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THIS WEEK

- **Indian Court in landmark ruling on sports betting**
- **Pojoaque tribe admits defeat**
- **New CEO at Paddy Power Betfair**
- **Australia continues gambling crackdown**
- **Guest Columnist: Matt Howard**
Director, Sportsbook Solutions

WEEK 32

FRIDAY 11 AUG 2017

GROUNDHOG DAY FOR UK FREEPLAY TAX?

Duty to be reintroduced to 2017 Finance bill after previous removal



A controversial UK duty that would see remote gaming freeplays and related discounts taxed in the same way as other bets looks set to be reintroduced to the UK Governments 2017 Finance Bill despite previously being removed from this legislation.

In September 2016, HMRC published a policy paper which called for the introduction of a remote gaming duty as a way of bringing the treatment of remote gaming freeplays and promotions in line with the current general betting duty regime, in which non-online freeplays are currently considered taxable as operator profits under HMRC rules.

As a result of this consultation, the Remote Gaming Duty (RGD) was slated to be included as part of the Finance Act 2017 which was introduced in March 2017, however in April, MPs removed this and a number of parts of legislation included as part of the act, arguing that there was insufficient time to discuss these issues ahead of the UK general election. ▶



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BETCONSTRUCT

WHO WILL SIXTY OF THE INDUSTRY'S TOP EXECUTIVES VOTE THE WORLD'S BEST?

THIS WEEK IN NUMBERS

77



The number of people arrested related to a Chinese cross-border gambling ring

9%

The increase in revenue for Paddy Power Betfair in H1



20%

The amount that gaming accounted for in Malta's overall economic growth between 2011 and 2016

10,000

The number of Video Lottery Machines in Greece that OPAP was ordered to cut down

£2.96BN

The amount that Blackstone and CVC Capital Partners paid in Paysafe acquisition

Squire Patton Boggs Partner, Carl Rohsler states: "The changes originally proposed in the earlier Finance Bill were shelved and have now been introduced post-election. It is said that they aim to create a more logical treatment of all forms of free bet (whether offered in the course of betting or gaming) which had previously been treated differently.

"The net effect is to increase the overall taxation burden on the gambling community. One major concession which was given as a result of government consultation was that free bets will only be taxed on the first occasion that they are offered, and not when they are "re-bet" during the course of play (as is usually a condition of the bonus offer)."

Prior to the date, HMRC announced the tax would be enacted on 1 August 2017, under revised legislation. The tax authority added that the tax would raise an extra £45m in its first year, increasing to £110m by 2020/21. Despite the obvious consequences to the bookmaking industry as a whole, there is a definite lack of awareness of the impending introduction of this duty among many operators.

Rohsler added: "There has been little reaction from the gambling fraternity, but any change to the taxation structure is likely to put pressure on some operators to limit the use of free betting as a marketing tool. But given the extent to which freebets and bonusing is a necessary part of the ever –continuing struggle to attract and retain players, it seems likely that the larger operators will try to bear most of the burden and continue to offer free bet bonusing."

KEY POINTS

- Tax was removed from bill in run-up to general election
- The new tax is predicted to raise £45m in its first year
- Industry largely unaware of scope of tax

INDIAN COURT IN LANDMARK RULING ON SPORTS BETTING

Judge rules that fantasy sports betting is a game of skill

A judge in India has ruled that fantasy sports betting can be made legal in what is a landmark court ruling. In his ruling, Punjab and Haryana High Court Justice Amit Rawal stated that paid wagers on daily fantasy sites are in fact games of skill, making them entirely legal in India. Justice Rawal deemed the game to "require substantial skill, efforts and statistics", meaning its operations could continue without being deemed gambling.

The status of fantasy sports betting was first brought to the attention of the court by Mr Varun Gumber who started legal proceedings to recover \$780 that he had staked on a fantasy cricket wagering site whose operation was subsequently declared illegal.

This case marks the first time that an Indian High Court has had to deal with the legality of whether it considers the games falling under the remit of gambling, according to *The Times of India* newspaper, potentially allowing thousands of gamblers to take advantage of this new definition and place bets on daily fantasy sites entirely legally.

At present, India has very stringent gambling legislation. Horse racing has been classified as a 'skill game' for quite some time, and a number of lotteries also operate in the country but few other gaming ventures are available.

POJOAQUE TRIBE ADMITS DEFEAT IN LEGAL BATTLE WITH NEW MEXICO

Tribe reluctantly signs new compact deal with the state

The Pueblo of Pojoaque tribe have admitted defeat in their two-year long legal battle with the state of New Mexico, signing a new gambling compact which guarantees the state a bigger share of the tribe's casino revenue.

\$1.2BN



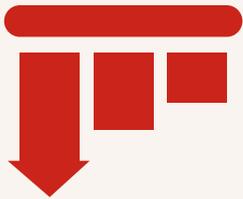
The estimated value of Vietnam's casino market on an annual basis

1.5%



The suggested tax increase for Ireland's sports betting industry

\$17.3M



The net loss reported by South Korean casino, Paradise Co Ltd during Q2



The speculated amount Japan casinos could generate in GGR per year

Under the terms of the old compact, the Pojoaque Pueblo paid 8% of its gambling revenue back to the state, however, the proposed new compact would see this figure increase to 10.75%, costing the tribe millions of dollars in gambling revenue.

Unhappy with the states conduct in tribal compact negotiations, the Pojoaque took the state to federal court arguing that it could negotiate its new compact directly with the US Department Of the Interior (DOI), but US District Court judges chose to block the DOI from intervening in the dispute, a decision that the 10th Circuit Court of Appeals in Denver upheld earlier this year.

Former US Attorney General Damon Martinez had previously intervened to allow the tribe to continue to operate once its compact had expired, on the condition that the tribe reach a settlement with the state before September of this year, or face enforcement action. However, the tribe have decided not to further their legal challenge and have reluctantly accepted the revised compact.

In an interview with the *Santa Fe New Mexican* newspaper, Pojoaque Pueblo Gov. Joseph Talachy stated: "It's kind of a terrible game the state played, and it was done intentionally to squeeze us exactly into where we are now. It's sad they're trying to subsidise their faults on the backs of the tribes."

NEW MAN IN CHARGE OF PADDY POWER BETFAIR

Former WorldPay CEO, Peter Jackson takes over at bookmaker UK and Irish bookmaker Paddy Power Betfair (PPB) has announced that its CEO Breon Corcoran has stepped down after six years as the company's Chief Executive Officer.

The role of Chief Executive Officer will now be filled by Peter Jackson, who has left the post of CEO at global transactions service WorldPay, a role he has held since since March 2017.

Announcing his resignation on

the Paddy Power Betfair website Corcoran said: "This was a very difficult decision to make, and there is never a good time to leave, but this is the right decision for me and my family, and following the successful completion of the merger integration it is an opportune time for the business too."

AUSTRALIA CONTINUES GAMING CRACKDOWN

New legislation is set to limit iGaming services



Australia has proposed a new regulation to limit iGaming services. Legislation would prohibit financial credits for local players at online gaming platforms, which include casino and sports betting sites.

The amendment has already been presented in parliament and it is expected to be approved later today. The new bill would handle local operations as well as off-shore gaming.

During an interview with *ABC Radio*, Human Services Minister Alan Tudge said: "Importantly (it) bans the online gambling companies from offering lines of credit to their customers which gets people into so much trouble, having already depleted their savings account."

This follows Australia's recent crackdown on the gaming industry.

The country has already introduced over ten measures to restrict the gaming industry, including: national self-exclusion register, ISPs or informing customers about their activity in order to help.

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IL, MD, OH – TWO DOWN, ONE BUCKS TREND

Illinois and Maryland gaming revenues decline in July partly as a function of the weak calendar, while Ohio bucked the trend and rose 5.56%.

In Illinois, gaming revenues slipped 2.62% in July, with the St. Louis market falling for the fourth straight month. Illinois would have been down 1.93% with St. Louis factored out.

The additional competition from MGM Resorts' National Harbor chipped away at Maryland same-store revenues in July, falling 15.28%. Maryland Live! and Caesars' Horseshoe Baltimore continue to bear the brunt of the additional competition, with revenues at those properties down 16.66% and 9.48% this year, respectively. Overall, Maryland is down 12.50% this year same-store.

On the upside, Ohio was up for the seventh straight month and the third consecutive month of revenue growth over 5%

Penn National's Hollywood Mahoning Valley, which added additional slot machines in February, grew double-digit revenues for the sixth consecutive month. JACK Entertainment's Thistle-down casino was the only casino to post a revenue decline, and when factored out, Ohio would have been up 6.19%.

US STOCK UPDATE

Toronto-traded Great Canadian was this week's biggest North American mover, as it was awarded the license from the Ontario Lottery and Gaming Corp to operate the three Greater-Toronto casinos and build a fourth.

Company	52-Week high as of Wednesday.
Great Canadian	C\$30.12
Canterbury Park	\$11.90
Boyd	\$26.67
Tropicana	\$44.80
Everi	\$8.34
Eldorado	\$21.95
TransAct	\$10.20
Monarch Casino	\$34.91

MARYLAND

Rocky Gap (GDEN)	\$5.083 million	+0.34 percent
Ocean Downs (CHDN/Saratoga)	\$6.460	-1.39
Hollywood Casino (GLPI)	\$6.603	-2.41
Horseshoe Baltimore (CZR)	\$22.992	-7.98
Maryland Live! (Cordish)	\$46.846	-22.54
National Harbor (MGM)	\$50.772	N/A
State total	\$138.757 million	+33.61 percent
State same store	\$87.985	-15.28

OHIO			ILLINOIS		
Hollywood Mahoning Valley (PENN)	\$9.784 million	+11.35 percent	Chicagoland		
JACK Cleveland (JACK Entertainment)	\$16.888	+9.05	Elgin (MGM/H)	\$15.417 million	+3.26 percent
Scioto Downs (ERI)	\$14.252	+8.96	Rivers (Rush Street)	\$38.381	+1.65
JACK Cincinnati (JACK Entertainment)	\$16.710	+8.35	Joliet Hollywood (PENN)	\$11.097	-0.16
Hard Rock Rocksino	\$22.270	+7.84	Aurora Hollywood (PENN)	\$10.358	-4.54
Hollywood Dayton (PENN)	\$8.321	+7.03	Joliet Harrah's (CZR)	\$15.120	-6.49
Hollywood Toledo (PENN)	\$17.589	+6.32	Casino Queen, E. St. Louis	\$8.644 million	-8.12 percent
Belterra Park (PNK)	\$7.386	+1.88	Alton Belle (PENN)	\$4.324	-8.38
Miami Valley Gaming (CHDN/Del North)	\$12.417	+1.09	East Peoria (BYD)	\$6.822 million	-5.51 percent
Hollywood Columbus (PENN)	\$18.681	+0.37	Rock Island (Del North)	\$6.598	-8.03
Thistledown (JACK Entertainment)	\$10.098	-1.46	Metropolis (CZR)	\$7.107	-9.61
State total	\$154.395 million	+5.65 percent	State total	\$123.869 million	-2.62 percent



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MATT HOWARD
DIRECTOR, SPORTSBOOK
SOLUTIONS

**THE FUTURE OF
SPORTS BETTING**
*Howard reveals how to
assess, refine and future-
proof your sportsbook offering*

Whether deliberate or not, there are huge changes and improvements which can be made to increase a business's profits without having to have a new app or function and this has been ignored, in my opinion.

The sports betting industry has evolved from a few very large businesses having complete control, and in a limited number of markets only a decade ago to now having hundreds, if not thousands, of businesses all over the world. The biggest reason for this, in my view, is the much lower entry cost now available with the advent of Managed Solutions and similar solutions. This is a good thing; competition after all drives improvement, but what happens now some of these businesses have grown up considerably? Lots of these companies are no longer small and should be thinking about next steps. If they have money to invest, how should they invest it? What are the options?

There is a reason why the entry costs have become lower and it is all around pooled resource, automation and limitations on differentiation. There is also nothing to say any business has to look to change things. For some businesses what they have may well perfectly suit their aims, customers and future plans. This is great and shows the strength of solutions available now to businesses. But, some businesses will want to investigate how they can grow, increase customers and increase profit margin and bottom lines. This is not a simple decision and should be considered at length and properly budgeted to be as certain as possible that any change will be beneficial to the business. There is always an element of risk, but full analysis keeps this risk manageable and informed decisions can be made.

There are two obvious changes a business can make in its Sportsbook Management:

1. Add skilled resource to their business to maximise the potential of their current solution.

or

2. Investigate other solutions and their potential benefits to the business.

To further look at 1. and adding resource you have to analyse what can be done with your current sportsbook solution. With greater and greater flexibility being given on Managed Solutions, Odds Feeds and smaller platforms this gives a business many options to alter their sportsbook. However, this needs to be done to a better quality than the solution provides and with the knowledge of their business aims, customers, region, current results and with deep analysis to back this up. It is also ever changing. Once changes are made then monitoring needs to be at regular intervals to make sure the changes are helping and to learn from them, both positively and negatively. All these changes also need to suit the wider business. Is the business looking to be ultra-competitive? If so then odds need to represent this and risk needs to be very tightly managed. Is the business recreational and fun focussed? Then what can be done to provide more 'fun markets' and who compiles and monitors these given they are likely to be unique to that business?

Regards 2. and the potential to change solution, you need to both analyse what your sportsbook solution has now and what the other options have. A gap analysis is crucial, as is simply analysing what your intended aims are from the change. What do you want to keep from your current solution because your customers like it and what are the additional options you gain from moving and then, how do you manage these? If we look at a fairly simple change your business may move from the pooled, and the therefore relatively impersonal, nature of a Managed Solution to a proprietary platform. The additional flexibility this provides is huge, but that brings a lot of questions with it! You now need to make decisions on where the odds are coming from (a single odds feed, multiple odds feeds, which ones, manual input?) and this in itself is very dependent on both budget and what it is that is important to your business. Your business would now be expected to manage the odds and risk entirely themselves. This can bring enormous benefits and increased margins, but only when managed correctly. You now need a Sportsbook Management Team and potentially Trade and Risk Teams underneath them. These costs may seem daunting, but they could well provide the business with great value and more than pay for themselves. If you leave the profit share nature of smaller solutions and pay the costs of a proprietary platform all the money you then make as a business is your own (in very simple terms). If the scales of your business are correct then this could be the way to move forwards.

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