



**Consultation on the European Commission's Green Paper
"On online gambling in the Internal Market"
(COM(2011)128 final)**

TO THE COMMISSION

Executive summary

Unibet Group plc (listed holding company for the group of companies marketing the Unibet, Maria and Kambi services and hereinafter referred to as "Unibet") welcomes the Commission's intention to review the current status of the regulation of online gambling in the EU. Most importantly, Unibet wants to underline that it strongly supports a **European initiative in this area based on cross-border market reality and consumer choice**. It believes that the current national stand-alone trends towards fragmentation of the market into 27 national systems are *not* the way forward. Such **fragmentation of the European Digital market runs counter (i) to the objectives of fundamental EU principles, the Single Market Act and the Digital Agenda and (ii) to consumer interests**. Any EU initiative should, in Unibet's opinion, focus on the following fundamental objectives: (i) **increased cooperation** between Member States, (ii) the establishment of common **standards** and (iii) the **integration** of online gambling into existing EU secondary law.

Unibet, as founding member of the **EGBA (European Gaming and Betting Association¹)** and with more than 1.4 billion electronic transactions and 99.78 % platform uptime in 2010 alone, stresses that **the online gambling industry is an essential part of the broader EU digital services sector** and that persisting divergent national regulations and protectionist measures in this area are severely hindering the development of the European Digital Agenda, and, therefore, the productivity of the European economy as a whole. **The estimated costs thereof is €500 billion, or almost €1,000 for every EU citizen**. Unibet's key shareholder bases consists of major Nordic and European pension funds and it strives to fully exploit the potential in Europe's online market to maximize investor returns and the deliver a world-class products at unbeatable value to its customers.

Unibet fully understands the importance of monitoring and assessing risks associated with gambling and providing the **maximum protection possible to its players**, and takes its responsibilities very seriously. To address these risks, Unibet has put in place advanced measures that help to detect and prevent problem behaviour or potential criminal intentions on the part of users. These

¹ www.egba.eu.



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instruments, such as the latest techniques in identity verification and risk management, have ensured that the **digital gambling environment remains secure and that consumers enjoy a higher level of protection than ever before.**

Unibet fully supports a fact-based debate and a balanced assessment of the online gambling industry and its impact on the markets and societies in which it operates. Overall, this impact has been a very positive one, benefiting many consumers across the EU: the industry contributes significantly to the growth of e-commerce in Europe, to job creation, to the development of digital technologies, and to the spread of broadband. Neither should the value of online gambling as a pleasant pastime and high-quality digital entertainment be underestimated.

Unibet **highly prizes the integrity of sports** and - in close cooperation with sports - employs the necessary measures to protect it: the reputation of the industry as an honest, reliable provider of high quality entertainment, and the individual reputation of Unibet as a company '*by players, for players*' depends on this. Above all, Unibet calls for a clear legal framework to allow public bodies to act efficiently against match fixing.

Finally, Unibet firmly believes **that if the main policy objective of the EU or Member States is indeed to protect consumers and fight organised crime, then the most efficient manner to secure this objective is sustainable regulation within Europe based upon consumer demand and market reality.** All stakeholders must acknowledge that the current trends observable to all (fragmentation of markets, duplication of requirements) will destroy consumer value and force European consumers to play outside an EU protective umbrella. If consumer demand cannot be met in an EU regulated context, and unless Europe wishes to lock down the internet and ring-fence national digital markets, consumers will satisfy their demand with non-EU operators. This would run counter to any national and EU policy.

Henrik Tjärnström
CEO



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1. Introduction

Unibet welcomes the European Commission's consultation on the regulation of online gambling services in the EU (COM(2011) 128 final). In particular, it views positively the Commission's intention to review, among other issues, whether the current rules applicable to online gambling at EU level are fit to ensure the overall holistic co-existence of the national systems and to determine whether greater involvement at EU level might help Member States to achieve more effectively the objectives of their respective gambling policies.

Unibet was founded in 1997 by a Swedish teacher and is an online gambling company listed on the NASDAQ OMX Nordic Exchange in Stockholm (UNIB-SDB)². Unibet is predominantly owned by European institutional investors such as Swedbank Robur Fonder, SEB Fonder, Fidelity International, Danske Capital Funds and Nordea as well as the Swedish State through the AP funds. Unibet is audited by PricewaterhouseCoopers (PWC). For more than 10 years, Unibet has been providing premium digital entertainment services to more than 5.5 million registered adult customers in 28 languages via its secure and reliable gaming platforms. Unibet is more than just an online gaming company and provides a wider range of services to its customers as part of their entertainment experience, including content, such as video blogs and live streaming of sports events via IPTV, and physical events such as the Unibet Open where Unibet meets its customers.

As mentioned above, Unibet is a founding member of the **EGBA** as well as **ESSA (European Sports Security Association³)**, which have also submitted detailed responses to the current consultation. Unibet would like to state that it stands behind the submissions of these three organisations and the answers provided the questions raised in the Commission's Green Paper.

At the same time, Unibet, as a consumer-centric company, welcomes the opportunity to make a separate contribution to the debate as an active stakeholder in its own right. Any queries or comments in relation to the present submission can be sent to green.paper@unibet.com

² www.unibetgroupplc.com. Unibet's Annual Report and other corporate information such as shareholder structure and quarterly reports are available on this website.

³ www.eu-ssa.org.



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2. A True Internal Digital Market

Taking into account the fact that the Commission's Green Paper is entitled 'On online gambling in the Internal Market', Unibet would like to make the initial point that there is, at present, increasing legal insecurity in the internal market for online gambling and associated digital services.

The broader stakeholder groups in this industry, including media and ICT⁴ companies driving digital innovation and sports, are faced with a fragmented market with laws that diverge from one Member State to another, some of which contain disproportionate, protectionist measures that lay down multiple obstacles to (i) the free movement of services within the EU and (ii) the creation of consumer value for EU citizens.

Online Gambling as key driver of European e-commerce and the Digital Agenda: Innovation, smart jobs & sustainable growth

Unibet is committed to operating across borders and to strengthening the internal market in its function as a driver of European integration. It is only via a truly internal market that the full impact of innovation and development can be realised in a digital era. Indeed, such integration is what the European Commission has called for in its Communications '**Single Market Act - Twelve levers to boost growth and strengthen confidence**'⁵ and '**A Digital Agenda for Europe**'⁶. Regulating more efficiently the existing internal market for online gambling is critical in order for this European industry i) to maintain its position as a world leader in this area and ii) to ensure consumer interest are best served.

So far, Europe has not been able to claim leadership in the global digital economy as most digital flagships, such as Google, Yahoo, Apple and eBay, are American companies. With online gambling, Europe, however, has a unique position and opportunity to seize global leadership and allow EU ICT stakeholders to benefit from the scale of a pan-European, even global, economy. But in order to achieve this, it is instrumental to step away from a purely national approach.

Online gambling is an essential driver and part of European e-commerce and the digital economy. We strongly believe that, as such, it cannot be viewed outside of this context and that policy makers should recognise its potential as a global leading digital industry with important spill-over effects into Europe's economy.

⁴ ICT stands for Information and Communication Technologies.

⁵ COM/2011/0206 final, 13 April 2011.

⁶ COM/2010/0245 final, 26 August 2010.



In Malta, for instance, the **online gambling industry** has been the driving force behind a material improvement in the quality of ICT infrastructure and a **reduction of the cost of broadband by more than 50%**. In doing so it has helped to define and shape domestic policy in Malta.

The online gambling industry is one of the true success stories of European e-commerce: it drives innovation and contributes to the development of highly skilled *smart jobs* in Europe, as well as to research into, and innovation in, crucial areas such as data privacy, IT security, e-identification and e-payments. It is a driver behind issues that have been singled out by the European Commission as critical, for example, in the context of the EU's Digital Agenda.

The best example of this untapped growth is the presence of leading ICT gaming companies in Stockholm providing mainly highly innovative B2B solutions for B2C gaming operators across the world. This Stockholm ICT cluster can be best compared to the 'Silicon Valley' of the global digital gaming industry.

In May 2011, Professor Henrik Jordal of the **Swedish Institute of Industrial Economics** presented the European Parliament with a report entitled '**Sweden's digital growth industry: New perspectives on the need for a re-regulated gaming market**'. While historical gambling monopolies have experienced only single digit growth (if not actually stagnated), the report identifies strong double-digit year-on-year growth with, for instance, an average employment growth of 35% (compared with 9% for local monopolies). The results can be seen in Figure 1 below.

Company	Net gaming revenue, €M	Export share	Employment	Employment growth, 2007-2009	Market value, €M
Unibet	177	53%	465	30%	449
bwin Games	49	-	382	32%	-
Betsson	144	54%	226	111%	458
Boss Media	40	-	216	6%	-
Cherry	29	57%	203	13%	34
Net Entertainment	33	85%	110	83%	262
Entraction	2	-	110	4%	34
...



Total	507	-	1,936	35%	1 255
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Figure 1: Growth in Swedish digital gaming companies 2007-2009

The high pace of growth in the online gambling industry translates into the creation of new work opportunities for European citizens. This contribution to strengthening the EU job market is critical, especially in the midst of a financial crisis. The online gambling industry contributes to the creation of highly skilled, 'smart jobs' in Europe.

For example, the online gambling industry works with many companies specialising in digital technologies which use the latest know-how to provide live betting and other live experiences for customers, such as the live casino. In developing the range of products offered by online gaming companies, demand for workers is created in areas of web technology including design, architecture and mobile applications⁷.

According to **European Policy Centre (EPC)** research, there is a cost of not having a European Digital Single Market. Europe could gain 4% GDP by 2020 by accelerating its development. Based on expected 2010 GDP for EU27, this corresponds to a gain close to **€500 billion or more than €1,000 for every citizen**. A fragmented regulatory framework is blocking innovation and entrepreneurship. As a result, Europeans are not enjoying the full benefits of the digital economy (cross-border online trade is low, ICT usage is low, and there are few global EU digital firms)⁸.

The **cost of national market re-regulation**, driving market fragmentation and duplication also has a cost. Besides the direct costs associated with local set-ups, the indirect costs in terms of reduced customer experience and the concomitant negative policy effect of customers choosing to play outside the EU umbrella are difficult to establish. In terms of shareholder value, it is worth noting that Unibet's institutional shareholders lost over £100 million in shareholder value the day announced it would apply for a national licence in France⁹.

Online gaming and betting technologies are a prime example of positive high-tech spill-over from one sector to the rest of the European economy. If Europe continues to tolerate obstacles to cutting-edge online innovation, others will take this market and leadership role. As EC **Commissioner Dalli** has pointed out in his

⁷ See infra on the award winning Unibet TV Sports Guide App and <http://itunes.apple.com/us/app/unibet-sports-tv-guide/id421996246?mt=8>.

⁸ Key findings of its Digital Single Market project, April 2010.

⁹ Statement made at the occasion of the Q1 report on 5 May 2010.



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remarks concerning the latest European Consumer Scoreboard¹⁰, customers are still reluctant to shop across border online. They are concerned about security, payment, and consumer protection rules. However, once they have tried the experience they tend to lose their inhibitions. The trust and safety measures put in place by responsible European online gambling companies are second to none and play a major role in easing these concerns and raising trust in the online experience.

Despite these barriers to growth, the European online gambling sector has produced European global champions. It is ironic that these champions are hampered by the fragmentation of the market in their own internal market. An EU framework for online gaming and betting would mean not only a single market for business and additional tax revenue for European exchequers but also a single market for consumer value, consumer safety and for growth-promoting digital technologies.

Instead Member States continue to impose or implement measures contrary to these principles, market reality and EU fundamentals. Restrictions on online gaming and betting are increasing fragmentation of the Single Market and giving free rein to black market operators based anywhere in the world.

The 'barriers' in online gambling are currently many, and Unibet hopes that in line with both the objectives of the entire Commission and the fundamental principles enshrined in the Treaty on the Functioning of the European Union (and secondary EU legislation), these obstacles will be significantly reduced, if not removed entirely, as a legacy of this essential Green Paper consultation.

The **Internal Market and Services Directorate General** states that its mission is *'to develop and maintain a dynamic and open European single market that enables citizens to meet the challenges of globalisation. We aim to provide a regulatory environment that enhances competitiveness, stimulates innovation, and promotes financial stability. We also aim to improve the range and quality of products and services available at competitive prices throughout the Single Market in order to deliver higher living standards, better job opportunities, and a prosperous economic future for all citizens.'*¹¹ With scale, range, quality and competition at the heart of the objectives of the Directorate General, Unibet believes that there is a clearly established vision that should be applied to online gambling as much as to any other market and services, and that this vision can be fully realised through a programme of EU

¹⁰ See document "Commissioner Dalli addresses The European Consumers' Organisation (BEUC) on the publication and findings of the 5th European Consumer Scoreboard" a transcript from his speech in Brussels, 11 March 2011, http://ec.europa.eu/commission_2010-2014/dalli/docs/speech_beuc_press_breakfast_11032011.pdf.

¹¹ http://ec.europa.eu/dgs/internal_market/mission_en.htm



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regulation. Indeed, the Directorate General goes on to state that its first role as a Commission body is 'to bring forward proposals for legislation aiming to remove barriers, thus simplifying life for consumers and for businesses, stimulating competition, reducing prices and widening choice.'

Already in 2003, the Commission announced that it would reconsider the **E-commerce Directive**, particularly with respect to online gambling. In its first review report of the E-commerce Directive it stated: *'Online gambling, which is currently outside the scope of the Directive, is a new area in which action may be required because of significant Internal Market problems - see for example Case C-243/01s of the European Court of Justice (ECJ press release CJE/03/98), concerning criminal proceedings in Italy against persons collecting Internet bets on behalf of a bookmaker legally licensed in the UK. The Commission will examine the need for and scope of a possible new EU initiative. In addition, the Commission is examining a number of complaints it has received concerning cross-border gambling activities.'*

Thus far, the debate on the position of online gambling with regard to the E-commerce Directive has not been revisited. The debate so far has primarily been driven by an untested assumption and a very stigmatised sector image. While Unibet does fully acknowledge public policy concerns, notably in relation to player safety, it does hope that any future policy can be based upon a broader holistic view, including the positives of this industry.



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3. Our Message - sustainable regulation to secure consumer interests and Digital Agenda global leadership

The aim of Unibet in making this submission, is (i) to provide further feedback to the Commission and (ii) to supplement the **EGBA and ESSA**'s responses to the questions raised in the Green Paper.

We propose to do this by considering the key issues facing Unibet as an online gambling operator in Europe. By providing the Commission with an insight into our functioning and by underlining the positive impact our business has in the wider context of e-commerce, innovation and generation of consumer value, as well as noting those areas that we feel pose a threat to the development of the industry within the European market, we hope to convey the clear message that a more holistic EU approach through the implementation of appropriate EU initiatives, in preference to the disparate national legislation that frequently falls foul of EU law and policies, is key to ensuring that broader policy objectives, including increased consumer protection and the Digital Agenda will be met.

It is our hope that the present consultation process will change the situation and will lead to a re-evaluation of the current legislative framework under which EU consumers can purchase their preferred online gaming services in a more efficient, secure and holistic manner. It is, indeed, the policy makers' primary responsibility to establish sustainable efficient regulation that *in concreto* does contribute to consumer protection.

Unibet strongly believes that EU and national policy regarding sustainable regulation in this field should be fact-based and take into consideration market reality and consumer choice. **If consumer demand cannot be met in an EU regulated context, and unless Europe wishes to lock down the internet and ring-fence national digital markets, consumers will satisfy their demand with non-EU operators.** Locking down the internet and ring-fencing national markets cannot be reconciled with fundamental rights of EU citizens, nor is it desirable from a policy viewpoint. **Efficient regulation should be measured by the number of local consumers playing under a local licence.** The bigger the black market (i.e. unregulated market), the more inefficient regulation becomes.



4. About Unibet - “By Players, For Players”

Unibet was founded in 1997 by a Swedish teacher who channeled his passion for mathematics and sports into delivering an added value gaming experience in a reliable and secure environment. It was the belief of the founder that based upon the potential of the new technologies and scale of the EU, he could provide the consumer with a better product at a better price. Since inception, the motto of Unibet has remained: ‘By Players, For Players’.

Unibet’s headquarters are based in Malta, and Unibet plc has subsidiaries in the United Kingdom, Sweden, Italy and Belgium. Unibet has been awarded gaming licences in several EU Member States, including Malta, Italy, and France. In June 2004 Unibet was listed on the NASDAQ OMX Nordic Exchange in Stockholm (UNIB-SDB). Unibet’s shareholders comprise a significant number of institutional investors, including pension funds.¹²

Unibet in numbers

Unibet is one of the largest European online gambling operators with over 5.5 million adult customers from more than 150 countries. The company has more than 500 employees comprising 44 different nationalities. Most of its customers are EU citizens benefiting from the opportunities of the cross-border European Digital market and new technologies to increase customer benefit and user experience. Our commitment to fair and responsible gaming and to assisting in the development of a strong regulatory framework in the field of online gaming services is founded upon a policy of dialogue with law-making bodies and other society stakeholders. This is demonstrated by our contribution to the establishment of the Pan-European CEN WP 58 standard on responsible gambling and consumer protection¹³, academic research in this field and active support of the annual Responsible Gaming Day¹⁴ in the European Parliament, amongst other efforts.

In the 12 months to 30 June 2011, Unibet received almost 100 million visitors, nearly 30 million of which had not visited any Unibet site before. In the first 6 months of 2011, 22,976,433 pre-match sports bets were placed by Unibet customers, while 12,482,544 in-play bets were made. Its casino product sees 2.5 million transactions taking place each day and approximately 500,000 hands are played on the Poker client software every day.

¹² For further information on shareholder structure please visit <http://www.unibetgroupplc.com/shareholding>.

¹³ CWA 16259: 2011 - ‘Responsible Remote Gambling Measures’, European Committee for Standardisation.

¹⁴ www.responsiblegamingday.eu.

An analysis of Unibet's database shows that **the average Unibet customer** is technology savvy, 32 years old and places 179 bets (stakes) per year with an average value per stake of £7. The average annual 'drop', (i.e., the net-loss per player on an annual basis as defined by the total deposits - total withdrawals) **is £203**.

Unibet: 2010 Key numbers
117 million visits to the site
219 million betting transactions
9,360 Live IPTV Streaming Sports events
2,500 events in live betting every month
£1.2 billion other product transactions
80+ games under soft games portfolio, including branded games such as 'Dallas' or 'Tomb Raider'
780,000 withdrawals to customer bank accounts
96.68% average pay-back ratio to consumers
£34 million paid to partners (media/sports/ICT)
24 payment methods available
28 languages available
493 employees from all EU Member States
99.78% uptime delivering premium services over a complex platform with more than 20 third party products integrated (payments, security, gaming, content, IPTV, etc.)

Figure 2: Unibet 2010 Key numbers

Unibet is an online gambling operator that offers varied products such as casino games, bingo, sports betting and poker, as well as other services. It focuses on providing a fully comprehensive gaming experience, where, in addition to simply placing bets, customers can study facts and figures, view content e.g. via live streaming (IPTV), watch video blogs, interact with other customers via chat or learn from professional players.

De Betweters, for instance, is good example on Unibet's view of a broader digital customer experience, combining Web 2.0 customer interaction with content, information and betting. On the www.betweters.nl platform football enthusiasts discuss the week's football events on video links and provide their predictions on the winners and losers while discussing the odds offered by Unibet on those events. In the 2010-2011 football season, the Dutch site www.betweters.nl had no less than 829,000 views of its videos on YouTube. Needless to say, Unibet, as a technology-driven 'online' company, also makes use of social media

websites to interact with its customers and actively encourages them to share their views on the products it offers.

With its acquisitions of **MrBookmaker** in 2005 and **MariaBingo (as part of the acquisition of Maria Holdings)** in 2007, Unibet increased the range of gaming products on offer and, as a result, its customer base. Maria.com is largely oriented towards female customers seeking



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a more socially interactive gaming experience by the convergence of traditional gaming products with a web 2.0 social networking experience.

One of the best illustrations of both innovation and the convergence of online gambling, content and technology is the award winning, free '**Unibet Sports TV Guide**' iTunes App. The Unibet Sports TV Guide is the first mobile TV guide in the world that shows odds on sports events that are broadcast on television and on Unibet live streaming¹⁵.



Beyond the purely digital experience, Unibet also interacts with its customers in the real physical world. Besides structural dialogue with 'consumer test groups' to improve its services in an ongoing manner, and hence increase consumer value, Unibet also arranges hospitality packs for its customers, e.g. city trips to Valencia or Liverpool in combination with the attendance of a football game. Another illustration of this 'meet & greet our customers' is the **Unibet Open**.

The **Unibet Open** is a series of land-based poker tournaments launched by Unibet in 2007 and organised in close co-operation with land-based casinos and the local leisure industry. The Unibet Open provides an occasion where approximately 500 players, (both amateur and professional) can come together, play poker, socialise and meet Unibet's staff in some of Europe's premier holiday destinations. Unibet Open Tour locations include cities such as Prague, London, Budapest, Valencia and Barcelona and many more. These events are largely covered by local and European media but also via live streaming on the Unibet Open website¹⁶. Between 1 January 2010 and 1 July 2010, some 248,156 visits were made to this website.

In summary, Unibet's activities serve to show that online gambling is not a standalone, isolated industry: there is considerable interaction with media owners, sports and other society stakeholders - and the success of online gambling leads to investment, growth and, ultimately, success in other stakeholder industries.

¹⁵ <http://itunes.apple.com/en/app/unibet-sports-tv-guide/id421996246?mt=8>

¹⁶ www.unibetopen.com

5. Online gambling in the EU: available data and studies (Questions 1 and 2)

(1) Are you aware of any available data or studies on the EU on-line gambling market that would assist policy-making at EU and national level? If yes, do the data or study include licensed non-EU operators in the EU market?

(2) Are you aware of any available data or studies relating to the nature and size of the black market for on-line gambling services? (Unlicensed operators)

Concerning the inquiry by the European Commission on whether there are available data or studies on the European online gambling market that could assist policy making at EU and national level, Unibet would like to refer the Commission to the EGBA submission for detailed answers on specific studies.

Unibet has always called for fact-based policy making and debate and it is more than willing to be an active contributor thereto. In this context, Unibet equally believes that it is important to make a very clear distinction between (i) non-EU operators (licensed or not), (ii) non-licensed EU operators (not even in their country of establishment), and (iii) EU based operators that are licensed in their Member State of establishment. Most, if not all Member States in the EU, subscribe to the same (or at least highly similar) public order objectives in relation to their respective gaming policies. The core of the debate does not therefore centre on the nature of these objectives, but rather on how to achieve them in the best possible manner.

Unibet, for its part, would like to provide a more general picture of the European online gambling industry and its contribution to the EU economy¹⁷.

The online gambling market is a fast-growing and important contributor to the EU economy. In 2010, it represented no less than 11% of the total EU gaming market and was worth €10 billion GGR (Gross Gaming Revenue, defined as stakes minus pay-outs). This sector is expected to account for 13% of the total EU gaming market by 2012 (€12.5 billion GGR).¹⁸

Available data show that the potential of the online gambling sector is far from being realised. Like the wider EU digital market, the online gambling market remains fragmented and the cost of this fragmentation should not be underestimated or overlooked. In the last 20 years, the EU single market has generated 3 million additional jobs for European citizens. According to the European Commission's own estimates, as set out in its Green Paper,

¹⁷ Cfr infra on questions relating to contribution to society.

¹⁸ H2 Gambling Capital, April 2010.



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completing, deepening and making full use of the single market would potentially produce around **4% GDP growth** over the next 10 years. Easier cross-border e-commerce alone could bring savings of €2.5 billion.²¹

Indeed, efficiency losses in the Swedish monopoly are estimated to be around SEK 5 billion annually.²² The same **2008 HUI study**²³ also found that re-regulation under which the Swedish market would be opened up to competition would create player gains of about SEK 12 billion annually. Around half of these gains would be due to increased efficiency, and the other half to lower prices as a result of increased competition. In addition, employment would increase by a factor of 2 to 3.

²¹ Neelie Kroes, speaking at Handelsblatt Conference Cologne, 17 May 2011.

²² The Swedish Retail Institute (HUI) report.

²³ AB Handelns Utredningsinstitut, 'Varför spelmonopol? En analys av den svenska spelmarknaden', Per Hortlund Thomas Jonsson Fredrik Bergström, 20 November 2008.

6. The impact of online gambling operators on the EU market and consumers (Question 3)

(3) What, if any, is your experience of EU-based on-line gambling operators licensed in one or more Member State and providing and promoting their services in other EU Member States? What are your views on their impact on the corresponding markets and their consumers?

Unibet, as an online gambling operator with multiple licences in Europe, can state that the industry has contributed significantly to the growth of e-commerce in Europe: it has (i) contributed to job creation; (ii) contributed to the development of digital technologies and the spread of broadband; and (iii) provided quality digital entertainment to its European consumers.

In Malta for instance, since the arrival of the online gambling industry in 2000, the general ICT infrastructure has improved, with increased quality and number of suppliers, leading to consumer choice and innovative competition. Moreover, the **costs of broadband**, driven by online gambling industry, has **decreased with more than 50% from €496 per Mbyte to €185 per Mbyte**.

Unibet, as a organisation, showcases the positive aspects of the online gambling industry: it promotes and advances the concept of the single market via its cross-border services and is both innovative and enterprising in the development of its platforms and products. Unfortunately, such positive effects - that is to say the socio-economic benefits of the online gambling sector on the European economy - have been largely underrepresented while traditional stereotypes of gambling have been propagated and wrongly attributed to online gambling in general. While Unibet fully subscribes to public order objectives and strict regulation, the debate going forward should also consider these broader issues and the net contributor effect of the European online gambling sector.

Unibet advocates a fact-based debate and a scientific assessment of the impact of online gambling in Europe - on both a social and economic level. While it welcomes the European Commission's Green Paper, it feels that there is an inextricable link between the online gambling industry and the development of the digital European market and that, as such, the online gambling industry can only be truly understood within the general framework of the digital economy.

The online gambling industry is one of a few e-commerce industries currently thriving in Europe. However, this industry is now under threat due to fragmentation of the market and a regulatory trend counter to market dynamics and EU fundamentals. Strengthening consumer trust in e-commerce is an objective that has been clearly established by the European Commission in its communication 'A



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Digital Agenda for Europe'. Moreover, the Polish Presidency of the Council of the EU stipulated in its work programme, issued on 31 May 2011, that it will place particular emphasis on the growth of e-commerce during its term and that it would like to remove barriers to cross-border online transactions.

Unibet, and the online gaming industry in general, have played a fundamental role in ensuring this growth - not only in the online gambling arena but in all areas of e-commerce - by increasing consumer confidence in the online market. It has done so by being at the forefront of the development and implementation of tools such as electronic payment systems (24 different payment methods are available), electronic identification methods and safe ways to store private data - all of which have a scope that reaches far beyond the boundaries of online gambling.

Last but not least, in terms of the impact on the consumer, it is important to remember that online gambling is a pleasant pastime for the vast majority its users. It has a value in itself as a form of entertainment: aside from placing bets or playing on casino, customers can converse in chat rooms, follow poker tournaments²⁴, watch sports events via live streaming and even purchase branded merchandise from operators' sites. As such, online gambling has broadened the opportunities and increased the quality of online entertainment available to European consumers.

It was the desire to increase consumer value and to do better than the local monopoly that led to the creation of Unibet in 1997. As with other industries and sectors, competition (in general and as a principle) forces operators to improve and innovate, resulting in increased consumer value (better product, consumer choice, lower prices and more value for money).

This view and positive effect of competition is also confirmed in a 'price comparative' 2010 study by the **Kiel Institute for the World Economy (IFW)**. In its May 2010 study entitled '**The monopoly for sporting bets in Germany: Status Quo and Reform approaches,**'²⁵ IFW researchers analysed the pricing behaviour of the monopolist ODDSET and found that typical pricing inefficiencies on betting markets were reinforced under the monopoly. A comparison of the odds of private providers with those of state provider ODDSET showed that the degree of bias at ODDSET was significantly more defined. The fact that ODDSET offers almost exclusively combination betting (which in unfair bets leads to higher prices) and the exploitation of the bettor's betting habits with inefficient odds, confirms that there are fiscal interests in maintaining the state monopoly.

²⁴ Live streaming as made available on www.unibet.ty or www.unibetopen.com

²⁵ Professor Ulrich Schmidt and Mario Maschke, Institut für Weltwirtschaft Kiel, May 2010.



The study further found that *'when bettors put a bet on at ODDSET at 16.6 per cent they have to expect a significantly greater loss than with private providers....the bookmakers have on average paid out a larger share of the stakes for main games, the higher the occurrence probability of the betting result was, based on the odds, on which the bettors placed the bets.'*

7. Advantages/difficulties associated with the coexistence of differing national systems of the licensing of online gambling services (Questions 5, 6 and 10)

(5) *If any, which are the legal and/or practical problems that arise, in your view, from the jurisprudence of national courts and the CJEU in the field of online gambling? In particular, are there problems of legal certainty on your national and/or the EU market for such services?*

(6) *Do you consider that existing national and EU secondary law applicable to online gambling services adequately regulates those services? In particular, do you consider that coherence / consistency is ensured between, on one hand, the public policy objectives pursued by Member States in this field and, on the other hand, the national measures in force and/or the actual behaviour of public or private operators providing on-line gambling services?*

(10) *What are the main advantages/difficulties associated with the coexistence in the EU of differing national systems of, and practices for, the licensing of on-line gambling services?*

In response to the Commission's call for stakeholders to comment on the advantages or difficulties associated with the co-existence of differing national systems of licensing for online gambling services, Unibet would like to stress that it does not see any advantages arising from the current regulatory situation. Unibet believes that the fragmented online gambling market (which itself is part of the greater European e-commerce market) runs counter to, and in the process undermines, the objectives and interests of the European single market and the benefits it produces for EU end-consumers. Unibet supports the European Commission's **Single Market Act** initiative and agrees with the Commission that there are still many deficiencies and that the potential in the internal market remains unexploited, in particular (as the Commission correctly pointed out) when it comes to e-commerce and services. Likewise, Unibet agrees with the view of the **Commissioner for the Digital Agenda Neelie Kroes**, expressed in May 2011 that '*the development of a vibrant Digital Single Market is of course key to boosting internal demand and making our economy more competitive. A fully integrated market for electronic commerce is at the heart of this vision.*'

Hence, Unibet strongly advocates the development of a specific legal framework regulating online gambling at EU level rather than preserving the status quo in which there is no overarching legal framework for online gambling to which all Member States must subscribe. Unibet believes that this intrinsically cross-border sector should be regulated at EU level, just as media, telecoms and other sectors have been. As with media and telecoms, technology



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drives market changes and regulation should be aligned to market reality²⁶.

The Audiovisual Media Services Directive is an example of EU legislation in a related area that has had a discernibly positive effect on the supply of services in Europe. It has created a vibrant and diverse market in Scandinavia. However, the response has been one of national discrimination on the part of Scandinavian media companies, some of which have threatened to move abroad. It is imperative that robust legislation is enacted to provide operators with the ability to freely provide their services throughout Europe thus opening up new frontiers, while at the same time preventing domestic operators and state authorities from imposing restrictive measures that hinder the efficacy of such legislation.

In 1992, the EU Commission already recognised that *"as the Community becomes ever more closely integrated, and technological developments open up markets worldwide, it cannot be precluded that the Commission will have to reconsider its position in view of new and as yet unforeseeable trends"*²⁷. While in application of the principle of subsidiarity, regulation of land-based gaming could be left to the individual Member State, in a de facto cross-border technology-driven market, regulation on a supra-national basis would be deemed to be more efficient.

For Unibet, a pan-European approach presents the best chance of achieving a sustainable regulation that reconciles in a balanced manner the legitimate interests of the three main stakeholders, resolving the legal uncertainty and protecting consumer value and choice.

²⁶ See 'Gambling in the Single Market - A Study of the Current Legal and Market Situation,' Coopers & Lybrand Europe, 1991.

²⁷ EU Institutions press releases, IP (92)1120, 23 December 1992.

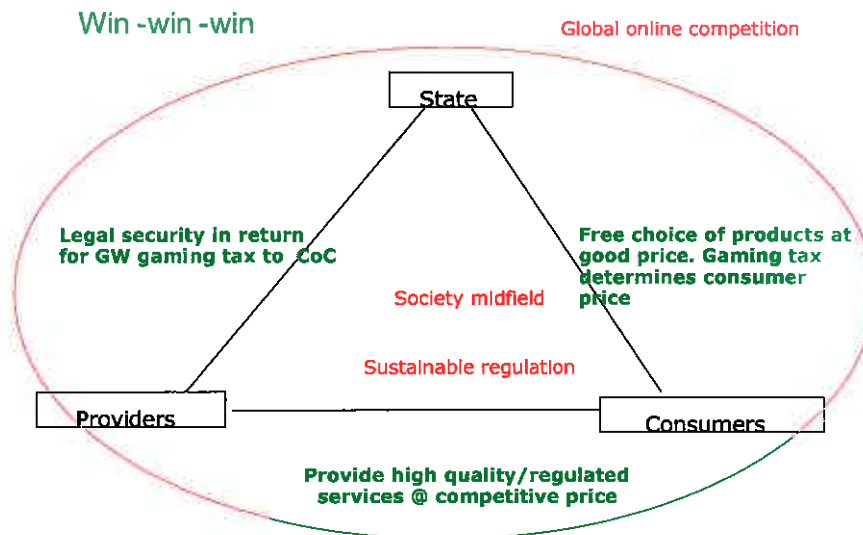


Figure 3: Sustainable EU regulation to the benefit of all stakeholders

The building blocks of an immediate EU approach should be based upon:

1. Establishment of **common standards** in key areas such as consumer protection and IT-infrastructure;
2. Increased **co-operation between Member States**, including cross-border enforcement, judicial cooperation between Member States²⁸, consumer protection²⁹ and/or local licence application processes;
3. **Inclusion of online gambling** in secondary EU law, notably in relation to consumer protection.

With regard to the inclusion of online gambling in secondary legislation, reference can be made to the exclusion of online gambling from the coordinated field of the E-commerce Directive. While one can only speculate that the main driver behind this exclusion is avoidance of the application of the 'Internal market' clause of Article 3, the complete exclusion of online gambling not only deprives online gamblers of specific rights under the Directive from which, in principle, consumers of information society services

²⁸ See for instance in the context of Police cooperation and access to information http://ec.europa.eu/home-affairs/policies/police/police_intro_en.htm or http://europa.eu/legislation_summaries/justice_freedom_security/index_en.htm

²⁹ See for instance Regulation (EC) No 2006/2004 on Consumer Protection Cooperation http://ec.europa.eu/consumers/ecc/index_en.htm



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benefit³⁰, but also hinders cooperation between Member States as well as the flow of information between their authorities³¹.

While the consultation is only the start of the review process, Unibet would like to draw attention to the fact that a number of Member States continue to apply national regulations (and implement new laws), that differ substantially between Member States and are highly questionable in light of EU law, while some completely ignore Reasoned and Detailed Opinions that the **Commission, as guardian of the Treaty**, has issued against them. This, unfortunately, is the reality with which private online operators are confronted on a daily basis.

Unibet firmly believes that if a competitive regulated service is not available in the EU, websites regulated in other non-EU jurisdictions and black market operators will step in and meet the demands of the consumer - and at whatever price they are prepared to pay. As a result, Europe will miss out on revenues generated by the online gambling industry and will be failing in its duty to protect European consumers. If the main policy objective is indeed to protect consumers and fight organised crime, then the most efficient manner to secure this objective is sustainable regulation within Europe based upon consumer demand and market reality.

³⁰ For instance the right to transparent information on products and provider, which is now enshrined in national license requirements in Malta, United Kingdom and others.

³¹ See for instance the Expert Group on electronic commerce
http://ec.europa.eu/internal_market/e-commerce/expert-group-members_en.htm



8. Consumer protection and problem gambling (Questions 15 to 26)

An analysis of Unibet's database shows that **the average Unibet customer** is technology savy, 32 years old and places 179 bets (stakes) per year with an average value per stake of £7. The average 'drop', (i.e., the net-loss per player on an annual basis as defined by the total deposits - total withdrawals) is £203³⁰.

Unibet views problem gambling as a very serious matter and believes that the scale of the problem needs to be continuously monitored in order to be able to respond with adequate measures by all stakeholders. It agrees that the protection of players is paramount and that providing a secure environment for users - including with respect to the risk of developing dangerous behaviour - is a critical task for online gambling operators and others. At the same time, Unibet believes that in a democratic society, adult consumers should be entrusted to make informed decisions about the websites they want to visit and any related services they wish to use.

The founding principle of Unibet, 'By players, For players', does not stop at providing fair gaming and betting products tailored to customers' entertainment needs. It also entails a shared responsibility to educate customers on responsible online gaming behaviour and to ensure that gaming remains fun, entertaining and safe. In contrast to what conventional wisdom may suggest, Unibet has a vested interest in providing a safe and responsible Moneytainment® environment. **A key objective for Unibet as a customer-focused company is to provide long-term added-value service to customers in order to build trust and increase customer retention and satisfaction.** In this regard, responsible gaming is an integral and absolutely essential element in the company's overriding objectives.

Regarding **Question 15**³¹, there is strong evidence to suggest that the factors listed by the European Commission in its Green Paper as potentially linked to the development of problem gambling (such as event frequency or accessibility and social environment) do not increase the risk of problem gambling online. While in absence of a common consensus for the definition of problem gambling, leaving this open to subjective interpretation, Unibet opines that problem behaviour cannot be reduced to a single product or product feature and should be assessed within the overall context of the player, including their broader environment. It would, indeed, be very difficult to justify the assertion that short odds (lottery) scratch cards are significantly more problematic than, for instance, live betting, or vice versa.

³⁰ Data for the year 2010.

³¹ Question 15: 'Do you have evidence that the factors listed above are linked to and/or central for the development of problem gambling or excessive use of on-line gambling services? (If possible, please rank them.)'

While new technology poses certain new challenges, it also provides for numerous opportunities to increase overall efficiency of regulation and fact-based policy making. Besides a wide range of tools, the simple fact that all transactions are registered in combination with strict KYC requirements together with an absence of cash money is a strong regulatory net positive.

Furthermore, the internet creates an unprecedentedly high level of transparency towards consumers, ranging from product quality, to price comparison sites³², customer reviews³³ and player safety in general (security or responsible gaming). This allows customers to make an informed adult choice on what to do with their money.

The level of transparency and information, together with the fact that consumer trust in the brand is an essential business driver, oblige leading operators to act responsibly.

Spending budget

You have changed your spending budget.

Your spending budget will be removed. The new budget is valid in exactly 7 days.

► Undo change

Your spending budget status

Days remaining: 7

Funds remaining: 4 EUR

Expire date: 03-Nov-2010 Period: 7 days Total budget: 4 EUR

Deposits to your other accounts (Poker, casino etc) are registered in the balance. If you withdraw money from your Poker account to your Unibet account you will be able to spend them

[Edit your spending budget](#)

The budget decides how much you can spend during 7 or 30 days in a row.

- If you during the 7/30 days decides to lower the budget, it is valid immediately;
- If you during the 7/30 days decides to increase the budget, it will be valid after 7 days. This period allow you to consider your change.
- Every time you change the budget we will send you a confirmation e-mail.
- When your budget period expires it will automatically be renewed with the same settings unless you choose to change them yourself

Read more about what we do on our responsible gaming pages .

Figure 4:

Example of new opportunities offered by new technologies to increase protection³⁴

³² See for instance www.oddschecker.com, www.betbrain.com, www.oddschecker.com, www.odds-comparison.co.uk.

³³ See e.g. www.casinomeister.com as example of a consumer watchdog website. Operators on the casinomeister « black list » will have material problems in convincing (potential) customers about their reputation and trustworthiness.

³⁴ Print screen of the personal budget limitation tool available for all players on www.unibet.com. With this tool, players can define a specific budget for a



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Over the last decade Unibet has invested more than £200 million in building a reliable and trustworthy brand. It would go against any logic to jeopardise that brand reputation and investment for the sake of a one-off quick win over a customer.

Unibet believes that instruments offered online, such as betting/deposit limits (figure 4 above) and self-exclusions, are effective in preventing or limiting problem gambling (see the study by Professor J. Haefeli, 2010³⁷). In a study by Parke, Rigbye, Parke and Williams (2007)³⁸, it was observed that optimal conditions in online gambling would be achieved by implementing measures such as the aforementioned to protect their customers.

In addition to the current responsible gaming tools offered by Unibet, it is currently testing an innovative new system that has been specifically developed in response to the empirical research of Professor Haefeli referred to above. In his study, Professor Haefeli reported that certain behaviour of the customer in his communications with the operator act as a significant indicator in predicting potential 'at risk' gamblers. The system, which uses highly analytical software and an advanced system to allocate a score to the customer based on his interaction with customer services, will effectively act as an early warning system and will enable customer support to intervene in any given situation in which the customer is shown to be at risk and to take appropriate action to protect the customer from engaging in any harmful activity. This will be managed in one of several ways, including the provision of certain gaming tools as well as information to guide and help the customer in his gambling. In this way, the customer will be provided with an even safer gaming environment and will be supported by Unibet through its preventive, proactive and personal approach.

Unibet also offers an innovative approach towards educating its employees on responsible gaming, as responsible gaming is considered part of the culture of Unibet and not just another requirement. Employees are given interactive training which is tailored to their specific role within the group. Through e-learning, every employee is given a course and assessment with information about responsible gaming and psychological factors that play a part in gambling. Unibet also offers more specific training which is targeted at those employees with higher levels of responsibility within the organisation in order to provide a tailored approach and to fully educate its staff in this complex field.

Unibet requires all its customers to provide detailed information upon registration. It applies a strict age limit accepting no

limited period of time (7 or 30 days) and will not be able to play anymore if they reach the limit they have defined.

³⁷ 'Early detection of gambling problems based on customer communication'.

³⁸ 'An explanatory investigation into attitudes and behaviours of internet casino and poker players (commissioned by eCOGRA).



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customers under the age of 18. Any registration based upon inaccurate or false information is considered as a case of fraud.

Unibet also uses the services of industry-leading providers of identity verification to ensure that the details supplied by the customer are correct. All clients making transactions above a certain amount must additionally undergo further documentation procedures and KYC checks.

For a detailed account of such data relating to **Questions 15 and 16**³⁹, please refer to the consultation response by the EGBA

In addition, Unibet would like to state that, according to a study by Rachel A. Volberg, even if the means and the opportunity to gamble have increased, this will not necessarily lead to a corresponding increase in problem gambling: *'An [...] interpretation is that the relationship between heightened opportunities to gamble and the prevalence of problem gambling may increasingly be moderated by declines in regular gambling participation and growth in the availability of problem gambling services.'*⁴⁰

In other words, the growth of new ways of gambling (i.e. online) has led to a greater awareness of problem gambling and a corresponding shift away from traditional gambling (i.e. gambling in physical establishments). As a result of this heightened awareness, more resources have been developed to help those that experience problems when gambling.

Concerning the scale of problem gambling in the EU (**Question 17**⁴¹), Unibet has always advocated a constructive dialogue based upon facts, instead of misunderstandings and myths. Whilst acknowledging that consumer protection and problem gambling, like any other problem behaviour, must be addressed in an adequate manner, one should not forget that studies in the field of responsible gaming reveal that *more than 98% of the population enjoy gaming and betting in a responsible manner.*

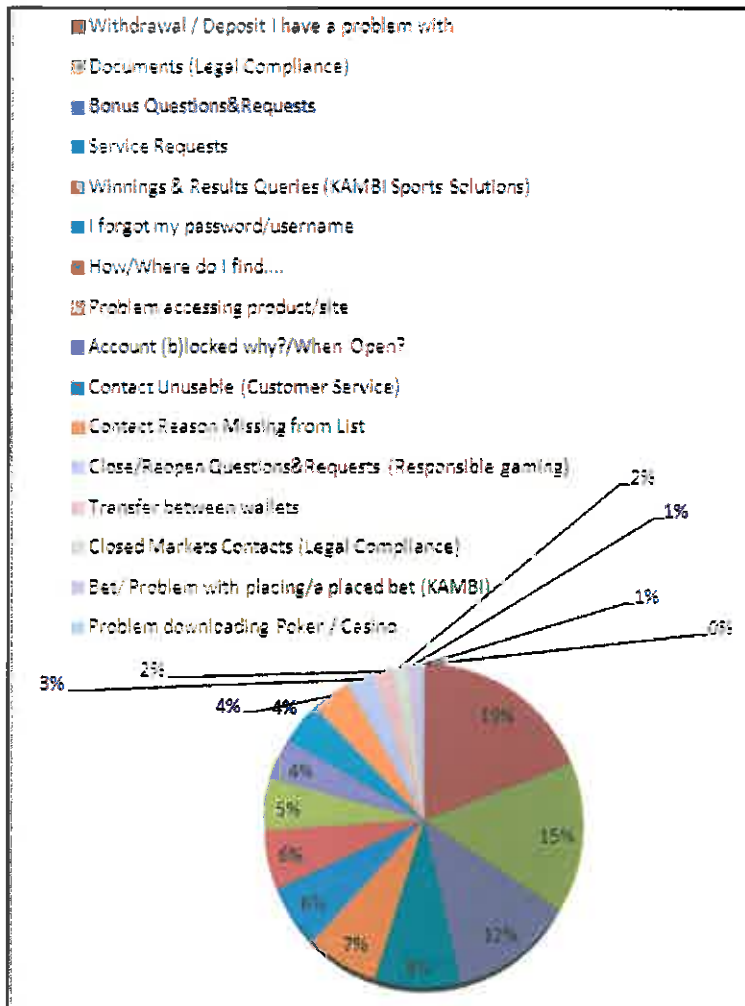
According to Dr Mark Griffiths⁴², constant complaints to customer services is one of the indicators used to identify problem gambling.

³⁹ Question 15: 'Do you have evidence that the factors listed above are linked to and/or central for the development of problem gambling or excessive use of on-line gambling services? (If possible, please rank them.)'.
Question 16: 'Do you have evidence that the instruments listed above are central and/or efficient to prevent or limit problem gambling relating to on-line gambling services? (If possible, please rank them.)'.

⁴⁰ 'Fifteen years of problem gambling prevalence research: What do we know? Where do we go?' (p4), *Electronic Journal of Gambling Issues*, February 2004, available online : <http://jgi.camh.net/loi/jgi>.

⁴¹ Question 17: 'Do you have evidence (e.g. studies, statistical data) on the scale of problem gambling at national or EU level?'

⁴² Griffiths, Mark: 'Online behavioural tracking: identifying problem gambling', World Online Gambling Law report, May 2011.



A report from Unibet Customer Support shows that **less than 1% of the calls received are related to problem gambling**, the inference being that problem gambling is not a frequently encountered problem amongst our customers. This fact supports the general thesis that for most people, gambling remains a harmless hobby or a pleasant social activity (see Figure 6).

The majority of customer contacts are related to customer KYC obligations (15% documents), commercials (e.g. 12% actions in context of customer loyalty) or product features (19%), as demonstrated in Figure 5.

Figure 5: Why Do Customers contact Unibet Customer Support?

As far as **Question 18⁴⁴** is concerned, there is no empirical evidence proving that online gambling is more harmful than other forms of gambling, and a variety of studies have found no significant correlation between the availability of gambling services and pathological gambling (Emerson & Laundergan, 1996⁴⁵; Wallish, 1996⁴⁶; Gullickson, Hartmann & Wiersma, 1999⁴⁷; Abbott & Volberg, 2000⁴⁸).

⁴⁴ Question 18: 'Are there recognised studies or evidence demonstrating that online gambling is likely to be more or less harmful than other forms of gambling for individuals susceptible to develop a pathological gaming pattern?'

⁴⁵ 'Gambling and problem gambling among adult Minnesotans'.

⁴⁶ 'Gambling in Texas: 1995 Surveys of adult and adolescent gambling behaviour.' Report to Texas Commission on Alcohol and Drug Abuse.

⁴⁷ 'A survey of gambling behaviours in Michigan, 1999.' Report to the Michigan Department of Community Health.

⁴⁸ 'Taking the pulse on gambling and problem gambling in New Zealand; Phase one of the 1999 National Prevalence Survey.' Report Number Three of the New Zealand Gaming Survey. Wellington: Department of Internal Affairs.



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Volberg (2001)⁴⁹ shows that an increase in availability through the opening of new gambling opportunities may even lead to a decline in the prevalence of pathological gambling when the process is accompanied by appropriate responsible gambling measures.

What has changed over the last decade, driven by technological innovation and further e-commerce development, is that more people are discovering the internet and, therefore, online gaming. This is not, in itself, a cause for concern- on the contrary, it is a welcome development that Europeans are increasingly engaging in online activities. However, addressing new challenges and risks associated with online activities, such as the protection of minors, is a shared responsibility for all, including online operators in the wider e-commerce sector, politicians, and regulators⁵⁰.

Indeed, a recommendation from the French 'Forum des droits sur l'internet'⁵¹ (French governmental entity) advocates the application of a combination of tools and advice for the protection of minors online. Unibet implemented these recommendations long before national law would incorporate similar requirements in its national licensing scheme.

There is, currently, no single '100%' solution to preventing young people from accessing forbidden content. The conclusions of this recommendation stress the importance of the involvement of both authorities and parents in educating minors and the shared responsibility incumbent on all stakeholders in this field. While nobody can statistically rule out a minor registering an online gambling account (he could, for example, make a false declaration as to his date of birth), Unibet would like to underline the fact that compared to land-based gaming, the chances of a minor actually participating in any form of online gambling are significantly lower due to the strict registration process (KYC), digital traceability combined with new fraud prevention technology, and the need to use regulated financial instruments to make a deposit/withdrawal (instead of cash). Unibet operates a 'zero tolerance' policy towards fraudulent behaviour, including minors registering an account by providing false data.

Fortunately, new technology also provide opportunities to increase protection and security. Technology-driven operators have brought

⁴⁹ 'Gambling and problem gambling in North Dakota. A replication study 1992 to 2000.' Report to the North Dakota Office of the Governor. Bismarck, ND : Office of the Governor.

⁵⁰ Beazley, Christopher J. P., on the evaluation report from the Commission to the Council and the European Parliament on the application of the Council Recommendation of 24 September 1998 concerning the protection of minors and human dignity (COM(2001) 106 - C5-0191/2001 - 2001/2087(COS)). Protection of minors shall be mainly guaranteed by their parents.

⁵¹ Recommendation of the Forum des droits sur l'internet (Internet Rights Forum), "Les ^{enfants} du Net (1) - Les mineurs et les contenus préjudiciables sur l'internet", p.50, published in February 2004 and available online.



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these issues to the forefront of the minds of monopolies and government bodies and have played a critical role in advancing consumer protection through the development of advanced tools to monitor consumer betting activity on their sites. Together with the other EGBA members, Unibet is constantly raising the standards when it comes to consumer protection and investing in the latest technologies to monitor and prevent problem behaviour, and protect consumers. The annual **Responsible Gaming Day** ('RGD'), organised by the EGBA in the European Parliament, is a good illustration of how Unibet wishes to use open dialogue in order to achieve more efficient and sustainable solutions for all. This event, entitled "Responsible gaming in the digital single market"⁵², was an opportunity for the EGBA to discuss broader internet issues and to highlight its opinion that the sector should rely on both sector - specific rules and general EU rules to protect the consumer.

In this regard, Unibet supports the work done by the **European Committee for Standardisation** ('CEN'), which published on 23 February 2011 the CEN Workshop Agreement '**Responsible Remote Gambling Measures**'. CEN Workshop Agreements (CWAs) are voluntary agreements prepared through an open consultation and consensus-based process. This Agreement aims to ensure that players enjoy a high level of protection when using online gambling and that the online gambling industry operates in accordance with best practices and high standards. Unibet believes that the CEN Agreement '**Responsible Remote Gambling Measures**' should be used as a basis for the drafting of an EU set of rules governing the licensing of online gambling.

⁵² Responsible Gaming Day, organised by the EGBA on 12 October 2010 in Brussels.



9. Public order: prevention of fraud and money laundering (Questions 27 to 37)

Unibet has invested significantly in making the online environment secure for players and in countering fraud and money laundering. Thanks to the measures taken, the probability of fraud or money laundering through online gambling has been reduced to a very low level, and online gambling remains a safe and pleasant pastime for the majority of users. The fact that online gambling services rely on very strict customer registration procedures and that online gambling is a non-cash operation have been particularly instrumental in increasing the overall safety of online gaming. Furthermore, the online gambling industry leads to investment in the development of e-identification and verification technologies - which are critical to the successful functioning of the business.

From the outset, Unibet would like to stress certain key fundamentals as a listed and regulated company:

- It operates a zero-tolerance policy towards fraud or any other criminal behaviour, including false registrations.
- It co-operates with any police requests received, irrespective its country of origin and/or nature. Since its inception, Unibet has invested more than £200 million in building a secure and trustworthy consumer service brand. Unibet is not going to jeopardise this over a 'quick win' over a single customer.
- Unibet is also a victim of fraud and other criminal behaviour, including credit card fraud and match fixing (integrity in sports) which costs money.
- New technologies offer new opportunities to prevent and track fraudulent or criminal behaviour leading to more efficient law enforcement. Equally, the internet also creates an unprecedentedly high level of transparency, with an ongoing availability of information towards consumers on 'suspicious' activity⁵³.

In short, it is Unibet's strong interest to work towards eradicating any type of criminal activity or fraudulent behaviour.

For its part, Unibet has a dedicated fraud department and advanced 'smart' systems in place to prevent and detect suspicious activity, and to ensure that Unibet websites remain a secure playing environment. It has also successfully and extensively co-operated with national law enforcement agencies. Unibet has a policy of cooperating with any public inquiry. In particular, Unibet has assisted national police authorities in detaining individuals suspected of committing fraud and has received recognition for its

⁵³ See supra on the increased consumer transparency created by new technology.

actions - most notably, from Scotland Yard in the UK in the context of the investigation following the attacks in London (07/07/2005).

A field in which Unibet actively supports national police authorities across the EU in tracking and solving criminal behaviour is that of stolen credit cards. In the case of credit card fraud, a criminal will use a stolen credit card to make a deposit into an online gambling account and will then transfer the sum constituting the deposit into another bank account. KYC and payment processing requirements make it very easy for Unibet to disclose to the police relevant key data that can be used to track the user of the stolen credit card. In the case of unsolved credit card fraud, Unibet may face significant costs due to the 'charge back' mechanism that credit card brands operate.

Date	Jurisdiction	Investigating Authority	Description of Matter
19 April 2007	Italy	Police	Stolen credit card.
30 January 2009	France	Police - Paris	Stolen credit card.
13 February 2009	Sweden	Police	Illicit use of credit card.
19 February 2009	Bulgaria	Police - Bulgaria	Bulgarian police contacted Maltese police regarding a claim that an individual's Moneybookers account was used by a third party
24 April 2009	Denmark	Police	Use of stolen cards.
03 December 2009	France	Police	Illicit use of credit card.
04 April 2010	Portugal	Police	Malta police asked by Portuguese police to investigate the illicit use of a credit card.
28 April 2010	Spanish	Police	Malta police asked by Spanish police to investigate on the illicit use of a credit card.
18 May 2010	Greece	Police	Malta police asked by Greek police to investigate the illicit use of a credit card.
04 June 2010	Spanish	Police	Malta Police asked by Spanish police to investigate the illicit use of a credit card.
22 November 2010	Poland	Court request	Polish police requested information from Unibet pertaining to the use of a credit card. A UGP representative answered questions before the Maltese Court.
29 November 2010	Portugal	Police	Illicit use of credit card.
07 January 2011	Slovenian	Police	Malta police asked by Slovenian police to investigate the illicit use of a credit card.

04 February 2011	Hungary	Police	Malta police asked by Hungarian police to investigate the illicit use of a credit card.
01 April 2011	Belgium	Police	Request on log-in data regarding unauthorised use of log-in details
27 April 2011	Greece	Police	Malta Police requested information relating to bets taken on football matches.
25 May 2011	Netherlands	Police	Malta Police Enforcement notice on a number of Dutch accounts: accounts to be closed/blocked.
03 June 2011	Greece	Police	Malta police asked by the Greek police to investigate the illicit use of a credit card.
06 July 2011	Croatia	Police	Malta Police asked by Croatian police to investigate illegal access to an account of a Croatian customer.
07 July 2011	Greece	Police	Malta police asked by Greek police to investigate the illicit use of a credit card.

Figure 6: Extract of cooperation with national police authorities

In relation to **Questions 33⁵⁴** and **35⁵⁵** on money laundering, Unibet would above all like to stress that it never accepts any cash transactions as it operates a **non-cash business model**. Any money must already be in the financial system before it reaches Unibet, implying a bigger upstream problem for a regulated financial institution, notably in terms of its AML obligations.

On a sector-specific level, regulation of the sector in the EU on a national level, combined with strong industry standards make money laundering highly unlikely, at least very ineffective. EU licensed and regulated online gaming companies keep records of transactions by every customer, the result of which is a near perfect audit trail from the moment a customer signs up to when they cash out. There are no physical cash transactions: all deposits and withdrawals are made via highly regulated financial institutions. This all makes for a transparent and highly regulated environment that is not conducive to money laundering.

Furthermore, Unibet makes use of the opportunities offered by new technology to check for suspicious transactions through systems that monitor gaming behaviour and record money transfers.

⁵⁴ Question 33: 'What cases have demonstrated how on-line gambling could be used for money laundering purposes?'

⁵⁵ Question 35: 'Do you have experience and/or evidence of best practice to detect and prevent money laundering?'

The systems include the ability to:

- Profile customers' behaviour by detailed analysis of all activities;
- Identify customers and check and store their details (name, phone number, address, date of birth, IP address, banking details) to prevent fraudsters from opening accounts;
- Ensure that risk management tools are in place, making it much less attractive to try to launder money;
- Produce 'Suspicious Activity Reports' to alert special task forces and/or competent public bodies to suspected criminal or fraudulent behaviour;
- Use official international watch lists for suspected members of terrorist organisations and politically exposed persons, and monitor payments from countries that differ from a customer's registered country of residence.

The discussion on the prevention of fraud would not be complete without addressing the issue of **preserving the integrity of sport**. This matter is of paramount importance to Unibet because fraudulent actions in this area undermine the credibility of the whole industry and because Unibet builds its business upon its reputation as an honourable and reliable partner.

When properly regulated, the internet provides a unique opportunity to prevent online betting websites from being abused for match fixing purposes. To proactively fight all types of fraud in sports betting, Unibet co-founded in 2005 the **European Sports Security Association ('ESSA')**. Initiatives such as this allow the *real time* detection of suspicious betting patterns and alert sports regulators by providing their disciplinary and legal departments with an electronic data trail. These data can then be disclosed to law enforcement agencies, provided that the relevant national law contains a (clear) legal basis on which to formally combat match fixing or related activities. In this regard, Unibet particularly calls upon national legislators to establish a clear legal framework within which national authorities can act against and prosecute organizers of match fixing.



ESSA acts as an early warning system to alert sports federations of any suspicious betting before and during any of their sporting events. The association works very closely with many of the world's leading sports federations including FIFA (Fédération Internationale de Football Association), UEFA (Union of European Football Associations), the ATP (the Association of Tennis Professionals), and the IOC (International Olympic Committee), to make sure any such intelligence is



shared as soon as possible.

The costs related to the ESSA system are entirely borne by the betting operators and are provided free of charge to the leading sports federations or other stakeholders.

The high profile of ESSA and the importance of acknowledging gambling responsibility were stressed by the EU Commissioner for the Internal Market, Michel Barnier, in his 12 October 2010 speech about online gambling.

In short, for Unibet, a key element of responsibility means keeping online sports betting free of corruption, thus ensuring that customers are provided with a fair betting product. Sports and betting are part of the same entertainment chain and, as a consequence, both have a common objective of ensuring that the integrity of sport is not compromised. Far from contributing to betting fraud and match-fixing, the internet and new technologies have made it possible to record and analyse each individual betting action taken by the customer. For instance, irregular betting activities, such as an unusually high amount placed on an unexpected outcome of an event, can be identified and monitored in real time.

Steering clear of any involvement whatsoever in match fixing is crucial for internet brands since on the internet, reputation is instrumental (and arguably more important than companies with a 'physical' presence due to the distance between consumer and supplier), and Unibet continues to do everything in its power to prevent match fixing. In addition, Unibet would never do anything to jeopardise the £200 million it has invested in its brand; complicity in any such illegal activity would be disastrous to the group, which has spent so much time and money in establishing its reputation.



10. Investment in sport, other industries and society in general (Questions 38, 39 and 41)

(38) Are there other gambling revenue channeling schemes for the public interest activities at national or EU level?

(39) Is there a specific mechanism, such as a fund, for redistributing revenue from public and commercial on-line gambling services to the benefit of society?

(41) What are the proportions of on-line gambling revenues from sports betting that are redirected back into sports at national level?

The biggest beneficiaries of Unibet are its customers: more choice, better products and increased value for money.

Since its inception in 1997, Unibet has invested more than £200 million in establishing a premium and reliable brand that customers trust. Besides an increased return on customer winnings (the 'pay-back ratio' (PBR)), Unibet provides the consumer with the freedom of informed adult choice from a broader digital entertainment experience. Incidentally, such investment must, necessarily, have helped in the further creation of jobs, this time, in the media and advertising worlds (which would include jobs in the ICT space).

For the year 2010, the average pay-back ratio (PBR) across all Unibet products was 96.68%, meaning that **Unibet paid out 96.68% of what it received to its customers as consumer winnings (prize money)**, leaving a gross profit margin, before any other costs and taxes of 3.32% on the total volume of stakes. With traditional gambling operators, the PBR is significantly lower, with an average PBR of circa 60%⁵⁶, and in some cases even as low as 30%, or 7% on certain TV call games. **For £1 bet, a winning Unibet customer receives back £0.97, whereas historically, with other operators, they would receive an average of circa £0.40.**

From that 3.32% gross profit margin, Unibet invests a considerable amount of resources and money in other society stakeholders, notably, media, sports and technology. For the year 2010 alone, this was evaluated at circa £34 million leaving an even smaller margin of net profit for its (largely institutional) shareholders.

⁵⁶ It can be that traditional operators do indeed offer higher pay-back ratios for certain individual bets (so-called singles), but from their financial risk management perspective, traditional operators usually offer predominantly combinations whereby the average pay-back ratio is significantly reduced to 60% or even less.



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Since the online gambling industry is so closely related to sports, Unibet considers supporting sport and sports participants across all markets to be an important and fully worthwhile activity. Over the last few years, it has been sponsoring various sports teams, individual athletes and events, ranging from football and boxing to rally driving and from basketball to snowboarding and darts. For example, on 11 December 2008, Unibet reached an agreement with the Spanish football club **Valencia FC** to become the club's official shirt sponsor. In 2009, Unibet also provided sponsorship to the **Premier League in Poland: The Unibet Liga**.

Some of the other teams that Unibet currently sponsors (or has sponsored over the past few years) include FC Bruges, Paris Saint-Germain (PSG), Hammarby Ice Hockey⁵⁷, the Swedish Cycling Federation⁵⁸, **FC Rapid Bucuresti**, **FK Žalgiris Vilnius**, **Ferencváros Budapest**, **Nõmme Kalju** or **Liverpool FC**. Unibet also supports, among others, **Kristian Schiberg** - rally (Finland), **Jean-Baptiste Gonnet** - golf (France), **Przemyslaw Saleta** - boxing, kickboxing, and cycling (Poland), and **Amin Asikainen** - boxing (Finland). Finally, on the poker field, Unibet sponsors some of the best poker players across the countries in which it operates

Unibet's relationships with these sports teams and individuals mean that large sums of money are invested in sport via sponsorship or other kinds of co-operation with sports. Unfortunately, and faced with the legal insecurity surrounding sponsorship, Unibet saw its sponsorship commitments decline from £11 million in 2007 to £7 million in 2011. By 2012, **Unibet anticipates that due to the lack of legal certainty the opportunity to enter into stable partnerships with sports will be reduced even further.**

The most notable example of Unibet's commitment to sport was its partnership with a Belgian grass-roots cycling team and the accomplishment of bringing it in 2007, after a number of years, to the top of global cycling. **UNIBET GROUP's total commitment to the team was in excess of £15 million.**

After years of competing in the lower pan-European cycling competitions, Unibet.com cycling was awarded by the UCI⁵⁹ a four year **ProTour cycling licence**⁶⁰ in 2007 which allowed the team to compete in the 'Champions League' of global cycling, i.e., the UCI ProTour.

Due to its support by Unibet (a publicly listed and EU- licensed gaming operator), the team was completely banned from participating

⁵⁷ http://sv.wikipedia.org/wiki/Hammarby_Hockey.

⁵⁸ The sponsorship of the Swedish Cycling Federation led to Sweden gaining its first silver medal in Cycling at the Beijing 2008 Olympics.

⁵⁹ World Cycling body, Union Cycliste Internationale.

⁶⁰ Awarded in December 2006, for a period of four years, (2007- 2010). The UCI ProTour is now called UCI World Tour.

in 10 out of 28 ProTour races, including the Tour de France, La Vuelta and Giro d'Italia, and faced numerous restrictions in other Member States (Denmark, Netherlands, Belgium, Germany).

In contrast, cycling teams sponsored by the French and Belgian national lotteries (FDJ and Lotto) were not subject to any restrictions or discriminatory action by local authorities.



In its press release of 27 June 2007 in relation to **the Reasoned Opinion** against France, the European Commission, in particular, observed that 'In the French situation, on the basis of the national legislation under inquiry, criminal sanctions have been threatened or imposed on the chief executives of sport betting companies licensed in other Member States. **The legislation in question has also impacted sponsorship agreements in football and more recently has resulted in a ban on participation in races by a cycling team**'⁶³.

The Reasoned Opinion of the European Commission, as guardian of the EU Treaty, stated that 'the French measures, leading to the exclusion of the "Unibet.com Green Cycle Team" from competition in France, especially from the Tour de France 2007, have clearly been applied in a discriminatory manner. According to the information the Commission has, the team 'Predictor Lotto' is mainly sponsored by the Belgian National Lottery, and this public company has no approval from the French authorities to operate or promote its activities in France - it holds a Belgian licence only. The Commission has also been informed that the former Spanish team 'Once' (an operator authorised to organise charity lotteries in Spain) took part in the competition and advertised on French territory. None of these teams was excluded from participating in competitions in France nor forced to give up advertising its sponsors. The Commission is not aware of any objective and substantial difference between, on one hand, the cycling team 'Green Cycle' sponsored by Unibet, and, on the other hand, the teams 'Predictor Lotto' and 'Once'. If the 1836 law were applied in a non-discriminatory way, many teams such as 'Once' and, currently,

⁶³ IP/07/909, 27 June 2007, 'Free movement of services: Commission acts to remove obstacles to the provision of sports betting services in France, Greece and Sweden.'



'Predictor Lotto', should logically be refused to the right to participate in competitions as well'⁶⁴.

From 2008 to 2011, Unibet sponsored **Valencia FC**, one of Spain and Europe's leading football teams, and again the team faced numerous restrictions and 'issues' when playing abroad in pan-EU competitions, such as the UEFA Europa League.

It is obvious that whilst the sports sector has grown outside national boundaries, establishing an increasing number of pan-European or international competitions, the regulatory framework has not yet evolved in the same direction.

Unibet further stresses that it provides an economic activity complementary to, but separate from, the sport sector, which requires substantial investment, is based on innovation and risk management, and frequently generates negative financial results (i.e. when the bookmaker has to pay out more in winnings than is received in stakes, notably when favourites come through).

Bookmaking in the context of fixed-odd betting requires a high level of skill and concentration and is based upon mathematical and statistical theories. From the odds set by the bookmaker the probability of individual betting results can be deduced on the assumption of an efficient market. Without taking into account bookmaker margins, the probability of an incident occurring at the same time would correspond to the reciprocal value of the corresponding odds x_i . If you consider a bet on the winner of a football match for example, then one of the three following events will certainly arise: home win, draw or away win. According to this, the following would apply:

$$\sum_{i=1}^3 1/x_i = 1$$

Unibet and other stakeholders, notably media and press, must also consider that the information used by the sector is in the public domain, relating to public domain events or persons, as well as those other fundamental rights such as freedom of speech, freedom of the media and freedom of enterprise, which also form part of the debate.

Finally, Unibet wishes to provide a good example of the shared interest of betting operators, sports federations and consumers: the **live streaming** of sports events and the customers viewing them as part of their overall online entertainment. Innovation and technology are bringing sporting events and bookmakers closer, each

⁶⁴ See Para 99 of the Reasoned Opinion of the European Commission against France of 27 June 2007. Text translated from French.



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taking responsibility for their part in the overall consumer entertainment service chain. Live Streaming also demonstrates that organisers of sports events can establish new revenue streams by carving out IPTV/live streaming audiovisual rights from the more traditional TV rights sold to traditional TV broadcasters. The potential market for IPTV/live streaming rights is enormous and demonstrates that financial synergies can be established between all stakeholders based upon an open and constructive approach.

Annually, Unibet pays out to sports over £5 million in licence fees in relation to IPTV streaming rights, allowing its customers to enjoy an integrated digital entertainment experience by combining a betting product with the sports content component. The integration of both service components into a new added-value service for the customer is a clear example of the net value Unibet and other such providers create within Europe's Digital Economy. Aside from the direct return to sports, including sports that do not have a TV audience, the combined services require investment in technology - notably broadband capacity and enhanced product/platform functionality.

11. Enforcement (Questions 50 and 51)

(50) Are any of the methods mentioned above, or any other technical means, applied at national level to limit access to on-line gambling services or to restrict payment services? Are you aware of any cross-border initiative(s) aimed at enforcing such methods? How do you assess their effectiveness in the field of online gambling?

(51) What are your views on the relative merits of the methods mentioned above as well as any other technical means to limit access to gambling services or payment services?

Unibet shares the EGBA's views regarding the matter of financial (PSP) and technical (ISP) blocking measures. On top of the doubt over their compatibility with EU law, they have also proved to be ineffective and counter-productive to policy objectives.

A safe and secure online gaming market can be best achieved through consumer attractive and competitive regulation in line with EU law. Restrictions such as PSP and ISP blocking of online gaming services are inefficient, can be easily circumvented and drive consumers towards the black market.

Furthermore, ISP and PSP blocking (or related consumer lock-down elements) have a wide range of unintended consequences:

- **Impact on consumers:** consumers are left with little choice but to turn to operators that continue to operate in the face of the ban. This means that consumers are worse off and forced to play with less responsible websites outside of the EU that offer little or no legal remedy.
- **Impact on banks and ISPs:** it increases their liability and results in administrative and operational costs.

In a March 2011 article on the relationship between **e-gambling and financial institutions** it was concluded that 'the US Unlawful Internet Gambling Enforcement Act of 2006 requires financial institutions to act as the pseudo-regulator, resulting in an effective shut down of the most controllable payment mechanism, credit cards, driving US consumers to use underground payment 'solutions'. Prohibition has not stopped e-gambling and financial institutions should not be used as internet police. They are important cogs in the regulatory oversight process, but should not be the end process in itself.'⁶⁵

- **A shift to an underground industry:** a shift to a parallel industry fosters the growth of an underground market, with

⁶⁵ Rick Smith, Head of Government Affairs, Policy and Regulation, UC Group, 'Payments: The links between e-gambling and financial institutions', 3 March 2011, www.e-comlaw.com.



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risks of money laundering. Even though some operators may be caught and deterred from offering their services, others will continue to fill and absorb the black market at the expense of consumer protection and tax revenues.

- **Increased collateral damage resulting from a ripple effect:** blocking will occur irrespective of the legal nature of the underlying service or transaction. This creates a ripple effect causing collateral damage to an increasing number of services and service providers. Norwegian customers, for instance, will not be able to pay with their credit card in a foreign casino as the transaction is 7995 earmarked and by default blocked. What is even more disproportionate is that **Norwegian customers would not be able to pay by card in Swedish gas stations and kiosks** because they also may provide betting and lottery services⁶¹. Italian or Estonian residents will not be able to access non-gaming content, e.g. live streaming of sports events or editorial content of websites, as the **blanket ISP blocking does not take into account the nature of the content as such.**

Unibet fully subscribes to Article 1.3a of the **Framework Directive for Electronic Communications**⁶², which states that any measures used to restrict access to online gambling services may be imposed only if it is necessary, appropriate and proportionate to do so in a democratic society. As **Advocate General Cruz Villalon** recently stated in his Opinion on the Scarlet case (C-70/10), the installation of filtering and blocking systems constitutes a restriction on right of privacy of communications as well as a restriction on the freedom of information, both of which are protected under the European Charter of Fundamental Rights.

As an increasing number of countries are considering access to, and usage of, the internet as a fundamental human right. Restrictions to internet access should be examined extremely carefully to avoid contravening the key European principles laid down by the Charter and fundamental rights European consumers are entitled to within a democratic society.

In the 2011 'The Global Assessment of Internet and Digital Media Freedom' report the **Freedom House** states 'The threats to internet freedom are growing and have become more diverse. Cyber attacks, politically-motivated censorship, and government control over

⁶¹ See for instance <http://e24.no/naeringsliv/nektes-is-og-godteri-etter-ny-gambling-lov/3740966>, 24 July, 2010, "Nektes is og godteri etter ny gambling-lov" (Norwegian citizens can't buy ice cream, sweets or newspapers in Sweden); or <http://www.dagensit.no/article1925204.ece>, 26 June 2010, "Norske Visa-kort forbudt i Las Vegas" (The new law stops Norwegians from gambling in Las Vegas and on the ferry to Denmark).

⁶² Directive 2002/21/EC on a common regulatory framework for electronic communications networks and services, modified by Directive 2009/140/EC.



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internet infrastructure have emerged as especially prominent threats' ⁶³.

A similar position is taken by the **European Digital Rights (EDRI)** in its contribution to the present consultation. In its press release the EDRI stated that *'that blocking is not the "least restrictive alternative" in any of the possible scenarios and that blocking of gambling sites in order to protect domestic services from competition is a blatant and unacceptable affront to the most basic principles on which the European Union is based'*⁶⁴.

In addition to the technical challenges, ISPs and financial institutions are mostly opposed to these measures as they offend the **principle of net neutrality**⁶⁵, i.e. the principle that all internet traffic should be treated equally and that internet users alone should be in control of what content they view and what applications they use online.

For these reasons, Unibet believes that the creation of an appropriate regulatory environment in line with the principles of the European Union is the right objective to pursue in order to maintain growth and development in the online market and protect the interest of the consumer at the same time.

⁶³ <http://www.freedomhouse.org/template.cfm?page=664>.

⁶⁴ http://www.edri.org/files/110729_gamblingconsultation_EDRI.pdf Also see the EDRI press release dated 24.08.2011 on the subject matter and referring to the situation in certain member states.

<http://www.edri.org/edriagram/number9.16/european-consultation-gambling-edri>.

⁶⁵ See for instance the July 2011 Interview with the Dutch Minister for Economic Affairs, Innovation and Agriculture, Mr Maxime Verhaegen, *E-Commerce Law & Policy*.