



Written submission to the green paper on online
gambling in the Internal Market

Stockholm, 31st July 2011

Betsson Group is hereby submitting its contribution to the consultation on online gambling in the Internal Market. Betsson is grateful for the opportunity to comment and hope that our observations can be useful for the EU Commission when taking steps to address the current market fragmentation and legal ambiguity.

Betsson have over 48 years of experience in the gaming sector, both from land based and online gaming, and is currently through our portfolio company Betsson Malta Ltd, operating a number of online gaming brands, among them Betsson.com and Betsafe.com, both primarily focused on the Scandinavian market. We are a fast growing company with currently around 400 employees, most of them situated at our operational centre in Malta. The holding company that owns our operational assets, Betsson AB (publ), is listed on the Stockholm Stock Exchange (Nasdaq OMX Nordic Midcap) and has a market cap of approximately 650 MEUR (for more information see www.betssonab.com).

We welcome the consultation approach by the EU Commission but are at the same time quite worried about the general attitude towards cross-border operators, and some misconceptions of the nature of online gaming in particular, present in the current draft version of the Green Paper. We have in our reply focused on commenting on such attitudes and misconceptions as they, if they are left unchallenged, risk becoming the foundation for an EU policy on these matters which would be very unfortunate indeed.

On the remaining specific questions we refer to the submission made by the European Gaming & Betting Association (EGBA) that summarise our position very well.

The definition of and references to EU based operators as grey operators, and monopoly operators as legal operators (as set out in the Introduction and throughout the paper)

While all stakeholders recognise the clash of EC Law principles with national law it is surprising that the Commission do not base the consultation draft on the actual position of the Commission and the prevailing jurisprudence from the CJEU. As guardians of the Treaty it is in our mind the role of the EU Commission to protect such Treaty rights.

It can hardly be questioned anymore that a large majority of the monopolies in the different member states are protected by legislation that are not compatible with EC Law principles. Individual member states often have another view on this, which is understandable, but it is in our view quite remarkable that the EU Commission in the consultation paper defines and refers to cross-border operators licensed within the EU as “grey” or “unauthorised” operators, while operators who are protected by national monopolies are defined and referred to as “legal” or “licit”. This is not in our mind a suitable start for any consultation process on this matter, especially not one initiated by the Commission who are the Guardian of the Treaty rights of such cross-border operators.

On the contrary to the view used in the green paper, one can argue that from an EU-perspective, it is the monopoly companies who are conducting illegal business, under illegal local laws which are implemented in certain member states. This must also be the reason for the numerous reasoned opinions that has been served to several member states by the Commission.

The overriding objective of player protection in relation to market control and the creation of a well-functioning market

Betsson wholeheartedly support comprehensive statutory regulation of online gambling, especially in relation to player protection. Online gaming provides valuable tools to address such issues in form of player identification systems, self-limitation/exclusion, traceability of player behaviour, and the corresponding ability to protect minors. Betsson fully support local and EU wide regulation and harmonization in this area.

We want to point out however one dimension of player protection that is often overlooked – the importance of a well-functioning and economically sound licensing and tax system enabling licensed operators to conduct a sustainable business. This is very important as it will enable operators to enter into such system with an attractive player offering, while leaving the ones who chose to stay outside to a minimum. As evident from the situation in for example France, a too burdensome and strict licensing and tax system will have the effect of fewer operators joining (and also with less attractive offerings), leaving many players with unlicensed operators, which is quite contrary to the aim of the regulation. As blocking mechanism rarely are very effective it's important to create such an incentive while at the same time provide effective regulatory control to address the issues and objectives of the regulation. It is our view that a dynamic and well-functioning market will over time reduce unlicensed operators to a marginal problem. Such a development will benefit the players but also the other stakeholders as the tax revenues from a larger tax base are

likely to be higher. If this aspect is overlooked there is a big risk that the regulation will be effective only for parts of the market.

The suggestion that online gambling has increased problem gambling and that online gambling is more harmful than other kinds of gambling (as set out in relation to question 15 and 18)

There is no evidence base for an increase in problem gambling due to online gambling within the EU. On the contrary; the longitudinal studies having been carried out actually prove that the prevalence rates of problem gambling have remained the same as prior to the advent of online gambling. The Swedish study presented in 2009 by the Swedish Institute of Public Health in fact outlines an overall decrease of involvement in gambling by 17% when compared with 1997.

In addition; online gambling operators generally provide internationally recognized and standardized player protection tools which allows the individual player to help control and evaluate their play. Furthermore, should a player wish to block themselves from gambling permanently or temporarily then this can be done in an instant and in a dignified manner as opposed to land based gambling services which require personal visits and paperwork in order to take effect and thereby raises the threshold for those who are contemplating a break from gambling.

Money laundering in the online gaming sector

Betsson can confirm the Commission's view that there is very limited evidence to suggest that EU-licensed operators are exposed to money laundering. We would however also like to point out the importance of that no misconceptions about e-gaming and money laundering are spread or used in the context of the green paper, such as the misconception that online gaming would be exposed to money laundering to a greater extent than other businesses in general and to land based gaming facilities in particular.

In fact, it is generally known that land based casinos are far more vulnerable to money laundering than online gaming sites. Different reports on methods used for money laundering points towards land based casinos as a risk area, see for instance "National Money Laundering Threat Assessment". December, 2005. pp. 33. (<http://www.justice.gov/dea/pubs/pressrel/011106.pdf>). This money laundering risk must NOT be mixed up with online gaming sites, since in most online gaming businesses there is no cash involved (online gaming is funded through payments from bank accounts or via credit card payments) and hence there is a significantly reduced risk that online sites are abused by criminals for the purpose of money laundering.

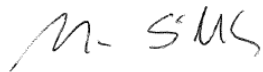
Furthermore, as regulated online gaming sites are required to conduct KYC on its depositing customers, the mere opportunity to launder money almost disappears. As stated by Michael Levi in his report "Money Laundering Risks and e-Gaming: a European overview and assessment", 2009; "in a regulated environment, the risks are lower than in land-based gaming and in cash-based businesses, due to the high traceability of transactions, betting limits and customer identification controls in the regulated sector".

Our portfolio company, Betsson Malta Ltd, as a licensed operator in Malta, has while abiding with strict regulation on this matter, not seen any evidence to the contrary. Needless to say, money laundering matters should be taken very seriously regardless of how frequent the problem is in the sector and Betsson fully support further cooperation and harmonisation in this area.

The absence of a discussion around the economic aspects of the online gaming industry

Finally we wish draw attention to the fact that that the consultation paper contains almost no discussion around the economic aspects of the European online gaming industry. Providing this industry with the tools to succeed is one of the fundamental reasons for the existence of the Treaty (and the Commission) and in our mind such economic industry issues should be discussed alongside with the regulatory issues.

With almost half of the world online gambling market the European online gaming industry are world leaders in a field usually reserved for US or Asian companies. As any other industry of this size it has a substantial positive economic effect on the economy in the EU and in individual member states. We hope that such industry issues can be discussed together with the regulatory issues so the industry can continue to develop. As discussed above, to reverse this positive trend would benefit no one, least of all the players and the EU member states economy.



Magnus Silfverberg

CEO, Betsson AB

For further information please contact:

Martin Thorvaldsson
General Counsel, Betsson Group
+356-79434328
martin.thorvaldsson@betsson.com