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THIS WEEK

- **The end of UK lottery betting?**
- **Playtech enters new Czech market**
- **Gaming revenue gains in South Korea**
- **French sporting integrity gets industry support**
- **Guest Columnist: Philipp Pointner, VP of Product, Junio**

WEEK 10

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ILLINOIS PROPOSES NEW CASINOS FOR GROWTH

Proposal tabled to plug hole in state finances



Following an unprecedented period of financial uncertainty, Illinois legislators have tabled a proposal to boost the state's coffers by significantly expanding the provision of gambling licences. In an attempt to support an elusive viable spending plan, the state's latest measure includes the construction of up to six new casinos.

News sources have reported that the move to build more casinos is part of Illinois' "grand bargain" to escape its two-year financial standstill, and has been endorsed by the Senate. However, the grand bargain was recently derailed, and the gambling legislation required to institute these new casinos is currently held back by several other related bills which are yet to be approved. ▶

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THIS WEEK IN NUMBERS

£1.5BN



The total group revenue Paddy Power Betfair reached for its full-year 2016

14%



The percentage rise in gross betting and gaming revenue for bet-at-home during 2016



The record amount of money Paysafe Group has generated in revenue for the first time in 2016

66.1%



The percentage of Nevada's gaming revenue generated from coin-operated devices

\$8.2M

The total amount Nevada Sportsbooks lost on football games during the month of January

This new legislation would legalise licensed casino operators in Chicago, Rockford, Danville, Williamson County, and in various locations in Lake County. Those who support the gambling expansion proposal hope local players will remain in the state to gamble, which would boost the local economy.

An analysis of the expansion sponsored by Democratic Sen. Terry Link indicated that Illinois would stand to collect almost \$1 billion in set-up fees, and license fees for Chicago and its south suburban areas would range between \$30,000 and \$100,000 per slot machine or seat at the blackjack tables. Furthermore, the new casinos would provide permanent casino jobs in local communities.

The state's largest "river-boat" casinos, currently taxed at 50%, will experience a huge tax reduction to as little as 16% for table games and 20% for slot machines, to allow them to compete with the new land-based casinos.

Analysis of the Commission on Government Forecasting and Accountability indicated that annual revenue would be boosted by 18% to around \$560 million.

The new legislation will also permit existing gambling establishments in the state to expand their operations by 400 seats. Airports and four horse racing tracks in Chicago would also be allowed to offer slot machines on their premises.

However, Anita Bedell, Head of Illinois Church Action on Alcohol and Addiction Problems, argues that gambling expansion will inflate the state's spending: "Every time you expand gambling, you create more costs."

Bedell further notes that for every \$1 the state collects in gambling revenue, \$3 is deducted from taxpayers' money in order to tackle the consequent rise in crime, bankruptcy, and addiction.

KEY POINTS

- State aims to generate \$1bn in funds through new casino licences.
- Annual state revenue predicted to be boosted by 18%.
- River boat casinos to receive significant tax reduction.

UK LOTTERY BETTING LOOPHOLE MAY BE SHUTDOWN

Ministers keen to outlaw lottery betting

A betting loophole that allows gambling websites to offer cut-price bets on the EuroMillions lottery draw is intended to be closed by the government as it takes "money away from good causes".

Although the Gambling Act prohibits betting on National Lottery games, websites get around the law by offering Bitcoin bets in other countries, such as Spain. The loophole allows Britons to place bets on the outcome of the EuroMillions draw with a £2 stake on websites such as Lottoland.

Lotteries minister Tracey Crouch has commented on the loophole, saying: "We want to act to ensure that money going to good causes is protected and that there is no confusion around the EuroMillions draw, providing the same levels of clarity as there is with the National Lottery."

However, services that offer a lottery betting service are adamant that they have a place in the betting landscape. Lottoland's CEO Nigel Burrel commented: "Camelot are averse to healthy, licensed, tax-paying, and, above all, fair competition, at the same time neglecting customer needs in the world we live in today. To put this into perspective Lottoland's Euromillions betting revenues are less than 0.1% of Camelot's total turnover, we are not affecting them or reducing their ability to give to good causes in any way."

PLAYTECH FIRST TO CZECH ONLINE CASINO MARKET

The country's new legislative landscape offers potential for expansion

Industry provider Playtech has become the first supplier to take advantage of the newly-regulated market in the Czech Republic by launching an online casino in the country.

Playtech was given licence to operate "online technical games" by the Czech Ministry of Finance, and will market the service under their growing Fortuna brand. Now live, the site offers a selection



The number of years Betsson believes it will take to "conquer" Spain's growing iGaming market

88%



The percentage of people who say they saw Sheldon Adelson's "Restore America's Wire Bill Act", as an example of cronyism

\$103.6M

The total amount XLMedia recorded in revenue for 2016

of online and mobile slot and table game content which it aims to expand in the coming months.

Since agreeing a contract last August for Fortuna to supply a scalable omni-channel platform and seamless wallet technology, the two companies plan to launch in Romania and markets including Poland and Slovakia in the future.

David Vanek, General Manager, Fortuna CZ, said: "We are proud to be the first company in the Czech Republic to have met the demanding conditions defined by the new legislation and to be granted a licence as a result. Broadening our product range to complement our sports betting offering is a major priority. We are therefore very pleased that our customers will be the first to play online roulette and casino games in full compliance with Czech legislation."

industry generated a total of KRW 20.3tn (\$17.6bn), according to South Korean news agency Yonhap.

The figure incorporates revenue generated by lottery, betting and casino gambling, but excludes the proceeds generated by the jurisdiction's foreigner-only casinos. Lottery ticket sales rose sharply, climbing 9.3% to a 13-year high of KRW 3.9tn, while state-run casino Kangwon Land, the only resort that accepts South Korean nationals, reported total sales of KRW 1.7tn, an increase of 3.8% on its results for 2015.

The Korea Racing Authority also posted revenue growth, generating KRW 7.7tn in 2016, representing a year-on-year increase of 0.2%. The rise in gambling revenue against the backdrop of the country's current economic downturn has been attributed to a growing number of people turning to speculative wagering.

Kwak Geum-joo, a Psychology Professor at Seoul National University, told Yonhap: "Due to economic depression, people tend to dream of

S KOREA'S LOTTERY SALES AT 13-YEAR HIGH

Gaming industry thrives against stiff economic backdrop

Increases in gaming and lottery sales of 7.7% for 2016 saw South Korea's gambling



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The number of casino dealers who left Macau's casino sector during 2016 despite the openings of two huge new casinos

13.5%



The increase South Korea's Paradise Co. reported in revenue for the month of February boosted by table games

52%



The percentage of people that say a free bet worth £10 would make them more likely to sign up for a new gambling site

making a fortune at one stroke. "It is necessary to boost social mobility in order to reduce such sentiments." South Korea's casino sector will receive an additional boost this year with the planned April 2017 opening of the Paradise City resort near Incheon Airport.

FRANCE'S SPORTING INTEGRITY DEPARTMENT GETS INDUSTRY SUPPORT

Sportradar to supply valuable expertise and data

In a promising development for European sports integrity, France's Service Central des Courses et Jeux (SCCJ) has signed a Memorandum of Understanding (MoU) with detection and intelligence service provider Sportradar.

The SCCJ is the department within France's national police force that oversees the country's racing and betting services, and under the terms of the MoU, both parties will actively exchange expertise, statistical data,

information and trends regarding sporting integrity. Moreover, the two parties will now begin exploring projects that they can collaborate on or support each other on.

Philippe Menard, the SCCJ's Chief said: "Our aim in France is to make sure that we are at the forefront of the fight against match fixers and manipulators. That requires us to identify the most potent allies to help us shore up our defences. Our informal collaborations with Sportradar to date have left us in no doubt that today's signing is a strong statement of intent and we look forward to working closer with their specialists to safeguard French sport."

Sportradar Integrity Services Managing Director Andreas Krannich added: "It is so encouraging to see the SCCJ live the spirit of the Macolin Convention and we are honoured that they trust us to support the efforts of the French National Platform going forward." ◀

GUEST COLUMNIST:



PHILIPP POINTNER

VP OF PRODUCT, JUMIO

THE THREE PAIN POINTS OF ONLINE GAMING

Registrations, deposits and withdrawals

From online-only operators to familiar high-street brands with online presences, every serious gaming operator wants a slice of the online gaming market. This heavily-regulated industry is about to be affected by two further major regulatory changes: the Fourth EU Money Laundering Directive (4th EUMLD) and the Second EU Payment Services Directive (PSD2) are on the horizon and threaten to exacerbate existing pain-points for businesses not set up to cope.

Pain point one – Registrations

Jumio carried out a survey with Harris Research that found that, even at the critical first stage of registration, gambling operators are losing customers and potential revenue. KYC and money laundering regulations require safe registration processes to verify the identity of a customer, which can be a lengthy process without the right technology in place. Further research from Jumio shows that the average registration time for online gaming operators was up to 3 minutes. This is the first point in the process where we see significant customer drop-off, with 24% of would-be players abandoning the process in frustration.

Pain point two – Deposits

With operators reporting a one to two minute duration at the deposit stage, this is the second area where issues with regulation and compliance can severely impact on the customer experience. The problem is so acute that some operators have reported abandonment rates of up to 70%.

Instead of experiencing a streamlined process, customers are faced with payment page redirects such as 3D Secure. The consequence of these laborious processes is a significant and damaging churn rate.

CRM specialist Optimove has shown that one in four players churn within 14 days of their first deposit, with one in three churning within 28 days. In addition, 70% of the average operator's player-base is inactive. This is not a customer base that is satisfied with their online gambling experience and it could get worse from April this year, when the 4th EUMLD is implemented. Previous EUMLDs only covered casinos. However, the scope is now being extended across all gaming operators. The directive states:

In order to mitigate the risks related to the sector and to provide parity amongst the providers of gambling services, an obligation for all providers of gambling services to conduct customer due diligence for single transactions of EUR 2000 or more should be laid down. Member States should consider applying this threshold to the collection of winnings as well as wagering a stake.

The due diligence required by the directive means "identifying the customer and verifying the customer's identity on the basis of documents, data or information obtained from a reliable and independent source."

Pain point three – Withdrawals

It is not uncommon for gaming operators to take days to process withdrawals. KYC and AML considerations come into play here again, slowing down the process while the necessary checks take place.

Much like the deposit stage, PSD2 and the 4th EUMLD will impact withdrawals too. PSD2 primarily concerns financial services, but the Directive has mandated the European Banking Authority to develop Regulatory Technical Standards for authentication. Even though it is looking to exempt certain low-value transactions, the 'riskier' nature of online gaming means the industry is still set to be affected by the legislation. The final draft was published in late February and mandates strong customer authentication alongside common and secure communication. How it will happen is still being decided by regulators but it applies to every transaction above €30.

Beating these pain-points

Successfully overcoming these challenges requires having the right verification technology in place, to allow for compliance with all existing and planned legislation, without impacting on the user experience.

In the wake of PSD2 and the 4th EUMLD, one-size-fits-all, fully automated solutions will struggle to meet customer expectations. The customer verification process is becoming far more nuanced so businesses need to tailor their setup to suit their own needs. Gaming operators that adopt comprehensive technologies incorporating automated and human elements, such as biometric facial recognition, can gain a competitive advantage here.

Philipp Pointner is VP of Product at ID verification experts, Jumio, leading to the design team to turn visions into market-leading technologies that combat fraud issues across industries.

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