

THE COST OF (OVER) REGULATION

EDITORIAL

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“As an operator, Greentube cannot afford to let policymakers be guided by misconceptions. It is up to the operators to show the clear distinction between those who put the consumer at the centre of their operations and those who operate with complete disregard to the consumer.”

Dr. Trevor De Giorgio, CLO at Greentube evaluates the pitfalls of over-regulation in varying jurisdictions and the challenges operators now face in obtaining them.

Long gone are the days that an online operator could obtain a remote gaming license in a particular European jurisdiction and use the same license to operate in a number of other European jurisdictions. As the years have passed, a shift has clearly taken place from the “dot com” to the “dot country” approach.

Operators, including Greentube, have accepted this reality and pursued licenses in different jurisdictions. Such an approach has its fair share of challenges, in particular, the need to adapt to different regulatory regimes in different EU member states. The reality that operators currently face is one whereby individual solutions need to be found for individual jurisdictions, hence increasing compliance costs and at the same time reducing the opportunity to explore further innovation in the sector.

By pursuing a path of over regulation, there is a concrete risk that the inverse effect of the desired goals will be obtained. One of the main issues, which is of concern, is the fact that by pursuing the above-mentioned route, a number of reputable operators have opted not to enter certain markets. Some of these operators have years of experience in this field and also some of the best products available in the market to date. This then leaves that particular jurisdiction or market open to unscrupulous operators who target that jurisdiction from remote locations where attempts at enforcement cannot materialise.

To add insult to injury, in a number of occasions these same unscrupulous operators have no shame in using products that are clear clones or copies of the same products offered by those operators who have opted to pull out of that particular market. This is a serious challenge that Greentube, both as an operator as well as a supplier in regulated markets, constantly faces.

However, it is a challenge that Greentube meets head-on and takes the necessary legal and commercial steps to safeguard its proprietary rights.

Enforcement is inherently difficult in a dynamic and borderless sector, such as online gaming. The result of the above is to end up with consumers in those particular states being exposed to an offering that does not place the player at the centre of operations.

Operators, however, have a big role to play if they wish to change the circumstances within which they run their operations. More needs to be done to expose both regulators and more importantly legislators to the reality of the online industry. Unless the persons who draft and enact the laws, as well as those who enforce them, are more attuned to the realities of our industry, the amount of regulatory pressure will continue to increase. More needs to be done by operators to highlight the issues at hand, as well as to explain in detail the way in which operations are conducted in a fair and transparent manner.

As an operator, Greentube cannot afford to let policymakers be guided by misconceptions. It is up to the operators to show the clear distinction between those who put the consumer at the centre of their operations and those who operate with complete disregard to the consumer. Furthermore, one needs to recognise the different realities within different countries and hence act accordingly.

Liberalisation is good, but this needs to be carried out in a manner that is of benefit to the country in question, the consumer and also the operator. Regulation should be built in a way that keeps these three main pillars at balance with each other. The channelling of players to a legal and licensed offering should be one of the yardsticks with which to measure success and efficacy of a particular regulation.

There are a number of factors which have an effect on the channelling rate, however, two of the most important factors remain taxation and product range. It is not easy to define or determine what would constitute a best case scenario for a successful channelling rate, although studies (as well as facts and figures in Denmark) consistently point to a channelling rate of at least 80% or more with a GGR tax rate of 20% or less. Higher tax rates, on the other hand, tend to have the opposite effect.

Product is also key and by opening up or liberalising a market so that as many product verticals are available for licensing, should also ensure that players will be channelled to a legal and licensed offering. Furthermore, it is through product innovation – an element in this industry which Greentube strongly believes in – that customers will be attracted to a lawfully licensed offering, thereby increasing the channelisation rate.

It is clear that the most important issue at hand is to ensure better and stronger communication between the relevant stakeholders in our industry, be it the policymakers, the regulators, the operators and also the consumers. Only through such communication will the industry develop in a way that ensures all stakeholders will benefit.