



# WEEK 42

## FRIDAY 19 OCT 2018

### FSB TECH CEO ASSESSES BETTING REVOLUTION

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## THIS WEEK

- **FOBT stake reduction could be set for April 2019**
- **Paddy Power Betfair reprimanded**
- **Macau casino giants' stock prices decline**
- **Road to Global Gaming Awards London 2019 starts here**

### GUEST COLUMNIST:

- **Wendy Zitzman, COO, Playpearls**



FSB Tech CEO David McDowell believes the sports betting market is undergoing a technology revolution "very parallel" to the financial services sector.

It has come a decade or so later, he might add, but there is an air of change within the industry nonetheless.

While stock exchange trading rooms used to have traders "yelling, sending hand signals and doing things manually," McDowell still sees such practices being put in place by large gambling operators today.

Using legacy technology systems, the FSB Tech CEO believes a number of sports betting operators are too

focused on manual trading and the copying of odds from other websites.

For the supplier, the preference is using data feeds for 100% automated models, along with a small amount of traders focused on risk management.

McDowell told *Gambling Insider*: "Sports betting is going through a technology revolution which is probably a decade behind, but very parallel to, the financial services industry.

"You used to have pits of traders yelling, sending hand signals and doing things manually. That is not too dissimilar to a lot of large bookmakers today, who still have hundreds of traders manually changing prices and typing 'Manchester United' every Friday. ▶



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# THIS WEEK IN NUMBERS



## 22.5%

Stake bought in BetBull by Wynn Resorts

## \$27m

Amount generated by MGM Springfield after first full month of business



## \$281.7m

Monthly New Jersey gaming revenue for September

## 16



Colombia issues its 16th online gaming license; to Megapuesta

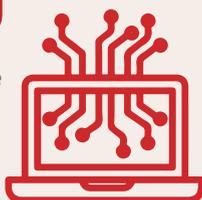
## £94,000



Amount independent bookmaker, Mark Jarvis, was fined for interaction failures

## 7,000

The number of online gambling websites deemed to be in breach of Italian gambling laws



“Using data feeds to drive algorithmic pricing models, with traders not setting up events or compiling odds, mean our football models are 100% automated. We have someone who is managing risk, looking at players, trying to spot anyone who’s breaking the rules.

“Yet the number of bookmakers out there who have Bet365 and Betfair up, just manually copying odds – if you’ve got cheap labour, you can get up and running without paying for data feeds.”

With just 12 full-time trading staff on board, McDowell is also concerned quantity may trump quality when it comes to first impressions – with these first impressions being entirely misleading.

The FSB Tech CEO acknowledges an outsider looking in may be wowed by teams boasting a three-digit tally of traders.

However, McDowell thinks a larger trading team is a sign of outdated technology and should prompt “alarm bells rather than comfort.”

He explained: “Anytime somebody’s got a team of several hundred traders, to the uninformed, it looks like a big, impressive operation.

“To anybody who understands what actually happens in a trading room, they should look at those organisations and recognise they are using very old technology that isn’t keeping up with the times. There should be alarm bells rather than comfort.”

Looking ahead, the FSB Tech CEO sees a “shared business model” taking over the industry, with a B2B supplier providing a platform, assisting traders and helping to negotiate fees with data feed suppliers.

The vital difference, though, is the ability to “hand over the keys” to the operator.

In McDowell’s opinion, this creates a far healthier partnership than the “antagonistic” dynamic existing between operator and supplier previously.

The FSB Tech CEO said: “I think that’s where the future is heading, more of a shared business model between a B2B supplier and operator.

“We can provide the platform, help with trading, help negotiate fees with data feed suppliers but then hand over the keys and let your traders take care of it. It’s a much healthier relationship than the antagonistic one where you pay every time you want a change made.”

[Click here to read the full interview](#)



## FOBT CHANGES COULD BE SIX MONTHS AWAY

The maximum stake reduction on fixed-odds betting terminals (FOBTs) in the UK could come in April 2019, to coincide with the new tax year.

In September, the UK government told *Gambling Insider* there would be no delay to plans to reduce maximum limits on FOBTs from £100 to £2, and reports suggest the reduction could happen a year sooner than the rumoured April 2020.

The Department of Digital, Culture, Media and Sport said: “We will make the legislative change required as soon as possible.”

The UK has more than 33,000 of the machines in place, following the product’s launch in 1999. In the year ending September 2017, B2 machines generated £1.8bn gross gaming yield for operators in Great Britain.

Discussing the need for a change to

FOBTs, a Treasury spokesperson said: “We are changing the rules, so they balance the needs of vulnerable people, those who gamble responsibly, and people who work in this sector.

“But we must get this right, and are engaging with the industry, to ensure it has sufficient time to implement these technological changes.”

The decision to lower the limit on FOBT bets sparked fears in the industry and even prompted William Hill Chairman Roger Devlin to write to Prime Minister Theresa May warning that his business risks being bought by a rival if new rules weaken it.

Operator Betfred said the change to limits could force the company to shut 900 betting shops and cut 4,500 staff. The company reported a pre-tax loss of £18.1m for the year-ended 24 September 2017, down from a pre-tax profit of £32.4m the previous year.

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## THIS WEEK'S WINNERS AND LOSERS

### WINNERS

New Jersey's monthly sports betting revenue grew to \$23.9m for September, after the NFL season started

*Penn National and Boyd Gaming – complete Pinnacle acquisitions in \$2.8bn cash-plus-stock deal*

Arkansas court clears the way for public casino vote

*MGM Resorts International – has announced the appointment of George Kliavkoff as the company's new President of Entertainment and Sports*

*Staff at BoyleSports – were warned that jobs are under threat following the Irish betting tax increase*

### LOSERS

## PADDY POWER BETFAIR FINED BY GAMBLING COMMISSION

Paddy Power Betfair has been fined more than £2.2m by the Gambling Commission for failing to protect customers and prevent stolen money from being gambled.

The fine relates to offences in 2016, when the operator breached the Gambling Commission's social responsibility code provision 3.4.1(1), relating to customer interaction, and anti-money laundering guidance.

Paddy Power Betfair has accepted the findings and will pay a £498,508 divestment of monies received, a £1.7m financial penalty and £50,045 towards the Gambling Commission's investigative costs.

The failings in question related to two customers using the Betfair Exchange with stolen money; one of which stole large sums from a charity.

A further three customers were allowed to gamble in shops and online without the operator providing adequate wealth and social responsibility checks.

Although Paddy Power Betfair is already working on improving its processes, it conceded those in force at the time were ineffective.

Richard Watson, Gambling Commission Executive Director, said: "As a result of Paddy Power Betfair's failings, significant amounts of stolen money flowed through their exchange and this is simply not acceptable.

"These failings all stem from one simple principle – operators must know their customer.

"This case is a clear example of why gambling operators must have and implement effective social responsibility policies and procedures. All operators, regardless of size, need to ensure they really know their customers."

The Gambling Commission has also fined operator Mark Jarvis £94,000 for a similar offence, with a customer who displayed problem gambling traits allowed to spend £34,000 on B2 gaming machines over a 19-month period. Of this money, £11,250 was stolen.

## THE WEEK IN QUOTES

*"We are going to have every state surrounding our state with sports betting and people will be going to those states spending money instead of here."*

**Democrat Candidate for Gubernatorial Tennessee election, Karl Dean on losing out on revenue if sports betting remain illegal in Tennessee**

*"Our members are just distraught. Our estimation is very close to 300 shops will be affected. On 1 January, the door of most independents in Ireland will not be open if this is not modified in some shape or fashion to protect those jobs and shops."*

**Irish Bookmakers Association Chairperson Sharon Byrne on how rise in betting tax will hit land-based operators**

*"What, are you going to make me pay for the air I breathe next? I have eyes. I can see what's happening in the game. Now you want 1%? Good luck with that, I'm lost on that one."*

**ESPN SportsCenter Anchor Scott Van Pelt on the introduction of an integrity fee to sports betting**

*"The conversion rate from sports fan to sports bettor is very high. That's your most robust customer. There's a lot of interest in sports betting. Figuring out how it unfolds is the question. I'm in it every day, and it's going to be an evolution."*

**MGM Resorts International President of Gaming, Scott Butera, on upcoming in-stadium betting options**

*"We simply reject the lazy 'don't fix what isn't broken' way of doing business. That is not who we are as a company and that sort of thinking is antithetical to the DraftKings culture."*

**Jamie Shea, DraftKings' Senior Director of Digital Sportsbook Operations, on the operator's plans to innovate in the US sports betting market**

## MACAU CASINO STOCK PRICES FALL

The stock price of Macau's top six casinos has fallen 40% on average since June, sparking concerns of a decrease in VIP gambling.

Monthly gross gaming revenue (GGR) for Macau casinos increased year-on-year in September – but only by 3% to MOP21.95bn (\$2.72bn).

The region's casinos were forced to shut down for a 33-hour period on the weekend of 15 September due to the impact of Typhoon Mangkhut.

However, analysts had taken the closure into account and adjusted their projections to a 10% year-on-year growth for the month.

The end result was reduced growth, with the 3% total in stark contrast to a year-high GGR in August, which rose 17% year-on-year to MOP26.56bn. September's GGR was 17% less than that of August overall.

These results, combined with the significant drop in stock prices, have led some analysts to the conclusion that trade tensions and increased regulation are keeping VIP customers

away from Macau's casinos.

A fresh operation against money laundering was launched last week and produced 12 arrests, with two of those arrested detained. The raid was in keeping with the anti-corruption campaign China President Xi Jinping has led since 2013.

This summer saw well-publicised operations on money laundering sweep Macau, with the Cotai district being the focal point. The issue was made a priority by Macau's Secretary for Security, Wong Sio Chak, who noted in May that the city's police forces were tackling the trend.

The Judiciary Police's Mr Chan Chong said: "We've always been paying close attention to illegal money exchange services and the crimes that stem from it. We will continue to observe the criminal trend and combat these activities."

It is not all doom and gloom for Macau casinos, however. Despite September's slow growth, it was still the industry's 26th consecutive monthly year-on-year gain. A higher rate of growth is predicted in October, last year's best month for GGR (MOP26.63bn).

## GGA LONDON SELF-NOMINATIONS OPEN

Following the success of this year's Global Gaming Awards Las Vegas, the self-nomination process for the 2019 Global Gaming Awards London is now open.

Now in its second year, the Global Gaming Awards London will be the biggest gathering of CEOs in the industry, for an afternoon ceremony at the Hippodrome Casino on Monday 4 February.

The Global Gaming Awards London will reward achievements and operational excellence shown across the industry over a 12-month period. The event will be held during the week of the ICE London show.

Categories for the London Awards include; Betting Shop Operator of the Year, Retail Supplier of the Year, Online Casino of the Year, Online Sports Betting Operator of the Year, Online Bingo Operator of the Year, Online Poker Operator of the Year, Casino of the Year, Casino Supplier of the Year, Online Casino Supplier of the Year, Casino Product of the Year, Online Sports Betting Supplier of the Year, Corporate Services Provider of the Year, Affiliate Programme of the Year, Payment Solution of the Year, Corporate Responsibility Programme of the Year

and Chief Executive of the Year.

This year's London Awards showcased the industry's competitive nature, as 15 companies went home with Awards across 16 categories.

Any company can submit a self-nomination application by visiting [GlobalGamingAwards.com/London](http://GlobalGamingAwards.com/London) and filling in the self-nomination form.

The final shortlist will then be decided by a review of the self-nominations and after recommendations made by the Nominations Panel and the *Gambling Insider* editorial team.

An expert panel of Global Gaming Awards judges will then cast their vote to decide the winners in each category. This year's London Awards boasted a panel of 50 judges.

Replicating the Las Vegas Awards, KPMG Isle of Man will adjudicate the voting process, ensuring its fairness and transparency.

The Global Gaming Awards London are powered by *Gambling Insider* and the Lead Partner is BetConstruct.

## NJ SAME STORE FALLS

New Jersey same-store gaming revenue fell 8.44% in September, as newcomers Hard Rock and Ocean Resort took market share from the existing casinos.

In fact, Tropicana was the only casino to grow revenue year-on-year during the month, up just 0.51%.

Sports betting benefitted from the start of the NFL season and the launch of mobile betting in late August and early September.

The state generated \$23.961m in sports betting revenue, up over 160% compared to August. Results were led by Resorts Digital, which offers online and mobile betting via DraftKings

and The Stars Group's BetStars, which launched in late August.

Resorts Digital generated \$8.506m, while MGM's Borgata, which launched mobile betting via the playMGM app in August, generated \$2.515m. Rush Street Gaming's Playsugarhouse.com also launched sports betting with Golden Nugget in late August. Golden Nugget generated \$1.118m in September.

For comparison, Resorts Digital's sports betting revenue was \$2.97m in August while Borgata had just \$855,000 and Golden Nugget had \$215,000.

## INTERACTIVE

OPERATOR	REVENUE (M)	% CHANGE	TABLE HOLD	
			2017	2018
Tropicana (TPCA)	\$29.938	+0.51	15.5	21.7
Golden Nugget	\$18.269	-3.24	13.8	15.4
Bally's AC (CZR)	\$16.655	-6.48	13.2	17.2
Resorts	\$15.797	-11.24	11.1	14.3
Borgata (MGM)	\$60.509	-13.50	18.6	16.4
Harrah's (CZR)	\$27.05	-13.71	13.8	20.9
Caesars (CZR)	\$22.912	-23.21	18.4	15.5
Hard Rock	\$25.919	N/A	0.0	14.6
Ocean	\$14.913	N/A	0.0	9.3
Land-based total	\$231.963	+7.68	-	-
Same store	\$191.13	-11.27	-	-

OPERATOR	REVENUE (M)	% CHANGE	SHARE %	PARTNER
Golden Nugget	\$9.284	+62.57	36.1	PPB, GAN, NYX
Caesars (CZR)	\$4.160	+21.53	16.2	888, NYX
Borgata (MGM)	\$4.564	+7.63	17.7	GVC, Pala
Tropicana (TPCA)	\$3.343	-2.49	13.0	Gamesys
Resorts Digital	\$3.43	-4.46	13.3	NYX, TSG
Hard Rock	\$0.649	N/A	2.5	Gaming
Ocean	\$0.324	N/A	1.3	GAN
iGaming Total	\$25.752	+26.29	-	-
Same Store	\$24.780	+21.52	-	-
Casino	\$24.142	+30.57	-	-
Poker	\$1.610	-15.36	-	-



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***Following Evolution Gaming's win at the Global Gaming Awards Las Vegas with its Lightning Roulette product, Haushalter tells Gambling Insider what else is in the pipeline***



**You recently won the Global Gaming Award for Product Innovation of the Year for Lightning Roulette. Why do you think the product was received so well and what are the chances you could compete for the Award again next year?**

It was time for a game like Lightning Roulette to emerge. Everything in 2018 is getting more intense as attention spans shorten, entertainment options are more abundant and even music has more beats per minute. So when we added random multipliers that pay up to 500x to the most popular table game in Europe, wrapping it all in the theme of something that looks like Frankenstein's lab, it seemed like this was the time for such a game.

**Which new products are in the pipeline? What makes these products stand out?**

We have never had more games in the pipeline than we do right now. It is an incredible time for Evolution

and we are going to be unveiling all of it at ICE in February. Last year, we launched Dream Catcher, which is sort of a gameshow with the chance to make big money and this became a runaway success, and won Digital Product of the Year at last year's Global Gaming Awards. We followed that with Lightning Roulette earlier this year as you mentioned, which has also been a runaway success. Operators have told us these are two of the top 10 games in all of online that have been released in the last decade, as measured by gross gaming revenue. For this reason, we are seriously going to expand this space of highly entertaining gameshow style games with the potential to win very big. You can expect us to bring big brands to the live casino space that nobody would have expected, and I think it is also high time to introduce some dice games. We all love dice, yet there are no fun dice games online. This is about all I can tell you for now, and it is more than I usually share publicly.

**What do you see as being the next step for live casino? How can the product evolve?**

It is going to be highly entertaining games that are almost like TV shows that you can gamble along with at home. We think of Netflix, YouTube and video games as our competition, so we are bringing games that are equally entertaining.

**What are the chances you will expand to more verticals in the future?**

I will first say that you don't need to be in slots to get slot players – you can offer them something compelling in live instead. The reason to enter a new vertical is to grow the company by getting more players. I think if we do our job right, we can get different types of players to come to live casino and we are seeing that already. But, if we have some good ideas that we think players will love in another vertical, then anything is possible. In fact, we are on the eve of launching a suite of RNG table games with a new twist that we think players will love.

**Product-wise, what are Evolution Gaming's targets for the next five years?**

It is simply to offer all different types of players, in every market, games they will love. This is what our partners ask of us and there are over 5,000 of us working really hard to achieve this and delight players everywhere.

## GUEST COLUMNIST



**WENDY ZITZMAN**  
COO, PLAYPEARLS

*Zitzman explains how the industry can improve customer relationships and public image*

The online gaming industry has undergone many, many changes in recent years. Technological advancements in several fields, combined with increasingly strict regulatory frameworks, have created an environment where companies have to adapt and innovate to stay in the running.

As an industry, we can also no longer consider ourselves as being a start-up industry. One of the questions we must ask now is whether or not a new concept or product is feeding into a saturated market – is there room for one more platform, one more game-studio, one more operator?

At Playpearls, we believe that the answer to that question must be a resounding no. A novel approach to the entire concept of the online casino supported by a dedicated creative team allows a new business to establish itself – and if done well – distinguish itself with fresh ideas.

Drawing inspiration from the online gaming community, wrapped up in beautifully crafted retro-package, we tell

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*“One of the questions we must ask now is whether or not a new concept or product is feeding into a saturated market – is there room for one more platform, one more game-studio, one more operator”*

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stories and make legends. The social casino is a great way to bring the fun back into slots – players can play, compete and chat in a friendly, exciting and safe environment.

The ongoing regulatory adjustments could well be considered detrimental, but we believe it is all in how you approach it. As a business, compliance by design has become a necessary component in any new process, product or methodology.

Both the existing, more traditional customer base and the new-gen players are more informed and knowledgeable than ever before. Once a business accepts and incorporates these two factors, both can be turned into advantages for the bottom line.

By including your players in the conversation, you are answering the basic requirement of establishing that personal connection. The human factor is an increasingly critical element in any decision – product, marketing, customer service – and of course – reputational. We are seeing a trend in which the online gaming industry is no longer on the fringes of society and only seen in the news when there is a fine, or court ruling.

Positive press around innovation and commercial acquisitions is on the rise, and in large part, this must be credited to the users. In the age of social media, what users think, and how they feel about your product, can make or break a business. That being said, we believe more can and should be done on the reputational front, and in particular on the issue of social responsibility.

It is therefore with all these factors in mind that we have decided to create The Grand Charity Clash in cooperation with SiGMA.

Taking social casino a step further, companies in the online gaming industry are invited to register their Clans to compete in an all-out 28-day battle culminating in The Final Showdown – where the top nine teams will duke it out during the three days of SiGMA.

All proceeds from this tournament will form a part of the contribution to the President’s Community Chest Fund – supporting responsible gambling among other things.

Meet Bloody Mary, Freya, John – and of course Rex – along with all the other characters that populate our universe. Play in a social environment with colleagues and friends. And of course, compete and secure the bragging rights, all while supporting causes integral to the health and ongoing success of our shared industry.

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