

THE **iGamingFuture**

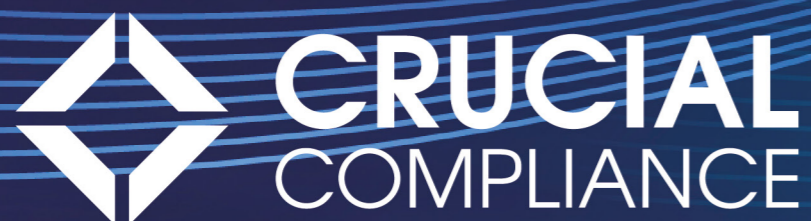
MAGAZINE

SERIES

April 2024

THE FUTURE OF
COMPLIANCE
IN IGAMING





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MARKET OVERVIEW

Compliance challenges are innate in the regulated gambling industry. But it's only fair to argue that as the industry matures, the challenges of Compliance, correspondingly, multiply.

Within the wider industry, **iGaming presents its very own unique set of strictures and issues because its online nature** means that not only can it be difficult to govern, but that it is also changing at a pace that can make it hard for both operators and regulators to keep up with.

Nonetheless, operators have increasingly sophisticated Compliance Departments and, increasingly, regulated businesses are becoming aware that success or failure can often hinge on compliance.

In many ways, **iGaming's intrinsic revolution in branding – and, more importantly practical protocols – has been so successful in forging ever-greater user-safety** that it has left that

other ubiquitous rival for negative attention, Social Media, floundering in its progressive wake. **Yet Responsible Gambling initiatives are not the only concern of iGaming Compliance teams.**

Also fundamental to Compliance is 'Know-Your-Customer', or KYC, which is a key component of the business strategy of any industry wishing to deliver Compliance excellence for its customers, and regulatory authorities. **For example, as part of their obligations, gambling operators must be sure that the source of funds from their punters is legal, and that their customers are not money-laundering. Tracking the money supply can be challenging. But it's also absolutely essential.**

These kinds of regulatory safeguards are difficult enough to manage in just a single jurisdiction; more so when most of the biggest gambling brands operate across the globe. Accordingly, many operators have to deliver Compliance services and keep up to date with evolving legal and regulatory requirements across several continents.

Gambling, moreover, is progressively evolving to compete with more conventional forms of entertainment. By necessity, in order to do so, it must definitively distance itself from the hidebound prejudices and reputation as a one of the historic 'vice' industries.

Crucially, with an estimated **US\$107 billion (£85.75bn)** of revenue on the table across the global gambling industry this year, meeting Compliance challenges head-on is more than worth the effort.



Curtis Roach

HEAD OF CONTENT
iGF



OHAD STRASCHNOV
SENIOR COMPLIANCE
DIRECTOR

Soft2Bet



LANCE MCINTOSH
HEAD OF COMPLIANCE

PlayStar



SAM MCKNIGHT
HEAD OF UK COMPLIANCE &
DEPUTY MLRO

Fitzdares



ALISTAIR FACCIOLI
DIRECTOR OF LEGAL
& COMPLIANCE

Rhino Entertainment Group

OUR EXPERT SPEAKERS

INDUSTRY INSIGHTS

As the market landscape evolves and adapts to new trends, our industry has now been compelled to react accordingly.

IN THIS EDITION iGamingFuture sat down with four compliance professionals to find out where the pinch points are and explore how operators and regulators can work together better, to build compliant markets that are also commercially viable for the long-term.

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with all our Expert Speakers

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What are the biggest factors that impact a player's lifetime value and what role does Compliance play in this?

SAM

If I was a player myself, I'd be looking for an operator that provides regular bonuses, high RTP slots, and good odds on the racing and football.

The way we have an impact on our players' lifetime value is introducing frictionless checks at the start of the customer journey:

That's electronic identification, verifying the customer without them having to provide documentation, and performing geo-affordability checks in the background.

When notifying them, there's slight friction. But it keeps them going without over-indulging or spending too much.

In the early part of the relationship with the customers, we carry on introducing frictionless checks and vulnerability checks.

We're not shouting acronyms, we're not hammering on about anti-money laundering; because customers get quite worried when you start using these kinds of words. If there are any concerns, we always try to pick up the phone.

ALISTAIR

I agree with Sam.

The role we play in lifetime value as a Compliance team is somewhat limited, but there is an important function that we fulfill. Our most important role is ensuring that the player feels safe playing on our brands.

One way to ensure that is to provide a safe environment, so you have self-exclusion and deposit limits. Obviously, you offer help to those players that need it.



Another essential role that we play is ensuring that the business operates within the frameworks and the parameters of the law, avoiding fines and issues with the regulator.

Fines, and potentially loss of licences, will definitely impact player-lifetime value. If we lose the licence as a business, then we're not talking about the player-lifetime value. We're talking about something more serious.



As an industry how can we best leverage new tech, such as AI or Machine Learning, to improve Compliance procedures?

HAD

Before considering AI and big technology, operators and service providers need to think about the way they service the customer – whether it's a B2B or B2C.

Whether processes are automated or not, it's about the way you communicate with players, whether it's a chat or emails. The more regulations you enter, the more requirements there are to communicate with the player.



You shouldn't leave everything for machines.

There should be a personal aspect and an agent checking everything.

At the end of the day, to be able to implement AI and technology, you first need to check how your processes work.

You should be able to review reports, but you can get the reports via an automated system. You should be sending bonuses via an automated system.

SAM

We use machine learning from *Crucial Compliance* for our safer gambling side of things.

It helps us, as we touched on before, by reducing manual work as much as possible so we can focus more time on higher risk customers.

You can even automate your risk assessments. You can automate your early interactions with customers as well, whether that's pop-ups, text messages or informational emails on gambling tools.



LANCE

We need automation within our Compliance processes, but at the same time we need to be wary of AI at this stage. The technology is not mature enough to rely on it 100 percent.

Whatever AI brings back to us as a result, more often than not you're probably going to be double-checking that result anyway to make sure it is accurate. It would make more sense for us to check it correctly the first time and not have to double-check it.

I think in the next five or 10-years, once AI has matured, we could use it and rely on it for our Compliance processes and checks.



But at this stage, we need to be a bit careful about it.

What practical steps should we be taking to strengthen relationships with the regulator?

LANCE

In the US, where Playstar is currently operating, the regulators are easier to have a relationship with.

They're generally open to discussions, they're quite responsive in their communication. My experience in Europe showed that not all regulators are willing to sit down and listen to the industry for us to work together to ensure a safer, more compliant landscape is reached; one that is ultimately better for the players and the industry as a whole.

My suggestion is industry trade bodies and industry-organised forums. Here, the collective voice of operators and suppliers can be heard by the regulators, and vice versa.

It has been shown to be a good way to strengthen those relationships. Self-regulation was once best practice, and that showed how some operators and suppliers were willing to go above-and-beyond the requirements at the time to provide a level of comfort to incoming regulators, players, and industry leaders.

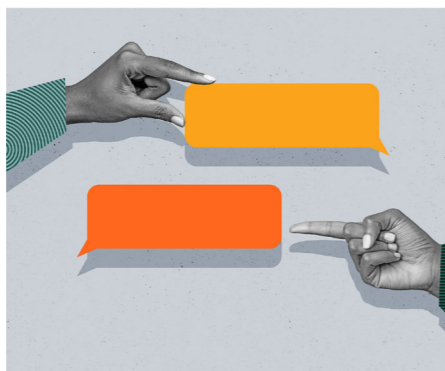
I'm not saying that is what we need to do now, but organisations should have internal Compliance teams that can be leveraged to have audits against best practice so that we can show regulators the Compliance standards that we are adhering to, and that player safety is a priority for us.

ALISTAIR

In my experience, there are regulators who engage in communication and engage in policy development with the operators. And then there are regulators whose main aim would be to fine and find issues with the way we operate.

From our end, we need to do our part.

Lance mentioned a very important point, which is self-assessment and having internal audit teams.



In new markets, showing the regulator that you already have these self-assessment tools in place, and internal audit teams auditing AML obligations and other aspects of the business, helps in building more trust with the regulator.

But other areas where we can do our bit is engaging in research studies and educating the regulator.

Often, we can help the regulator understand certain issues and how these issues impact our operation. If we source studies and research and provide these to the regulator and engage in open communication, it will definitely build a strong relationship and help with mutual trust.



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Lance mentioned industry bodies and associations. Are there any you'd like to mention?

LANCE

In Europe, there's the **European Gaming and Betting Association**, which does a good job of trying to educate the European industry as a whole.

In the **US**, there's one that has just spun up recently and we're on the way to becoming a member there.

That's the **Innovation Centre** and that's going to be hosted in Jersey City in New Jersey.

It would be good to have regulators on forums like this, where we could have a good debate.



SAM

In the **UK**, as I'm sure everybody's aware, the **gambling reform White Paper** came out recently, which has brought a lot of attention to the gaming industry; both from the industry itself, the regulators, and our trade bodies.

As a member of the **Betting and Gaming Council**, we've partnered with other operators through the trade body, and with all these consultations that are coming out, we are [speaking with] one voice, in a sense.



Consultations are a great way for the industry to have a voice and an impact on regulation changes, future guidance changes, and help shape the industry. Consultations are open to the public to submit their thoughts to the **Gambling Commission** on future regulations or specific topics that come up as well.

Is the industry educated enough on compliance issues? What can be done to improve this?

OHAD

First of all, in many cases **Compliance is not valued enough**. People tend to think that **Compliance is a blocker**. The truth is **Compliance is vital for the business**, but in some companies not everyone is familiar with that.

In my opinion, one of the problems is coming from regulators. Why? Because regulators in some of the cases are not focusing on education.

Unfortunately, I've worked with many regulators that fine you from top-to-bottom, for everything you do, without understanding that you don't really know what you need to do. I appreciate that regulators will not tell you what you need to do from A to Z, and that's fair enough, they need to have their own discretion. But **clear guidelines are needed**.



These are ways of improving the mindset that **Compliance is a blocker** or **Compliance is not educated enough**. As **Compliance people**, we're fully educated, or at least think we're fully educated. That's why the companies that we work with hired us.

Our day-to-day job is to educate the company for a more compliant environment, not as a blocker, but as a vital element for the business to grow.

You don't have to be the most compliant company in the world, but you need to make sure that you do at least the minimum required.

Unfortunately, in many cases, we don't know what the minimum required is. That's where collaboration comes in.



ALISTAIR

[It's all too easy] to see **Compliance as a cost**. That's a mistake that, from my experience, a lot of operators and management teams make. They see **Compliance as a main cost** to the business.

Another point worth mentioning is the **lack of harmonisation from an EU perspective within the spheres of online gambling**. If we had to take another example, the **General Data Protection Regulation (GDPR)**, and its harmonisation across the EU, brought about certainty.

We all know, as Compliance and regulatory people, the parameters that we are operating within and what the players expect from us and the rights of the players, and so on. But when it comes to online gambling, you have situations where, within the EU particularly, you have two jurisdictions that treat gambling in a completely different way.

For us, it becomes even more difficult to educate teams within particular jurisdictions and keep ahead of what the regulator really requires.

How easy is it to integrate the cluster of the new Compliance tools and innovative new software into legacy systems? And what are the best ways to streamline these sorts of processes?

ALISTAIR

I'm a complete fan of a new tool. Whenever I see a new tool, I jump on it. I want to know more about it. But then you sit down, and you start hitting the problems.

The first problem that you normally hit is compatibility, lack of compatibility with the platform, you can't integrate with the tool. Then sometimes you jump ahead of that hurdle, and you're passed to the next stage, and then you hit another stumbling block. Which is either, if you have your own platform, the availability of your development team to integrate with the tool; or else, if you use a third-party platform, it's the tool being pushed down the sprints and ending up with no tool.



I think before being excited about a tool, you need to do a bit of assessment.

You need to check the compatibility of the tool. You need to check that it can integrate with the platform. You also need to see and understand the amount of work that is required from the team.

It's also good to have all the files or the documents uploaded to the tool and see what sort of time limitations there are. Before starting to implement the tool, you need to test it properly so that you avoid having issues down the line when it's already implemented, and it's already communicated to the rest of the company.



Once the tool has been implemented and it's been integrated, you obviously need to keep on monitoring and seeing that it's performing.

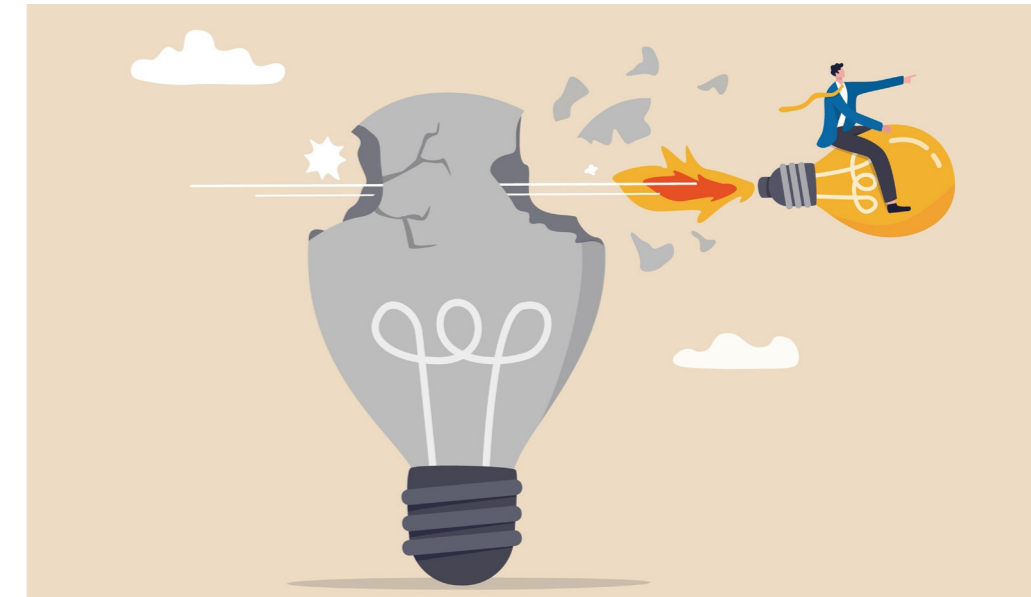
So, to recap, while we are always excited to integrate new tools and jump on new tools. I think we need to have a proper plan before starting implementation so that we avoid disrupting operation and the business. And it's important to have this plan in place and the time-frames in place so that the business operations are not impacted in a negative way.

Do you think that there will always be some sort of disruption and it's just about ways to limit it, or is it possible with the right kind of plan to have no disruption at all?

ALISTAIR

I think a hundred per cent, in my opinion, with every tool that I've implemented, no matter what a good plan you have before, you are always going to disrupt to a certain extent.

Either a particular team or a particular section of the business.



How have you guys been able to streamline this process and limit the disruption?

SAM

We use a platform provider, so obviously it's not our own tech that we're integrating with. But what I've found works best for us is having the right people in the right meetings from day one.

When we're meeting a supplier, we're seeing a demo or we're talking specs. If it's second stage meetings, it's about having somebody that knows tech and knows integrations. If we have our

head of product involved in meetings, he can ask the questions I don't think of.

So, I think having the right people in the right meetings is always best from the start. And maybe in the second or third interview, having the person that signs off the financials as well, because obviously they're going to want to see the products, which for us can be a big disruption.

I'm sure it's the same everywhere else.



We're meant to be profitable businesses, so we don't want to spend too much money on Compliance, but obviously the right amount, which is quite a big balancing act.

So, make sure the key stakeholders are involved in the journey a little bit earlier on, so they can see the product and ask questions as well.

EDITOR'S CONCLUSION

Clearly there remains a gap to bridge between regulators and Compliance teams in the gambling industry.

Although professional teams are in place at major operators, **our panel of Compliance practitioners** evidently **don't feel** that **all regulatory authorities have equal respect for their efforts**.

The **emergence of various trade bodies, and lobbying groups**, over recent years **has created more platforms for dialogue between the industry and regulators which**, for *Playstar's* Head of Compliance - Lance McIntosh - in particular, **has helped to ease communication between stakeholders**.

"We are one voice in a sense," says *Fitzdares'* Sam McKnight, referring to his company's membership of the British Gaming Council. **Having a unified way of presenting the commercial issues faced by Compliance**

TRADE ASSOCIATIONS ALSO HELP TO COMMUNICATE THE ON-THE-GROUND CHALLENGES PRESENTED BY REGULATIONS THAT WERE DEvised, IN THE MOST PART, BY INDUSTRY OUTSIDERS WHO ARE NOT FAMILIAR ENOUGH WITH THE DAY-TO-DAY RUNNING OF GAMBLING BUSINESS TO SEE WHERE REGULATIONS CAN TRIP THEM UP.



teams is vital. These **trade associations build consensus around best practice, holding the industry itself to account** in many cases, and in doing so **creating a peer-led path to business Compliance**.



Rhino Entertainment's Alistair Facciol makes **an interesting point about "harmonisation"**, pointing to the **EU's General Data Protection Regulation**, which was **introduced to control the use of personal data in 2016**.

That regulation brought "certainty", he says. **"We all know the parameters** that we are operating with. **And what the players expect from us."**

IF GREATER REGULATORY HARMONISATION COULD BE ACHIEVED ACROSS THE GAMBLING INDUSTRY, OPERATORS WOULD BE CLEARER ON EXPECTATIONS, WHILST CONSUMERS MAY SEE A UNIVERSALLY SAFER PRODUCT.

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