iGAMING
BUSINESS
NORTH AMERICA

ISSUE 22 DECEMBER 2015/JANUARY 2016

PLUS:

Lessons from the Santa Ysabel Tribe's bet on internet bingo

Platform duel: web vs. mobile in social casino

Beyond the event horizon: legal risks for DFS

THE TECH TRINITY
HOW THREE PROVIDERS HELPED SECURE THE FUTURE OF US IGAMING

THE TECH TRINITY

The roles played by politicians, lobbyists, regulators and operators in bringing iGaming to New Jersey have been well documented. Largely overlooked however has been the work of the service providers whose close cooperation not only provided the basis for demonstrably safe and secure iGaming in New Jersey, but also proved pivotal in changing the policies of the issuing banks and payment networks towards the sector, thus ensuring the continued growth of the market. We spoke to **Joe Pappano**, MD of Vantiv Gaming Solutions, **Anna Sainsbury**, CEO of GeoComply, and **Kirk Sanford**, CEO of Sightline Payments, about the partnership and their ongoing battle to counter the misinformation and misconceptions still surrounding US iGaming.

It is unusual to focus on suppliers as the ones actively helping to open markets and drive growth, but in the case of the US iGaming sector that is what the three of you have done. How did the partnership come about?

Joe Pappano: We were very natural partners with a similar vision of where payments could take the gaming industry. Years before New Jersey, Delaware and Nevada opened, Anna and I discussed the crucial role geolocation would play in online gaming in the US. Right from those early collaborations we knew we wanted to work with likeminded individuals from companies like GeoComply and Sightline. Ultimately every company involved in this process has a defined role in helping key stakeholders to understand the issues that must be addressed in order to ensure a safe, secure payment process.

It's also highly unusual for service providers in a competitive marketplace to cooperate and collaborate in this way. How does this work in practice?

Joe Pappano: It's all about recognizing the the expertise necessary to help make our clients successful. We knew that in order to reverse the negative impression many had of iGaming, we had to surround ourselves with partners who were interested in putting the client first. We needed partners like Sightline and GeoComply to stand with us shoulder-to-shoulder as we sought to demonstrate the reality that what is happening now in New Jersey, Delaware and Nevada is a very different proposition to what had been declared illegal under 2006's UIGEA.

So we, as a team, have been on the road giving workshops and seminars throughout 2014 and 2015 with key stakeholders in the payments industry. When they saw the technology and data-transparency that is being deployed in the market, the reaction was very positive. The reality is that the US iGaming industry has lower levels of fraud than many traditional industries like ecommerce retail. This is a direct result of our efforts to educate all the key stakeholders in the ecosystem including the regulators, card networks, providers and technology partners, to create an environment where the operators know their customers very well, know where they are located, know they are of age and can make it easy for them to enjoy gaming in a safe, secure payments environment.

Kirk Sanford: Gaming vendors are competitive, no different than vendors in any market. That said, there is a history in gaming in the US where competitors work together to better the industry and move it forward. A prime example of this is the nearly ubiquitous TITO technology that went from virtually non-existent to everywhere in about six years. Recognizing the need for such cooperation in the nascent iGaming space, from a practical standpoint, not only do we work closely with our valued partners from Vantiv and GeoComply, but numerous other third party vendors, and many of these vendors have recognized the need

> *"My perception is that there is a smaller and smaller audience for the narrative that online gambling carries greater risk and is less regulated than offline. I believe 100% that all the data points are now out there to prove that online gambling is safe."*
>
> Anna Sainsbury, GeoComply

"eSports, social gaming, DFS and lotteries are in many ways interlinked with real-money iGaming. If standards are not maintained across all of these, then the good, pioneering hard work on KYC, geolocation, social responsibility undertaken in NJ, NV and DE, could be lost."

Joe Pappano, Vantiv

for such cooperation and are formulating relationships between themselves. The goal is to establish a safe, secure, and reliable ecosystem which proves to gaming patrons, gaming and financial services regulators, and any other interested parties, that iGaming can and does work.

Anna Sainsbury: I think you do have to have some sympathy for the banks in that after UIGEA, much against their will, they were installed as the de facto regulator for federal iGaming, by making them criminally responsible for ensuring that the transactions only occurred within the borders of US states where they were legal. The DoJ's letter of December 2011, which paved the way for the legalization of iGaming in the US, also only did so with the proviso that in order for a site to be legal it needs adequate geolocation, but that if it does not have this, it's the payment provider as well as the gaming operator who is criminally liable.

So, naturally there was a lot of skittishness among the banks towards iGaming at first, and lacking the necessary confidence, they just blocked the 7995 transactions. Vantiv and Sightline recognized that right from the

outset though and reached out to us to assist in their communications program and we were happy to help. We all gain if the players can easily and safely get money in and out, so this is a pretty natural alliance.

Joe Pappano: The three states that now allow legal online gaming have become examples for others to follow. Their regulatory environments allow providers to be successful by protecting consumers while keeping play enjoyable and accessible. The results thus far are irrefutable; iGaming, albeit on a smaller scale, is a success due to the framework and "bulletproof" infrastructure enacted and consistently reviewed by the various gaming regulators. They expect perfection, which protects the integrity of the industry. Those who said they were against online gambling based on the premise that this was an unsafe industry now struggle to defend those claims when the facts so clearly indicate the opposite. Financial institutions, and other participants in the movement of a transaction, now have a deeper appreciation for the layers of security that are in place to protect both the consumer and the integrity of the transaction.

We are now seeing a growing comfort level among issuing banks regarding acceptance of iGaming deposits based on our combined efforts.

Kirk Sanford: I would totally agree with that. Based on my 20+ years in the offline world, I can tell you with absolute certainty that fraud for bricks and mortar is so much harder to spot and block than in the online spaces. There are tools for online gaming that simply do not exist in the offline space, so the arguments that online is more open to fraud, money-laundering, under age etc. are just not backed up by the facts.

What have been the major technical challenges you have had to face in implementing this protective environment for players in New Jersey?

Joe Pappano: It was not easy to piece together and ensure a sustainable infrastructure all of the technologies necessary to enable payments acceptance for iGaming. Many in the payments industry feared that there would be a great deal of fraud from iGaming after the market opened. Just the opposite has happened; thanks to the competencies of each integrated technology partner we can deliver incredible granularity of the data that is surgically pieced together and shared with providers in real-time. If you consider the richness of what is available to authenticate a transaction from today's US iGaming industry compared to a cash transaction; it is amazing. We understand and can communicate a wealth of information about the player's identity, their device and location, what funds were deposited or withdrawn and by whom and

much more. Having this compelling evidence with that level of transparency and security, it has been possible to transform the worst fears that existed among the banks and payment networks and slowly to bring more of them to support real-money iGaming.

Anna Sainsbury: Indeed, now we have the capability to block one player not just from one brand, but across all their accounts with operators in their State.

Kirk Sanford: That capability has proved very helpful and is a good example of the tools that we have in the online space which are not in the offline space. We have used it several times when we see at-risk

> ## "No matter how much we can achieve from our communication program with regulators on the reality of iGaming, it helps when they hear it from other regulators too. It's been great that the DGE has been willing and able to enable that."
> Kirk Sanford, Sightline

transactions and then extend our protection for that player across the other brands pro-actively. Further echoing what Joe said, there is an enormous amount of data available in the online world. The reality is that in the traditional gaming ecosystem a patron has the ability to play, up to certain dollar thresholds, anonymously. However, in the iGaming world, not even a single dollar cannot be wagered anonymously. This is extremely powerful.

The iGaming industry has arguably

been engaged in a battle of information vs misinformation since Sheldon Adelson formed his Coalition To Stop Internet Gambling last year. Do you think we have reached the tipping point in terms of exposing the flawed arguments put forward by CSIG and proponents of RAWA, that online gambling is less safe than its bricks 'n' mortar counterpart?

Anna Sainsbury: There is a battle to be sure, but it is really between the myth that online represents higher risk and lower compliance versus the fact that there is probably no gambling that happens anywhere in the world that is more secure than online gambling in the US today. We need to

counter the misinformation and get in front of the key stakeholders in the political process, as well as the media, to show them what protections are in place today. As an industry, I think we have come together well to do that, and my perception is that there is a smaller and smaller audience for the narrative that online gambling carries greater risk and is less regulated than offline. I believe 100% that all the data points are now out there to prove that online gambling is safe. As an industry, we need to communicate these points clearly and consistently, as well

as the fact we maintain these standards across the whole of the US.

Joe Pappano: One of the dangers is that there could be a blurring of standards across the different channels. These are seen by the payments industry (and the players) as the same, but they are actually all differently regulated. eSports, social gaming, DFS and lotteries are in many ways interlinked with real-money iGaming. If standards are not maintained across all of these, then the good, pioneering hard work on KYC, geolocation, social responsibility undertaken in NJ, NV and DE, could be lost because issuing banks and the payment networks may not see the difference between DFS and real-money iGaming. So, one weak link in the chain from a vertical parallel to real-money iGaming could trigger negative sentiment across the whole payments industry, and things could take a turn for the worse. In terms of the other sectors such as DFS, lottery and social gaming, we currently see a real patchwork of commitment to the framework that we know is keeping us safe in NJ, NV and DE. While it is true that some of these channels and business models are not as clearly regulated as online gaming, they should be embracing the same framework on a self-regulated basis before someone from the outside comes in highlighting all the perceived risks in these sectors and demanding prohibition or even more stringent regulation than we have seen in NJ and the other states.

The new MCCs for gambling have been in place for more than six months now. What impact are you seeing from these, in combination with your wider program of communication to the banks?

Joe Pappano: Pre-April of this year, we were seeing less than 60% approval rates. Post the introduction of the new codes, while there is still a process required by the institutions to update their policies and procedures in order to be able to implement these changes, we are already seeing real positive momentum, with well over 150 banks now accepting transactions for online gambling that previously did not. Several very large regional banks on the East Coast have for the first time reversed their position and started to let their customers deposit with the licensed gaming providers.

This has happened because, with our partners GeoComply and Sightline, we got on the road and went to see these banks and networks, in order to counter their misconceptions and take them through the Tier 1 compliance tools being implemented to keep the transaction and the payment providers compliant. One case in point is Visa, with whom, alongside GeoComply, we entered a dialogue to educate them and, to their credit, they have taken the time to understand the whole ecosystem of online gambling. The rise in successful deposits is directly linked to the progress we have made and to the fact that Visa can now see why this sector is safe and how much technology is being deployed by the likes of GeoComply and Sightline to protect them and the issuing banks.

Kirk Sanford: We have seen similar improvements in the Nevada sports wagering market but also because technology such as ours has been deployed to provide more effective ways for customers to get their money in and out of the sportsbooks. The net result is high customer satisfaction, both from a deposit and withdrawal standpoint.

How have you been getting involved in other states, in terms of getting the message out about the viability, safety and security of intrastate iGaming?
Joe Pappano: We play the role of educator to many regulators around the US to help them understand the impact of payments, consumer protection and overall card acceptance rates in their respective markets. They need to understand what they can do to ensure the gaming regulations align and mesh with the banking industry's own regulations to create a harmony between these two highly regulated sectors. Today, we must all balance the intersection and rapid movement in innovation, accommodating the next generation, various payment methods and gaming regulations coupled with the "instant gratification" experience. Ultimately, our objective is for the new states coming online to be able to benefit from the collective efforts of the industry and and not be sedated into inactivity. The industry is poised for tremendous growth and accommodating an onmi-commerce experience regardless of the point of interaction: mobile, ecommerce, kiosk and card present (brick and mortar).

Anna Sainsbury: On the geolocation side, over the last 12 months we have testified in PA, California, Massachusetts, as well as in DC, to help foster understanding of how fears around States rights can be respected, and I think we have made great progress in sharing the learning from NJ/NC/DE with these legislators. However, the DGE certainly deserves great credit for having dedicated the time and the resources needed to understand the sector prior to its launch in 2013, helping it craft regulations and controls that are proportionate to the industry as it exists today and how it is changing, with the development of new markets and technologies. That experience and knowledge base has also allowed them to respond to requests from other state regulators for help in understanding the reality of how things are being done in NJ, therefore making a significant contribution to raising the overall level of education on iGaming.

Kirk Sanford: That is certainly true, and it is worth pointing out that no matter how much we can achieve from our communication program with regulators on the reality of iGaming, it really helps when they hear it from other regulators too. It's been great that the DGE has been willing and able to enable that. Not only that, the gaming regulators in both NJ and Nevada have taken a great deal of time to better understand payments and innovative payments technologies, which create a better user experience while protecting the integrity of gaming as well as that of payments and banking. As a vendor, a technology provider, and a technology innovator that is interested in the betterment of our industry, anytime a regulator takes the time to dig deep and understand the nuances of what we do, that is greatly valued by us, and it eventually translates into an enhanced product for the end consumer. As regulated by Nevada, New Jersey, and Delaware, iGaming is viable, safe, and secure for the customer to enjoy as part of their myriad of entertainment options. We thank the regulators for being on the vanguard, for creating the ecosystem, and for allowing vendors such as us to prove them right.

How the Vantiv, GeoComply and Sightline cooperation helps protect players and the integrity of gaming in NJ

TECHNOLOGY

Data transparency, KYC, OFAC check, Geolocation and Address Verification

COMPLIANCE

Licensure, registration, and regulatory compliance

EDUCATION

Leverage data to ensure factual understanding of payments complexities

Protecting the Player and Integrity of Gaming