MiFinity
Payments

Around the globe, an estimated 25,000+ online wagering sites generate billions in revenue from their loyal players. But because the legal and regulatory environment surrounding online gambling remains in flux (legal in some countries, but banned, with exceptions, in others) the industry is widely perceived as less credible and legitimate than more broadly regulated sectors.

The industry's unique vulnerabilities to financial crime contribute to its "image problem". As with all gambling, i-gaming's heavy transactional nature makes it innately susceptible to money laundering (though the threat is relatively low in regulated markets such as the UK). And although thousands of upstanding citizens make friendly wagers legally and legitimately on licensed i-gaming platforms every day, consumer fraud issues plague the sector at large.

One of those issues is so-called "friendly fraud" which occurs when a player uses a credit card to wager but later claims that the charges from a gaming site are actually unauthorised. The consumer simply lost money, but can win an undue chargeback by telling the card company that he or she did not sanction the payment.

Incidents of friendly fraud are commonly caught by i-gaming operators and card companies, but only after they happen – leading to expensive investigations by both parties. The potential for friendly fraud is just one reason vendors and financial institutions classify i-gaming operators as "high-risk merchants". The classification comes with consequences – chiefly in the form of hefty fees.

Yet it is hard to blame vendors for using fees to hedge their own bets about working with i-gaming operators. Amid the still-evolving legal and regulatory landscape of the industry, online gambling hasn't matured as rapidly as it has expanded. The presence of unlicensed platforms (some of which support player anonymity) heightens the sector's overall risk level.

Licensed or not, i-gaming platforms at large have yet to embrace self-regulation and comprehensive fraud prevention efforts, and it's well past time for them to do so.

Protecting their platforms (and their players) from financial crime should be a priority of every company in the i-gaming sector, because high third-party fees – and a 'Wild West' reputation – will continue to plague the industry until its stakeholders start mitigating their risk factors more effectively. Better technological protections are a smart place for i-gaming operators to start.

New solutions serving the online wagering space place a stronger emphasis on access and validation – eliminating player anonymity from the equation. Through digital wallet technology, platforms can require players to supply bank account or credit card information to an online "e-wallet" account prior to game play, bolstering fraud protections by creating a verifiable access trail of the

card being loaded to the site. Since banking rules typically classify digital wallet transactions as electronic money rather than as regular merchant transactions, users are also prevented from claiming undue chargebacks.

The best digital wallet solutions tokenise cardholder information upon application in the digital wallet, thus injecting additional security into the transaction activity (tokenisation replaces the consumer's original cardholder data with a randomly generated virtual card number, or "token", bundled with business rules for its exact use – where, when, and by whom). Overall, digital wallets significantly lower gaming platforms' vulnerability to fraud. So much so, in fact, that white-labelling an e-wallet solution into their sites can put operators in a stronger position to lower processing fees or renegotiate contracts with other third parties.

Ultimately, protecting their players from fraud and other financial crime threats is the best way for i-gaming platforms to protect their own bottom lines. As more and more upstanding wagers enter the space to engage in legitimate gambling activity, they will increasingly segment to the platforms with the strongest, most credible reputations. The onus lies with every online gaming operator to ensure their sites are optimised for secure transactions and "friendly wagers" only – not for friendly fraud.

Kris Deyanov is Senior Sales Executive at MiFinity (formerly NXSystems), a global payments provider that delivers secure, cost effective payment products designed to meet the complex needs of online gaming, travel, direct selling, and money transfer businesses.

OUT NOW: Look out for the March/April issue of *Gambling Insider's* print magazine, because it's time for this year's marketing special. Exclusive content in the issue includes interviews with Ladbrokes' new CMO Kristof Fahy and NYX Gaming Group CEO Matt Davey

