



To: Submission to Westminster eForum' remote gambling seminar transcript

Financial security of remote gaming operations

As highlighted during the seminar by the many senior representatives of the remote gaming gambling industry, we all (GamSure included) fully support the UK government's gambling bill in its aim to update the much-needed legal and regulatory aspect of the remote gambling industry in UK.

We fully support the three target areas as proposed in Safe Bet for Success, and now within the draft gambling bills, namely: keeping crime out, social responsibility and protecting children.

By regulating the gaming operators and licensing personnel who operates gaming operations (both face to face and online), we feel that we must learn from the experiences of failure of Sporting Options in November 2004. It is important, therefore, to implement some form of financial security products to protect players' money in such a way that is not overtly a burden on the gaming operators' cash flow.

We must also be aware of the experience of the offshore remote gambling jurisdiction Isle of Man, when their once strict regulations (e.g. the requirement of a 2 million pounds bond) drove all the online casinos to relocate to other domiciles back in 2003. Unsurprisingly, it has however now adopted a more balanced approach but with an aim of provide equal protection.

The challenge of the remote gambling industry is that even for cash flow positive gaming operators, there is not a flexible and affordable bond guarantee product to enable them to provide a transparent, ubiquitous and easily understood financial protection concept to their consumers.

Thinking outside of the box, some gaming operators already put together some fixed liability bonds (e.g. 10 million pounds) to support their operations, but due to the limited number of them around, there is no clear transparency as to how one could be sure that the bond in place will be able to cover the outstanding liability of an operation. Also, what are the terms of such a 'bond'?

Some may argue that using ring-fencing to protect the clients deposit is an easily understood method. Indeed, this maybe the case, but in the majority of situations, the consumers will prefer to recover their winnings rather than just their deposit!

That is the reason why an industry-wide bond guarantee product, similar to the ATOL and ABTA from the air travel industry may be of use in this scenario. Products can cover the variable liability of each gaming operator, and it reaps rewards for the whole industry, as it is a blanket product and easy to understand from the worldwide consumers' point of view.

GamSure would like to argue that ring-fencing clients' fund and bond guarantee are indeed complementary, and should not be considered mutually exclusive. In certain



circumstances, GamSure may prefer to bond companies with already ring-fencing in place.

We would like the UK government and the future gambling commission to recognise that a bond guarantee is an equivalent way of protecting and ensuring the players' liability of gaming operations would be adequately protected and act as an option to ring fencing.

Of course, this would depend on the transparency and adequacy of the bond guarantees when it is established. GamSure, as the pioneering and only operator within this field, welcomes opportunities to work with the UK government in developing the right product to suits the need of the UK and the rest of the world's remote gaming gambling market.

Best regards

Gareth Wong

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