

Exodus: High-Rollers Leave UK As AML Measures Bite

9TH APR 2019 | WRITTEN BY: SCOTT LONGLEY

The downturn in high-end London casino play caused by more intrusive identity and source-of-funds checks is likely to be mirrored by a migration of UK online high-rollers towards offshore operators as the Gambling Commission's enforcement drive intensifies.

Evidence of the effect of stricter enforcement on anti-money laundering (AML) and know your customer (KYC) requirements on more valuable punters is already evident in the UK land-based casino sector.

According to the latest statistics from the Gambling Commission, high-end London casino table game drop fell 28 percent for the year to January 2019, from £2.46bn to £1.176bn, while total win was down 43 percent to £147m.

Now sources suggest the same degree of intrusiveness online is causing an exodus of a market-savvy and potentially geographically-mobile cohort of UK punters.

This would effectively deprive UK operators of their most valuable customers and might prompt some organisations to try and keep that group within their own corporate structure, potentially outside the UK's gambling regime.

The loss of UK high-rollers could be "the by-product of the last four years' regulatory crackdown by the Gambling Commission in pursuit of its stated ambition to be the 'most respected gambling regulator in the world'", said David Clifton, from legal consultancy Clifton Davies.

In June last year the Gambling Commission [published](#) its latest raft of recommendations for raising standards, which included further guidance for "health checks" on AML and other issues.

If the net result of these actions is UK consumers seeking to port their punting activities offshore, it should be a "matter of concern" for the commission, said Dan Waugh, a partner at gambling industry consultancy Regulus Partners.

"In the first instance it is a matter for enforcement," he said. "The remote industry has cried wolf about regulation and taxation creating a black market in the past; and this may pose issues to the credibility of arguments now.

"The risk that a change to regulation may result in leakage to unlicensed sites is not in itself a compelling reason not to make the change. However, it ought to lead to heightened expectations in terms of enforcement if policy is to prove both fair and effective."

Sources suggest that any high-rollers fleeing the strictures of the UK would likely find willing homes offshore.

Two people with knowledge of the US offshore scene suggested operators such as Pinnacle, Bovada, BetOnline, 5Dimes and BetCRIS might already be benefitting, at a point in time when their traditional business is being squeezed by regulatory developments closer to home.

"I would not be at all surprised to see one or more of them attack the UK market," said one experienced industry figure who asked not to be named. "It will not be straightforward for them; they will need to tweak their sports offering for example.

"But they do know how to market effectively when normal channels are not available and, of course, they know how to do the payments in an environment where offshore gambling payments are supposed to be blocked."

Keith McDonnell, a consultant with KMI Gaming, suggested that Asia might be another route where the bigger sportsbooks are "betting to tight margins, supported by huge liquidity to sustain a large bet without flinching".

"High-rollers won't need a glossy front-end to attract their business," he added. "If value is offered, they will find it. And yes, I do believe the potential is there, it's happening now."

A leakage of profitable custom will clearly be a source of angst among UK-licensed entities.

The last time the industry suffered such a blow was at the turn of the millennium, when operators such as Sportingbet (now part of GVC), Surrey Sports (subsequently bought by Sky Bet) and Victor Chandler (now BetVictor) made the initial move offshore to Alderney and Gibraltar to bypass UK gambling taxes.

Although sources point out the two situations are not exactly analogous, it evidences the portability of big-spending customers. "I think those who are now at the commission could easily have missed how portable this industry can become if there are competitive advantages to betting with offshore operators," said the industry figure.

Even more concerning for the regulator are industry rumours of more than one UK-licensed entity looking at setting up offshore

operations with the sole target of mopping up migrating UK high-rollers.

“This will increase in my opinion,” said the industry figure.

McDonnell said that UK operators would “definitely be worried” about losing their most valuable players to offshore entities.

“Whether they follow them or not depends on a number of factors such as company structure (listed or private), risk appetite, how reliant they are on that business and strength of network overseas,” he added. “If ticks go in the right boxes on all these questions they will, for sure, find a way to keep that business.”

Clearly, should any such moves come to light the operator in question would find themselves in hot water with the UK.

“Logically, if a British licensee sought to capture British consumers via an unlicensed site, its status as a British licensee would be fairly short-lived,” said Waugh.

TOPICS

Compliance And Risk

Licence Conditions (Including Breaches)

Anti-Money Laundering

GEOGRAPHY

United Kingdom

Europe

United States

North America

Asia/Pacific

SECTORS

Online Gambling

Online Betting

Online Casino

Land-Based Gambling

Casinos

CONTENT

Market Analysis

IN FOCUS

UK Regulatory Pressure
