

Europe At The Crossroads: Regional monopolies or regulated competition

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AGENDA



- ***bwin*** Group
- GGO – The Gibraltar Gambling Ordinance
- EC-Treaty
- European Union – Regulation in Practice
- ***bwin*** Defines Standards
- Outlook - Europe At The Crossroads

***bwin* Group - Today**



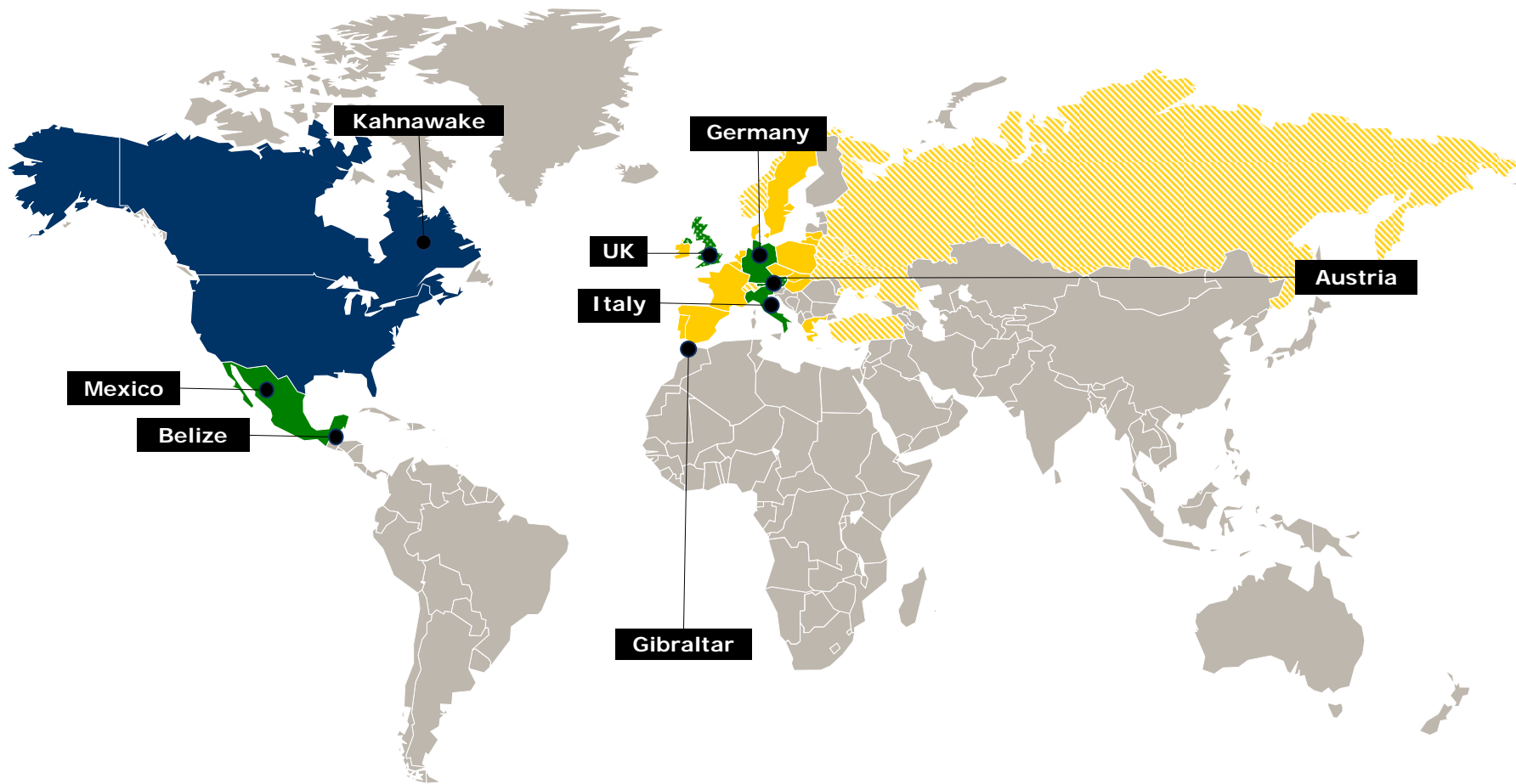
- Leading international online gaming operator and one of the biggest sport sponsors in Europe
- Vertically integrated and geographically diversified
- Licensed in 8 jurisdictions with more than 10 million registered users in over 20 core target markets
- Top of the range proprietary and scalable IT, gaming and security technology

***bwin* Group – Dedicated Team**



- Currently approx. 850* staff with 300 dedicated IT personnel providing solid basis for future growth
- Customer support in 20 different languages with about 180 multilingual agents
- Competence centers in Vienna (A), Stockholm (S) and Gibraltar with local marketing approach in core markets

bwin Group - Regional footprint and licenses



EU license

Kahnawake

active country licenses

inactive country licenses

***bwin* Group – licensed in EU**



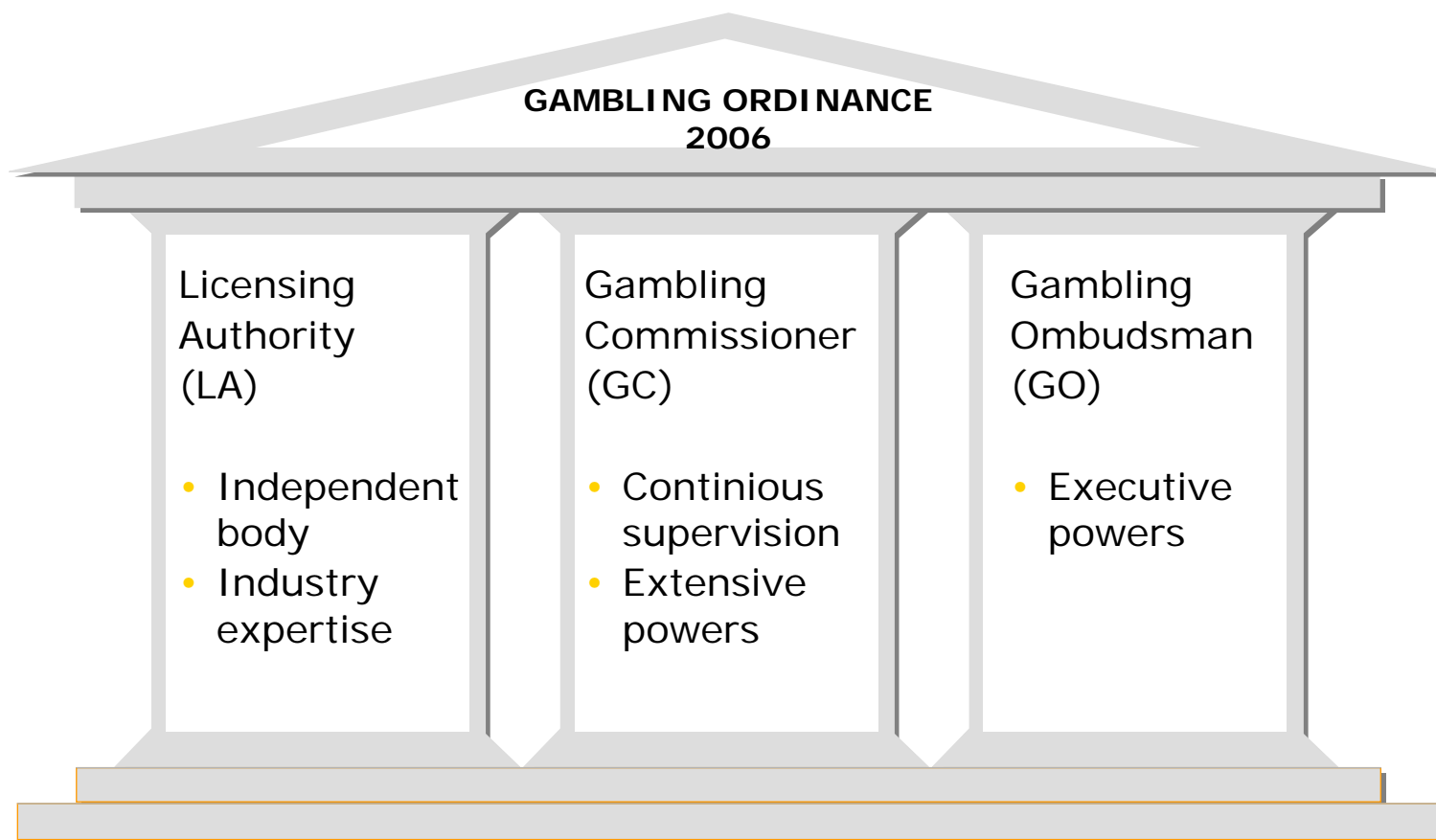
- ***bwin*** holds sports betting and casino licenses issued in Gibraltar
- According to Article 299 paragraph 4 EC Treaty, the Treaty and the respective rules on freedom of establishment (Art. 43) and services (Art. 49) apply to Gibraltar.

As a licensed operator in one EU member State, ***bwin*** shall be entitled to offer its products in all EU Member States.

GGO - Gibraltar Gambling Ordinance



A modern framework along the lines of UK regulation that incorporates technological developments



GGO – A State Of The Art Regulation



Clear regulation of remote gaming activities

- Official certification on integrity of any computer equipment
- Strict regulations on responsible and under age gaming
- Mechanisms to detect money laundering and report them to Financial Intelligence Unit or other law enforcement bodies

Strict controlling procedures implemented

- Access to relevant information of online gaming operators at any time
- Reject any application for gaming licenses without further reasoning

EC Treaty - legal aspects as reconfirmed in Gambelli (I)



The freedom of establishment (Art. 43) and services (Art. 49) apply to gaming services. Monopolies harshly violate these rights

As fundamental European rights can not simply be restricted without proper justifications, the public authorities have to obey to certain pre-defined standards

European Court of Justice applies "Four-part test" to measure whether restrictions of fundamental EU rights are justified

EC Treaty - legal aspects as reconfirmed in Gambelli (II)

Restrictions have to

1. meet an overriding **public interest** objective
2. be **non-discriminatory**
3. be **suitable** for securing the achievement of the objective
4. not go beyond what is **necessary** in order to achieve it

ECJ: „The prevention of gaming addiction and fraud but **not the increase of public revenues** – even for a charitable cause – are overriding public interests.“ (1)

Aggressively advertising a monopoly and constantly introducing new product is in clear contradiction to those principles

EC Treaty - proportionality as reconfirmed in Gambelli (III)

Level of protection is in principle in the Member State's discretion

But: Substantiated analysis required of **suitability and necessity** (standards No 3 and 4) with respect to Art. 49 EC-Treaty

To prevent gaming addiction and fraud (legitimate public interests) there are:

➔ Less restrictive and equally effective methods and means

Disproportionality of monopolies

EU - Regulation in practice

- Laws regulating conventional games of chance are inapplicable to Internet based business models
- In many countries licenses are available to local, state-owned operators only – why?
- Authorities restrict online gaming by trying to unlawfully intimidate providers and their partners

Legislation of many member states of the EU is not in accordance with existing EU regulations and ECJ case law

EU - Uniform and fair basic conditions



- European legal framework should ensure fair and competitive conditions for all market participants
- Maastricht Treaty aimed for EU to strengthen its economic position challenging the US and Asia
- EU's Lisbon strategy: EU to become the world's most competitive and dynamic knowledge-based economic area

Online gaming characterized by technological innovation and high levels of research expenditure

EU – Competitive Strength of Common Liberal Market



- Online gaming industry takes IT leadership role
 - **bwin** second largest ms sql server installation after London Stock Exchange
- European services and brands successful outside EU
 - Top 4 gaming companies are EU- domiciled public companies
 - Telcos, TV, Oil and Gas sectors are examples for competitive strength of a common liberalised market

Monopolies limit European leadership

EU - Experts support regulated market **bwin^{com}**

- ifo Munich: “German monopoly eliminates jobs and hurts economy”

Regulation yields (by 2010)

- 29.000 more jobs
- EUR 1bn more gross gaming revenues (lotteries only)
- Williams study: “UK betting tax reform created jobs and increased GDP”
 - 19.000 more jobs in 2004
 - GDP increased by GBP 1.4bn between 2001 and 2004

Regulation creates jobs and increases economic activity without increasing gaming addiction

EU – No Monopoly is Compliant with EC-Treaty nor with ECJ-rulings



	Monopoly	Licenses	Specials	Marketing activity by Monopoly
Austria	yes – Casino, Lottery	sports betting	sports betting is a game of skill	high
Germany	yes – Casino, Lotto, Oddset	not available (except horseracing)	4 grandfathered -in licenses	high
France	yes – PMU, FDJ	not available		high
Italy	yes - AAMS	sports betting, but restrictions apply	Liberalization underway	high

***bwin* defines standards – corporate social responsibility**



- Responsible gaming policy is part of an integrated corporate social responsibility framework within our business
- Helping define industry standards (ISO 26000; EBA; ESSA)
- Regular exchange with leading independent scientists (RIGT – Responsibility in Gambling Trust; Charité Berlin)

In-house CSR staff unit and actively seeking cooperation with external partners

bwin defines standards – problem gamers



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- Multi-annual HMS (Harvard Medical School) joint research project (EUR 1.4m) with synergetic effects for both partners – enabling real data analysis
 - Detection of early signs of gaming addiction and prevention
 - Exclusion of pathological gamers while offering suitable help (cooperations with selected leading partners in the field)
 - Study reveals limited number of problem gamers in the field of sports betting (<1%)

bwin defines standards– limit policy strictly monitored



- Strict limit policy minimizes abuse of insider knowledge
betting limits may be set set individually
 - max. pay-in EUR 5,000 per month
 - max. pay-in EUR 1,000 per day
 - max. betting limit of EUR 2,000 for single bets
 - max. betting limit of EUR 3,000 for combination bets

„personal deposit limit“, self blocking, individual restrictions and black listing strictly applied

bwin defines standards – fraud prevention (I)



- Personal registration of customers complete with name and date of birth
- Single account per customer
- IP and credit card checks
- Identification of winners based on personal IDs (minors are excluded)
- ***bwin*** never pays out winnings in cash, making all transactions either via recognized service providers or by bank transfer --- money laundering impossible!!

***bwin* defines standards – fraud prevention (II)**



- Terms & conditions ensure fairness to all customers:

Users are prevented from placing bets if they are involved in sports events in any way, either as athletes, referees, owners or officials.

- Internal monitoring systems:

Financial services department (VIE) and security department (GIB) take all reasonable measures to detect and prevent fraudulent activities such as:

- ✓ Real-time early warning system/reporting environment
- ✓ Detailed daily review of top winning customers
- ✓ Detailed daily review of top losing markets/events
- ✓ Identification of related accounts and potential conspiracy

Outlook (I) - Europe At The Crossroads



- ECJ provides clear guidelines for the assessment of national restrictive measures
- Most member states' activities are inconsistent with the alleged justification
- Infringement proceedings against Germany, Italy, Sweden, Denmark, Finland, Hungary and The Netherlands are initiated. Others are being investigated.

For the States - it's not about protecting the consumer
it's ALL ABOUT MONEY!

Outlook (II) - Europe At The Crossroads

- ECJ verdict (Placanica) until year-end expected
- Italy takes first steps towards liberalization and some provinces in Spain may issue licenses

Nevertheless: European market still characterized by protectionist measures of individual governments (Germany, France)

BUT

The Concept of a Free European Market is powerful and enhances entrepreneurship and economical growth, while generating jobs and promoting innovation

**Thank you for your
attention**

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