# News

## UK regulator shows gladitorial muscle with Caesars

**UK** SOCIAL RESPONSIBILITY

**Caesars Entertainment has been ordered to pay a £13m regulatory settlement following a Gambling Commission investigation into its UK casinos.**

**The operator is accused of "systematic failings", including ignoring poor practices with VIP management and a lack of anti-money laundering (AML) checks.**

**The failings all involve customers who spent beyond their means, or had tried to self-exclude in the past. One lost £240,000 over a 13-month period, but had previously self-excluded, while another lost £323,000 in a 12-month period had displayed "signs of problem gambling." Another self-employed nanny lost £18,000 in a year, stating she had to source funds from family and an overdraft facility, while a retired postman lost £15,000 in 44 days.**

**Caesars is also accused of not carrying out adequate source of funds checks on £3.5m, with £1.6m in losses coming from a single customer over a three month span. Another customer was not subjected to customer due diligence (CDD) and lost £240,000 over a 13-month period. One woman, who identified as a waitress, gambled £87,000 and lost £15,000 during a 12-month period and another customer, a politically exposed person (PEP) lost £795,000 during a 13-month period, but Caesars did not look into where he got the funds.**

**"We have published this case at this time because it's vitally important that the lessons are factored into the work the industry is currently doing to address poor practices of VIP management in which we must see rapid progress made," said Neil McArthur, CEO of the Gambling Commission. "The failings in this case are extremely serious. A culture of putting customer safety at the heart of business decisions should be set from the very top of every company and Caesars failed to do this. We will now continue to investigate the individual licence holders involved with the decisions taken in this case."**

**All £13m from the case, which has seen three senior managers depart the company and surrender their personal licences, will be directed towards delivering the National Strategy to Reduce Gambling Harms.**

One hand giveth

## State interventions pose mixed blessings for gaming firms

**UK** INDUSTRY

Unprecedented stimulus packages have assured consumer demand remains buoyant through the coronavirus pandemic. This bodes well for online firms while workers are stuck at home, and promises to kick start retail activity once they're not. Which businesses survive to enjoy this outpouring, however, may yet depend on the whim of the state. **Britain's chancellor of the exchequer** gave a hint of what that might entail, but then Covid-19 struck...

Britain is at war, or so the economy would suggest. Supply has been temporarily curtailed due to interrupted trade and the conscription of huge swathes of the workforce. Although unlike war, workers are being conscripted to simply stay at home - and for the most part paid handsomely to do so.

Brick-and-mortar businesses have been cut off from their workers and customers - leaving many at the whim of government bailouts - while online providers have their picking of a restless consumer pool with little else to spend their money on but food.

This curious economic paradigm is the result of unprecedented curfews, designed to slow down the spread of a coronavirus, coupled with one of the largest state interventions in British history to prevent a subsequent economic collapse.

In the UK, the chancellor Rishi Sunak (pictured) has assured business will be supported via £330bn made available through grants, loans and other forms of relief. While any firms forced to close can apply for the state to guarantee 80 percent of their workers wages up to a generous £2,500 a month. This was later extended to the self-employed.

Both the US and the eurozone have announced commensurate injections ($2trn and $750bn respectively) - with potentially more to be announced.

For UK gambling this may be a double-edged sword. On the one hand,, shoring up wages the government's interventions have ensured a market online, which not only means continued revenues throughout the crisis. But also that online customers can quickly switch back to betting (on or offline) once sports resume.

Wariwck Bartlett, chief executive of Global Betting and Gaming Consultants, drew a comparison with the big freeze of 1979, when the industry lost almost all sport for 10 weeks.

"Gambling fell out of peoples normal behaviour, but today is different because of internet gambling; gaming is available but the driver, sports betting is not. Punters today are astute and when racing and football resume they will want the form of both

## inBRIEF

### H2: GLOBAL GGY TO FALL 11 PERCENT

*WORLD*

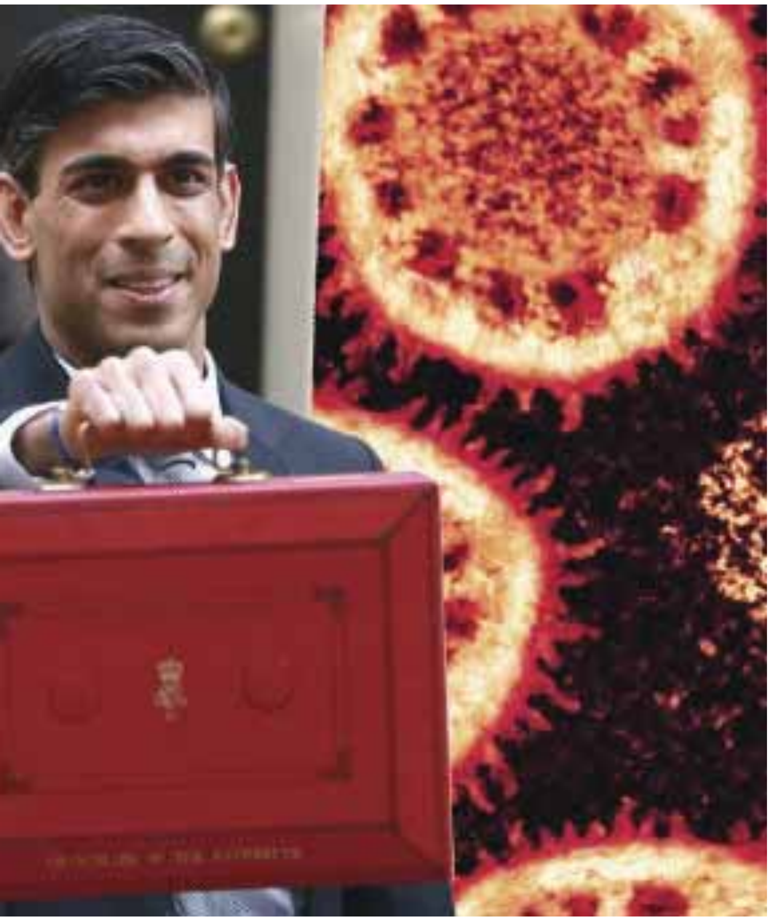
Global gambling revenues are set to drop by 11 percent in 2020, according to data from H2 Gambling Capital - due to widespread retail closures and a suspension of sports. Online gambling is expected to see an increase in activity, lifting its share from 13.2 to 15.7 percent. However with bookmakers' mainstays (including the Euro Championships, the English Premier League, Spain's la Liga, Germany's Bundesliga, and most horse racing) volume will be affected across the board. "It's sad that so many iconic sporting events are being cancelled or suspended and it will obviously have a negative impact on our sector,"

said Maarten Haijer, EGBA, whose members generate 44 percent of sales from sports betting. "But the safety and health of the public is obviously more important."

### REGULATORS WARN AGAINST COVID-19 MARKETING

*EUROPE*

European regulators have warned licensees against exploitative marketing practices during the coronavirus pandemic. The Malta Gaming Authority has issued a statement to firms reminding them that the crisis is likely to be distressing to many consumers, and any marketing that makes reference to it explicitly or implicitly would be considered a violation of regulations. The Dutch regulator also warned firms not to mention the virus in messaging, setting a minimum E50,000 fine for anyone that does. Amid a noted rise in RNG games, such as online slots and virtual sports, the UK regulator has requested firms to maintain the highest standards of consumer protection while their customers are stuck at home. "If we see irresponsible behaviour we will step in immediately," said UKGC boss, Neil McArthur.



to settle down before betting to their normal stakes," Bartlett explained.

Interestingly he recalls that the winter break "did not suit Liverpool as well as it did for other clubs.

"They seemed to lose their coordination so I expect when racing and football returns we will see some haphazard results which will be good for bookmakers' margins."

In the meantime however, efforts to exploit online channels and RNG games to mitigate losses will rub up against their regulatory limit. The Gambling Commission has already issued a detailed warning to firms that might assume a relaxing of oversight in how they push their products or monitor risky behaviour.

"It doesn't need a complex SWOT analysis to appreciate that opportunity could quickly turn to threat, in the shape of regulatory enforcement action," said David Clifton, licensing expert and director at Clifton Davies Consultancy. "New customers must be onboarded responsibly," while "affordability checks and customer interac-

**The end of the industry as we know it?**

**"The longer the present emergency goes on, the less likely we are to see restoration of the status quo ante. The government may not feel the need to put things back as they were before."**

more important" (see page 4).

In today's anti-gambling climate (and with so much resting on state support) the industry cannot afford to put a foot wrong. Emergency regulation to prevent harmful behaviour is already being proposed by the parliamentary group for gambling-related harm in the form of a blanket £50 per day betting limit.

Bartlett described the £50 cap as a "figure no doubt plucked from thin air without any research" - but nevertheless one that could be introduced, if online activity spikes, or even become built into conditions upon which interest-free loans and grants might be given.

"I think there is every likelihood that taking money from the government will at some point have conditions attached to it," he added. Yet there's no assurance such emergency limits (already craved by some) would not endure once life goes back to normal and all debts are settled.

Furthermore, the tense week in which UK gambling was temporarily carved out of the leisure sector (and therefore uniquely ineligible for business rate relief) is indicative of the state's proclivity to hand-pick the recipients of aid - which itself could shape the future of the market.

Dan Waugh of Regulus Partners cast similar aspersions: months of relying on state intervention could spell "the end of the industry as we know it."

"The longer the present emergency goes on, the less likely we are to see restoration of the status quo ante," Waugh considered. "The government may not feel the need to put things back as they were before."

# US casinos appeal for financial support

**US** CASINOS

**The American Gaming Association is proactively lobbying for financial relief through the covid criss, revealing that every one of the country's 465 commercial casinos is now closed, as well as 97 percent of the tribal sector.**

**While 616,000 Americans are directly employed by the gambling industry - accounting for $74bn in total annual wages - the AGA says at least that number again are employed in supportive sectors such as construction, manufacturing, retail, and restaurants, which also rely on gaming.**

**"We support swift government action to protect the health and safety of American communities," the AGA explained. "But equally urgent action is needed to mitigate the dire impact these closures will have on hundreds of thousands of US casino employees and the businesses that employ them."**

**The group estimates that if casinos close for even two months, theUS would suffer a $43.5bn hit to consumer spending**

**"We need to ensure casino and resort staff and businesses weather the current storm and come through it as the reliable economic driver, job creator, and community partner they are in cities and states across our nation."**

**According to Michael Soll, president of the Innovation Group, common misconceptions may stand in the way of the industry garnering support. "Gaming can often be disaggregated from lodging and leisure in general, because it's considered to have a thicker margin," Soll said. "We all know this is erroneous but the general public does not understand that our margins are no fatter because we have high margins only before tax."**

## BUSINESS RATE RELIEF EXPANDED TO GAMING FIRMS

*UK*

High street bookmakers have been thrown a vital lifeline, with the chancellor Rishi Sunak announcing they are now eligible for business rate relief.
The original policy, announced mid-March, stated that all leisure and hospitality sectors would

qualify for a business rate holiday. However this did not at first include gambling, despite all retail firms being ordered to close. After pressure from the Betting and Gaming Council the exemption was dropped. "On top of the help on employment, extending help on business rates to all businesses that have had to shut down is another much-needed shot in the arm that will help to protect tens of thousands of jobs," said BGC chief exec, Michael Dugher. Bookmakers are also eligible for 12-month interest free loans and a deferral of VAT payments.

## WASHINGTON GOVERNOR APPROVES TRIBAL BETTING

*NORTH AMERICA*

Twenty-nine Washington tribes will now be able to offer sports betting after the governor Jay Inslee signed a limited expansion package into law. Washington becomes the 21st state where sports betting is either taking place or awaiting launch. The decision to give tribes exclusivity came despite heavy lobbying from the commercial sector, and strong opposition from some lawmakers and the state's card rooms. Maverick CEO Eric Persson, who backed a rival bill to allow card rooms to take wagers, said he would block the law with litigation. Given the relative immaturity of the card room sector, compared to tribes who have been operating sustainably for three decades, many doubt the merits of a legal challenge.Card rooms say sports betting would enable them to invest $30m into the state.


# Online opportunity could quickly turn to threat, analysts warn

UK ONLINE GAMBLING

**UK industry analysts cannot stress enough: operators must maintain the highest levels of vigilance through the coming months - or risk an unthinkable regulatory backlash.**

**DAVID MCLEISH**
PARTNER, WIGGIN

The corona virus lockdown presents a number of challenges to gambling operators. Regulators, including the Gambling Commission of Great Britain, have been quick to point out that they will not accept any dilution of regulatory standards by virtue of the crisis and compliance and consumer protection must remain at the heart of business operations. Operators should pay keen attention to:

- Ensuring that business continuity and/or cost cutting measures do not undermine the ability of the operator to comply with its regulatory responsibilities.
- Checking that appropriate regulatory licences are held in order to offer alternative products in light of limited sports betting events.
- Exercising particular caution having regard to the potential increased risk of customers experiencing problem gambling and mental health concerns arising from isolation and ensuring SR interactions take place where appropriate.
- The need to refresh financial information held in relation to certain customers given the negative economic consequences of the Coronavirus generally.
- Ensuring that advertising materials (including those published by marketing affiliates) do not seek to exploit the current situation in a manner which is inconsistent with the guidelines or the overall spirit of advertising regulation.

The media, politicians and the regulators are watching the industry with great interest and now is not the time to drop the ball. Reputational damage and swift enforcement action will face those who do.

**DAVID CLIFTON**
FOUNDER, CLIFTON DAVIES CONSULTANCY

Whilst cancellation of sporting events has been a catastrophe for the betting sector, the opportunity to convert customers to virtual sports and casino games has been quickly exploited. Playtech's reports of an online poker and bingo resurgence may be partly explained by customers of land-based gambling premises (all of which have been subject to enforced closure since 21 March) looking for an online alternative.

With the potential for many customers to be engaging with new online gambling experiences, the disrupted income flow for many people and the Gambling-Related Harm APPG's call for a £50 daily gambling limit for all customers, it is vital that UK-licensed operators pay heed to the UKGC's "Guidance in light of COVID-19 outbreak". It doesn't need a complex SWOT analysis to appreciate that opportunity could quickly turn to threat, in the shape of regulatory enforcement action. New customers must be onboarded responsibly. Affordability checks and customer interactions have become even more important and should be refreshed regularly. A very careful eye also needs to be kept on the marketing techniques and practices of both operators and their affiliates to ensure that perceived opportunities arising from the coronavirus crisis are not exploited in a socially irresponsible manner.

**PAUL LEYLAND**
FOUNDER, REGULUS PARTNERS

The risk here is three-fold: that consumers potentially rendered more vulnerable by necessary policies of social distancing and isolation experience gambling harms (or experience other mental health issues that are blamed on gambling); that some operators demonstrate insensitivity to this risk (or incur allegations of avarice and profiteering); and that the powerful anti-gambling lobby (whose attentions have not abated) is now able to focus all its energies in one place (and at the same time condemn an entire industry for the failings of some). Despite it being well-flagged (by ourselves and the Gambling Commission among others), there are already signs that some affiliate operators have walked straight into this trap.

Some parliamentarians are calling for caps on online play during the period of emergency - and while this really should not be anywhere near the top of the Government's concerns - the pressure seems unlikely to go away. This should be taken seriously. As the Government has demonstrated repeatedly, extreme times call for extreme measures and policies that would be unthinkable in normal circumstances (e.g. online limits, online curfews) become quite easy when the heat is on. Meanwhile, those businesses who are perceived to be doing well in this period (particularly those who court controversy) may make themselves attractive targets for the programme of revenue raising that finance ministries will already be planning.