

## A ROCK AND A HARDWARE PLACE

As one of the four island iGaming hubs in Europe, Gibraltar's tiny 6.8sq.km leaves a huge footprint in the gaming sector

Gibraltar has long been associated with duty free cigarettes, booze and cheap electrical goods, the wild Barbary monkeys, border crossing traffic jams, the Rock and online gaming.

It's an odd little territory which seems to continually hover between its Spanish and British roots and being only 6.8sq.km in size, it is crammed with almost 30,000 Gibraltarians who have made this unique zone their home.

Gibraltar is a British overseas peninsular that is located on the southern tip of Spain overlooking the African coastline as the Atlantic Ocean meets the Mediterranean and the English meet the Spanish. Its position has caused a continuous struggle for power over the years particularly between Spain and the British who each want to control this unique territory, which stands guard over the western Mediterranean via the Straits of Gibraltar.

Once ruled by Rome the area fell to the Goths then the Moors. Spain reclaimed Gibraltar in the late 15th century until it was taken over from the Spanish by an Anglo-Dutch force back in 1704 during the War of the Spanish Succession, which also led to a permanent exodus of much of the population. The territory was then ceded to Britain under the Treaty of Utrecht in 1713 and it became an important base for the Royal Navy.

Spain did try to reclaim control in 1727 and also during the Great Siege of Gibraltar between 1779 and 1783 and still today the sovereignty of Gibraltar is a major bone of contention as Spain continues to assert a claim to the territory. However, the Gibraltarians themselves have rejected proposals for Spanish sovereignty, once back in a 1968 referendum and again in 2002.

Today, Gibraltar is self-governing and for the last 25 years has also been economically self sufficient, although some powers such as the defence and foreign relations remain the responsibility of the UK government. It is a key base for the British Royal Navy due to its strategic location.

During World War II the area was evacuated and the Rock was strengthened as a fortress. After the 1968 referendum Spain severed its communication links

**GIBRALTAR IS A POPULAR PORT FOR TOURIST CRUISE SHIPS AND ALSO ATTRACTS MANY VISITORS FROM SPAIN FOR DAY VISITS EAGER TO BROWSE THE VAT FREE GOODS.**

with Gibraltar and closed the border. It was later reopened fully in 1985.

The territory is joined by a 1.2km land border with Spain, which joins the municipality of La Linea de la Concepcion on the Spanish side and a 12 km shoreline divides the region into the East and West side. There are no administrative divisions although it is divided into seven major Residential Areas.

Gibraltar has very few natural resources and the terrain consists of the 426m high Rock of Gibraltar which is made up of Jurassic limestone. The Barbary Macaques who have made this Rock their home are the only wild monkeys found in





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Europe with around 230 living on the upper area of the Rock. The story has it that if the monkeys ever leave Gibraltar, so will the British.

Traditionally, the British military dominated the territory's economy, however, this has diminished over the last 20 years and today accounts for just seven per cent of the economy compared to 60 per cent back in the early 1980s. The port facilities remain however, and shipping and tourism are key areas of the territory's economy base. In recent years the government has pinned its hopes for the financial future of Gibraltar on the financial services sector, which has grown rapidly.

Today, Gibraltar's four main economic sectors are: financial services, shipping, tourism and internet gaming. The first three sectors contribute 30 per cent, 25 per cent and 30 per cent respectively of the GDP, whilst telecommunications, e-commerce and e-gaming contribute around 15 per cent.

Meanwhile, Gibraltar is a popular port for tourist cruise ships and also attracts many visitors from Spain who travel over the border for day visits eager to browse

through the VAT-free goods and British high street chain stores which have franchises here. Gibraltar sees around five million tourists each year. In 2010, there were 174 cruise ship calls to the Gibraltar port with around 304,000 passengers.

Economically, the territory is growing. In July 2012, Fabian Picardo, the Chief Minister of Gibraltar, announced that Gibraltar's GDP grew from £998m to £1.05bn for the year 2010/11 and the forecast for 2011/12 is £1.137bn whilst by 2015 it is expected to grow to £1.65bn.

The statutory minimum wage is £5.70 per hour and average yearly earnings are £23,576. Unemployment rate is three per cent.

At the end of 2011 elections saw the GSLP/Liberal Alliance form the first new government for Gibraltar after 15 years of GSD administration with a narrow majority of just over two per cent. The new government promised a new style of government.

There has been a reported slowdown in consumer spending which has affected Gibraltar's tourist trade, shops and restaurants. Property spending has fallen

The maximum rate imposed on personal tax is currently 17 per cent and the budget announced that by the year 2015/16 this will be reduced to 15 per cent for every taxpayer. The first step means that as from July 2012 those taxpayers on the Allowance Based System will have their rate of tax reduced to 15 per cent.

along side bank lending. The government is, however, predicting 60 per cent GDP growth, a 50 per cent increase in government revenues and some £52m in government reserves over the next four year term.

An ambitious project in today's current climate, however, the recent budget in July 2012 did back some of this plan up with the reduction or removal of import duty on a number of retail goods. Most electrical goods and computer software will be newly exempt from import duties, whilst duties on perfume, cosmetics, clothes, jewellery and mobile phones will be halved. This is aimed at making Gibraltar a more attractive destination for shopping.

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**Now you can have your cake and eat it.**

Those who earn less than £9,000 are exempt from income tax and this will be increased to £10,000 by the year 2013.

Under the future plans taxpayers who receive between £9,000 and £19,500 will receive enhanced tax relief to smooth tax liability disparity between tax paying and tax exempt earners. All disabled working people will be exempt from taxation.

In January 2011 the Corporate Tax was set at 10 per cent for Resident Companies and 20 per cent for Utility Companies which was expected to see huge changes. However there has been little evidence of the expected influx of companies seeking to use the low tax structure that Gibraltar can now facilitate.

From July 2012 there was also an increased discount of 10 per cent for early payment of rates for bars and restaurants. This is aimed at assisting those in the introduction of the smoking ban. New companies starting up also have a discount for early payment of rates of 50 per cent for their first year of trading.

#### WHY GIBRALTAR

Gibraltar offers a state lottery and a casino alongside its booming online

gaming sector. The Gibraltar Government Lottery was founded after World War II to service a loan used to finance the construction of new housing for the population that had been evacuated.

The first draw was held in October 1947. Today this game consists of 24 draws per year of which 21 are regular bi-weekly draws with tickets costing £10 (divided into shares of £1 each). First prize for regular draws is £100,000 and 20,000 tickets are issued for each draw with 23 winning numbers drawn.

The other three draws are special tickets produced in the summer, at Christmas and for the Three Kings (January 6th) where prizes are usually much higher.

Meanwhile the casino is operated by Gala Bingo. This company was formed in 1997 when a management buy in purchased 130 Gala Bingo Clubs from Bass. This was followed by its move into the casino industry in December 2000 when it acquired 26 Ladbrokes casinos from the Hilton Group.

In 2005 Gala Bingo then merged with Coral Eurobet and in 2011 founded Gala Interactive (Gibraltar) Ltd to create the

*Gala Casino Gibraltar is the only casino in the region and originally it was situated next to the Rock Hotel but later relocated in 2009 to one of the two marinas in Gibraltar called Ocean Village which is a modern and stylish area housing retail and entertainment.*

online brand. Today Gala operates 30 casinos in the UK and one in Gibraltar, 1,566 Coral shops, 170 bingo clubs and two greyhound stadiums.

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Originally when it opened back in 1960s investors thought the casino would develop the Rock into the new playground for the rich and lure gamblers away from Monte Carlo and Nice. At the time it cost £500,000 to build and housed roulette and baccarat. The casino was located in a disused fort built into the Rock and was purchased by Gala in 2000.

Today the casino offers 11 live and 20 electronic gaming tables and 250 slots with multistake play from 1p up to £200. There is a new Poker room which can take up to 200 players and Sports Lounge with live sports events to bet on plus a 400 seat Gala Bingo Zone open from 4.30pm until 2am.

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The casino also houses the Chargrill restaurant and Sunset Buffet plus the 18° Below Zero Ice Bar and Champagne Bar. The casino sees around 360,000 visitors per year since the move.

Meanwhile the merger planned between Gala Coral and Mecca Bingo is at a standstill although the deal excludes the Gala casinos in Dundee, Gibraltar and a non operating licence for Westminster.

Probably the most significant form of gambling in Gibraltar is of course the remote sector. Today there are around 2,000 people employed in this industry – about 12 per cent of the region's workforce. In 2011/12 under the one per cent tax rate the government of Gibraltar collected £10.7m in gaming tax from remote gaming plus £16m in PAYE and £18m in Corporate taxes.

There are many perks for basing a company in Gibraltar:

- Gibraltar is a constituent part of the European Union
- There is no VAT, no capital gains tax, no wealth or gift taxes, no inheritance tax or estate duty and a low corporate tax of 10 per cent.
- It has an excellent communications infrastructure, state of the art technology and advanced fibre optic communications with high resilience and security.
- It is a British international finance centre within the EU
- There is an international airport and excellent road links into Europe
- Operates with UK standards.
- Has a highly educated and bilingual workforce.
- Gambling operators in Gibraltar can advertise in the UK.
- The remote gaming sector is an established industry with locally available expertise and a well developed accounting, banking and telecommunications infrastructure.

Back in 2000 the EU Directive on a Legal Framework for E-Commerce was

In 2005 the Gibraltar House of Assembly passed the Gambling Ordinance 2005 which modernised the gaming legal framework and created a statutory licencing and regulatory framework. The idea was to denote the borders of the online gaming legislation and set regulations for this industry.

introduced which implemented the principles of a free movement of services and freedom of establishment. In July of that year the commission published a package of proposals for a new Regulatory framework for electronic communications which came into force in 2003.

Meanwhile in 2001 the Gibraltar Electronic Commerce Ordinance was passed and this was seen as an important step in the territory's development as an e-commerce hub to rival the likes of Guernsey, Malta and the Isle of Man.

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Meanwhile in February 2012 GibTelecom announced it would increase its most used broadband speeds from their Standard 1Mbps to 4Mbps; their Standard Plus from 2Mbps to 8Mbps and the Enhanced package from 8Mbps to 20Mbps from September this year.

Transworld Systems Ltd and Easy Call were removed from the Register of Authorisation whilst Eazi Telecom is in the process of rolling out its mobile network. Other suppliers include Broadband Gibraltar Ltd (Sapphire Networks), CTS Gibraltar Ltd, Equant Gibraltar Ltd, Voxbone and Continent 8 Technologies.



as far as Gibraltar's data centre industry is concerned, offering customers unrivalled service and flexibility."

Meanwhile there are three licenced mobile operators in Gibraltar – GibTelecom, CTS and Eazitel – and at the end of March 2012 there were 36,000 mobile service subscribers. There are three licenced Internet Service Providers in Gibraltar – Sapphire Networks, GibTelecom and CTS. At the end of March 2012 there were just over 12,000 internet account subscribers in the territory.

Bandwidth costs however are high whilst other problems in Gibraltar include the lack of suitable free office space and pressure on salary costs from local operators plus the need for more experienced workers if further licences are granted whilst reasonably priced hotels are lacking for business visitors.

At the end of 2011 there was some 5,500sq.m of office space in Gibraltar to let. Much of this is however generally older and inefficient and there is a demand for newer modern facilities. Due to the demand rents are rising and on

### **GALA INTERACTIVE LISTS REASONS FOR CHOOSING GIBRALTAR SUCH AS REGULATORY FRAMEWORK, THE TALENT POOL, HIGH QUALITY CONNECTIVITY AND COMPETITIVE TAXATION.**

average tenants can pay above £300 per square metre per year which is expected to rise to £350 this year.

In the early 2000s many bookmakers and online gaming operators relocated to Gibraltar to benefit from operating in a regulated jurisdiction with a favourable tax regime. The corporation tax was increased to a set rate of 10 per cent in January 2011 and seems to have had little impact on business. Baker Tilly Gibraltar is the oldest firm of Chartered Accountants in Gibraltar and offers services to the remote gaming sector.

Neil Rumford of Baker Tilly Gibraltar said: "Gibraltar is fortunate in that, whether by design or accident, it hosts operators who are at the more reputable end of the scale. Although different companies have

"Gibraltar is fortunate in that, whether by design or accident, it hosts operators who are at the more reputable end of the scale. Although different companies have different circumstances and attitudes when it comes to tax, I think generally there is an acceptance that if you want to be in one of the best regulated environments in the industry then a certain amount of tax is inevitable."  
**NEIL RUMFORD,**  
Baker Tilly Gibraltar.

Continent 8 has a 13 year track record of proving hosting services and established a data centre in Gibraltar at the end of 2011 in response to the demand from local online gaming operators and software suppliers. To date this is the company's seventh data centre worldwide and fifth in Europe to be linked to the group's global private network. The data halls and network operations are located 500 metres into the rock of Gibraltar.

Director of Global Sales, Peter Williams said: "Our customers have rightly come to expect nothing but the best from Continent 8 Technologies. So they can be assured that Gibraltar won't just be one of the most innovative and secure facilities in the world simply because of its rock solid environment. The data centre has recently added a second connection to the company's Private Global Network which means we have geographically diverse connections on and off the peninsular.

"Together with all the other technical infrastructure we have brought to bear, we believe this raises the bar considerably

#### **Gibraltar: Vital Statistics**

**Population:** 29,034

**Land Area:** 6.5sq.km

**Median age:** 33.3 years

**Languages:** English (official), Spanish and Llanito (local dialect)

**Ethnic Groups:** Spanish, Italian, English, Maltese, Portuguese, German, North Africans.

**Government:** Constitutional Monarchy

**Chief of State:** Queen Elizabeth II (represented by Gov. Vic Admiral Sir Adrian Johns (since 2009))

**Head of Government:** Chief Minister Fabian Picardo (since 2011) Gibraltar Socialist Labour Party

**Elections:** Governor appointed by Monarch, following legislative elections, leader of the majority party is usually appointed Chief Minister by the Governor. Next elections due 2015.

**Casinos:** 1

**Casino slots:** 200

**Gaming tables:** 14

**Electronic Tables:** 20

**E-Gaming Licences:** 23

**Revenue:** £10.7m in gaming tax

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Gala Interactive lists several reasons for choosing Gibraltar such as overall regulatory framework, the talent pool, high quality connectivity and competitive taxation.

"Gibraltar has a highly proficient Regulatory Authority and although selective when it comes to rewarding online gaming licences it ensures post licence operator compliance." Said Gala's PR agent, Sarah Mercer.

"Gibraltar also offers a talent pool for online gaming professionals. As Gala Interactive started up its operation from scratch the availability of local professional made the task considerably easier."

Meanwhile ProSpreads is one such company which chose the region as its base and the company's Managing Director, Simon Brown, said this was for three main reasons: "It has a recognised and robust regulatory system. As a financial company ProSpreads is regulated

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by the Financial Services Commission and the Gambling Division of Gibraltar. Its FSC regulation allows the firm to 'passport' its services into the rest of Europe, which you can imagine is invaluable for Financial Service Companies whose client base is predominantly in Europe.

"Secondly the corporate tax structure in Gibraltar provides additional benefits with attractive corporation gaming tax, coupled with zero VAT and capital gains tax.

"Thirdly the fact that Gibraltar is tagged onto continental Europe presents a plethora of lifestyle opportunities that don't exist in any other low tax jurisdictions coupled with three international airports within an hours drive with direct flights to London and many other Northern European cities."

He added: "Online gaming is obviously firmly embedded into Gibraltar with an established regulatory, communication and employee resource base on hand. With the US slowly opening its doors to online gaming the prospects for further growth for e-gaming is favourable. As long as Gibraltar can maintain its competitive advantage over other remote online gambling jurisdictions then increased critical mass in the industry should continue to attract 'blue chip' companies."

Ladbrokes, which was one of the first companies to obtain a Gibraltar licence back in 1992 says one of Gibraltar's many strengths is that it is a well regulated jurisdiction.

Steve Buchanan, Finance Director and Head of Gibraltar Operations said: "The government has always been very keen to state that they only wish to attract 'blue chip' operators into Gibraltar. Operators who are prepared to invest in infrastructure in Gibraltar and ensure that their businesses are properly run and managed from here.

"Operators and the Gibraltar regulator have worked very closely together in forming gaming legislation, namely the Generic Code of Practice, AML legislation and the soon to be statute Remote Technical and Operating Standards. It's been particularly pleasing that the regulator has approached these areas in a very consultative and collaborative way, with the results being a robust set of regulations which will serve to both protect Gibraltar's reputation as a well regulated jurisdiction and our customers, but at the same time are workable for operators based here."



### LICENCING AND LICENSEES

The industry is governed by the Gambling Act 2005. The Gambling Commissioner is the Gibraltar Regulatory Authority which was established under the Gibraltar Regulatory Authority Act 2000. The GRA oversees the operation of the licensees and the enforcement of the licence conditions and was set up in October 2000. The sector is licenced by the Government of Gibraltar.

The GRA covers all aspects of transmission from telephone, internet, VOIP services, television and radio and satellite services

The Gambling Act 2005 includes the following points:

- The Licencing Authority may grant licences for – bookmaker licence, betting intermediary licence, gaming operator licence, gaming machine licence, lottery promoter, pools promoter and remote gambling licence.
- Unless a bookmaker or lottery promoter's licence is extended none of the above may undertake remote gambling.
- Licences can be extended to authorise telephone betting or the sale of tickets via the telephone.
- Non remote betting can only be operated by those holding a current bookmakers licence covering their premises.
- Gaming is only permitted in licenced

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PR agent, Gala.

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**STEVE BUCHANAN,**  
Finance Director and Head of Gibraltar Operations, Ladbrokes.

gaming establishments with the exception of social occasions in residential hostels or private dwellings.

- Gaming is also permitted on cruise ships in port overnight from 6pm until 6am if they are passengers and the ship is expected to depart from Gibraltar within 12 hours of commencement of gaming and does not return with the next 24 hour period.
- Non remote lottery is permitted if it is a government lottery or promoted by a person with a lottery promoter licence.
- Funds from the lottery shall be paid to the Consolidated Fund.
- Remote gambling can be conducted in or from Gibraltar if, and only if, at least one piece of remote gambling equipment used in the provision of such facilities is situated in Gibraltar.
- Remote gambling websites should contain on the home page a direct link to websites of at least one organisation dedicated to assisting with gambling problems.
- A licence holder should also ensure that a person should be able to request to be self excluded from gambling, warn people they should not gamble beyond their limits and discourage problem gambling and not allow underage gamblers.
- Each website must contain the licence holder's name and address, licencing information and minimum age permitted (16 years for lottery and 18 years for gambling)
- Licencing Fees: There are no start up licencing fees but there is an application fee of £10,000 plus an annual fee of £2,000 for maintaining the licence.
- Gaming tax:

1. Fixed odds and betting exchange operations are taxed at one per cent of total turnover.
2. Betting exchanges are taxed on the same basis as fixed odds operations.
3. Online Casinos are

taxed at one per cent of gross profit and one per cent of rake in the case of poker operations. The maximum and minimum cap is the same as for fixed odds betting. For all of the above there is a minimum tax payable of £85,000 and a cap of £425,000 of tax payable per year per licence.

- Corporation tax: As with other companies, e-gaming companies are subject to corporate tax on taxable profits. In January 2011 the corporation tax rate was raised to a standard corporation tax of 10 per cent to align itself with other countries in Europe which is applicable to all new start ups. However non-resident companies do not need to be registered for tax purposes. The companies however are not subject to any VAT.

Gibraltar began offering licences to online gaming sites back in 1989 but it wasn't until the early 1990s that Ladbrokes and Victor Chandler became the first two companies to relocate their business to Gibraltar, opening up call centres and taking advantage of the 'tax free' operation.

Ladbroke's Steve Buchanan said: "The original decision back then to base this part of the business in Gibraltar was the fiscal friendly environment, which to a large extent, still exist on the Rock today."

At the time Sportsbook wagering was just taking off and the three per cent 'service' charge that was imposed by the Gibraltar based fixed odds operators helped to encourage customers onto the operator's betting websites. They began by taking sport wagers over the phone or by fax offering lower tax on winnings than the high street bookies could offer.

The growth has been huge and swift. Today, online gaming companies are booming on the Rock and employ around 12 per cent of the workforce in the region. It is reported that between 40 and 60 per cent of the UK customer's online gambling takes place with Gibraltar. Licences issued are mostly for fixed odds betting and casino operations and there is just one for spread betting to date.

Generally licences are difficult to obtain. An application for a



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licence is made to the Licencing Authority providing information such as: company background, nature of activities, reasons to operate or relocate to Gibraltar and reason for the application for a gaming licence. Licences are only given to what are regarded as 'blue chip' companies with a proven track record in gaming. Licensees are then required to physically operate and be managed in Gibraltar.

Today there are currently 23 major online betting companies now based in Gibraltar of which 17 have direct corporate, financial, legal or regulatory associations in the UK. A further two licences were expected to be announced in September with more expected as the US market opens up. The current licensees are:

- Victor Chandler (International) Ltd offers fixed odds and Casino gaming and was one of the first companies to open a call centre in Gibraltar. The company began in 1946 by the grandfather of Victor Chandler and has been passed down the family line. When the grandson took over the company it had 40 betting shops in the UK mainly in the south east of England and it was then that he began to expand rapidly in the late 1970s. Victor Chandler arrived in Gibraltar in 1996 and obtained a betting licence and moved his entire business to the region in 1999 employing 350 people and becoming the largest employer on the Rock at the time. The business today has a turnover of around £1bn and over half a million customers across 160 countries.

- Ladbrokes International Plc and Ladbrokes Sportsbook LP operate fixed odds and casino gaming under the brands Ladbrokes Bingo, Ladbrokes Casino, Ladbrokes Games, Ladbrokes Live Casino, Ladbrokes Lottos, Ladbrokes Mobile, Ladbrokes Poker and Ladbrokes Sports. The company offers over

540 casino games and has a total of 2,127 shops in the UK and 592 in Europe (Belgium, Ireland and Spain). The company was one of the first bookmakers to be licenced in Gibraltar and the original licence was issued in 1992 when they offered an offshore High Roller Telephone Betting service to non-UK customers which principally were from the Far East. In 2009 the company moved its Sportsbook operations to Gibraltar and reported a three per cent increase in group operating profit for the first four months of that year. Ladbrokes operates one of the most successful Sportsbooks, offering betting and gaming services across 13 sites in nine languages and has annual group revenues of over £980m. It has 67,000 telephone betting customers making 4.3 million calls to the call centre with net revenues of £4.3m. The online gaming facility has some 878,000 clients. Last year Ladbrokes Digital saw total operating profits of £55m of which Sportsbook was accountable for 38 per cent, casino 35 per cent, games 10 per cent, poker nine per cent and bingo eight per cent. Revenue in the Sportsbook and poker sectors were down slightly although the company has been pushing its Bet in Play markets.

- WHG (International) Ltd (formerly William Hill Gibraltar) and WHG Trading Ltd both offer casino and fixed odds betting under numerous brands providing Sportsbook, casino, poker and bingo. With more than 70 years experience in betting William Hill is one of the biggest companies in the UK offering betting telephone service and various games online. The company has been accepting online bets since 1998 and today offers betting in 150 countries in eight languages and 11 currencies. They have 2,370 licenced betting offices in the UK and took almost £18bn in stakes in 2011.

In 1998 they launched an online betting facility and today they have around 300,000 online clients. In 2009 William Hill moved its online betting services Sportsbook, and online fixed odds games from the UK to Gibraltar. William Hill Online was created in December 2008 through the combination of WH's existing interactive business with assets acquired from Playtech Ltd. Today the share is 71 per cent William Hill and 29 per cent by Playtech. When the online business was established William Hill Online took an eight year licence to Playtech's casino and

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**STEVE BUCHANAN,**  
Finance Director  
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poker software and the suppliers of the Online Bingo software and mobile betting platform have since been acquired by Playtech. The William Hill headquarters were already based in Gibraltar. William Hill Online saw its second consecutive year of 20 per cent net revenue growth with a 28 per cent increase to £321.3m.



# THEY WANT YOUR BRAINZ



Around 75 per cent of the group's online revenues come from the UK the remaining spread across 100 countries.

- TSE Gibraltar LP (Betfair Group) offer Betting Exchange. Betfair was founded in 1999 by Andrew Black and Ed Wray and today offers a range of sports betting products, casino games and poker via the online sector with four million registered customers. The company owns gambling licences in Gibraltar, Malta, Italy, the US and Tasmania. Betfair.com is offered in 17 different languages and they process more than seven million transactions a day. The company saw total revenues of £389.7m

The industry is governed by the Gambling Act 2005. The Gambling Commissioner is the Gibraltar Regulatory Authority which was established under the Gibraltar Regulatory Authority Act 2000.

in 2011/12, a six per cent increase on the previous year. The company recently launched a new Android application to give Android users a more immersive Betfair experience.

- Bwin.party Digital Entertainment Plc and Ogame Network Ltd offers fixed odds and casino gaming. Bwin.party was born following the merger of Bwin and PartyGaming in March 2011. The company has numerous brands operating online sports betting, poker, casino and bingo and some of the biggest brands include bwin.com, partypoker.com, partycasino.com and foxybingo.

Ogame is a B2B poker provider serving various partners including Bwin with an international network licenced in Gibraltar as well as regional networks in Italy and France. Ogame has more than 20 million customers in 25 markets.

- Petfre Gibraltar Ltd (Betfred) offers fixed odds and casino gaming via various brands providing Sportsbook, casino, bingo, poker or games. Betfred is owned and operated by Petfre Ltd which is responsible for operating the Betfred brand online. Betfred has around 1,350 shops and in July 2011 acquired the Tote for £265m whilst the company was also

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awarded an exclusive seven year licence to operate pools betting on UK racecourses. The company is owned by Fred Done who set up with a shop in Salford in 1967

- Hillside Gibraltar Ltd (Bet365 Group Ltd) offer casino gaming under the brands Bet365 Bingo, Bet365 Casino, Bet365 Games and Bet365 Poker. Bet365 is one of the leading internet gambling groups with over seven million customers across 200 countries. The group employs around 2,000 people and is the seventh largest private company in the UK.

- 888.com Plc (Cassava Enterprises Gibraltar) offers fixed odds and casino gaming under various brands involving the 888 brand and others. 888 Holdings is one of the most well known online gaming companies which was founded in 1997 in the British Virgin Islands. Its subsidiary received a gaming licence in Antigua the same year and the 888 platform was born in May 1997. The company received its licence in Gibraltar in July 2003 and the HQ was moved from Antigua to Gibraltar. 888 gaming is now available in 19 languages in over 150 countries. Total revenue for 2011 amounted to US\$331m (26 per cent growth on previous year) of which \$148m came from the casino games, \$60.6m from poker, \$54m from bingo and \$46.9m from B2B.

In 2012 the company launched Casino 50, a revamped casino platform which utilises state of the art web and design technology and has made the software simpler and faster. The company also launched into the Italian market and introduced Live Dealer on 888 there making it the first live casino in Italy. 888 now has a five per cent market share here and in 2012 the company also opened in Spain.

The Gibraltar centre provides support for 888's markets in Europe, Asia Pacific and Latin America whilst the Antiguan centres focuses on supporting English speaking markets in Europe, Australia, Asia Pacific and Canada.

- Gala Coral Ltd offers casino gaming under the brands Coral Casino, Coral Poker and Gala Poker. In 1999 UK bookmaker Coral bought Eurobet which is a small Gibraltar based internet betting company and planned to offer tax free

"Gibraltar company and commercial law is similar to the UK law and of course English is widely spoken. Remote gambling is an international business, even when local licencing is required in different jurisdictions, it still makes sense to centralise operations somewhere, and preferably where it's sunny."

**NEIL RUMFORD,**  
Baker Tilly Gibraltar.

"There has been lots published by commentators with different perspectives such as constituents, stock market analysts, lawyers and others, who have said the foundation and structure of the tax is defective. But we are waiting for a UK government response to that."

**PHILL BREAR,**  
Gibraltar Gambling Commissioner.



telephone betting to UK residents from Gibraltar. Six years later Coral was bought by Gala to form Gala Coral. In September 2011 Gala Coral Group stopped trading using the Eurobet.com name and closed Eurobet.com.

- Gala Interactive Gibraltar Ltd is responsible for the online operations of the Gala Coral group for the Gala Bingo and Gala Casino brands. They are currently relocating to new offices in Gibraltar with a division that has been specially developed to transform its online offerings from bingo, casino and gaming and recently launched GalaCasino and

GalaBingo earlier this year. The launch includes revamped websites and design, improved registration process and consistent navigation. The new sites offer gaming including Playtech casino and games, GTS games, Virtue Fusion Bingo and iPoker Network. The company has a three to five year plan to grow and build upon its position as a UK bingo operator and casino provider offering casino and fixed odds. The Gala group saw a total turnover in 2011 of £1.1bn a drop of five per cent from the previous year.

- Stan James Plc is a British bookmaker which was established in 1973. They have

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65 of betting shops in the UK market and operate online facilities via Gibraltar. Today they offers fixed odds and casino gaming. Brands include StanJames.com, Stanjames.com casino, stanjames.com games, stanjames.com in-play, stanjames.com mobile, stanjames.com poker, stanjames.com skill. In 2007 it bought Betdirect bookmaking from 32Red

and this was merged with Stanjames.com in 2009. In 2008 it also bought Betterbet.com and also entered into a joint venture with Betkick to serve the Austrian, German and European markets via their joint brands sjbet and sjbet24.

- 32 Red Plc offers casino and fixed odds gaming. The British company is an online casino, poker and bingo operator established in 2002. It has various brands including 32redbet, 32redbingo, 32red onlinecasino, 32redpoker, Dash Casino, Golden Lounge and Ned Play. Total net revenue for 32red last year amounted to £25m of which £23.3m came from casino gaming and £1m came from poker and the remainder from bingo.

- Mansion Online Casino Limited and

*Further changes in Gibraltar at the moment are a result of the direct response to the imminent changes in the US market which is expected to see significant interest in this region in terms of licences either independent or via teaming up with Gibraltar operators already based here.*

Onisac Ltd offer casino gaming under the brands Mansion Casino, Casino.com, Club 777, Mansion Poker, Les A Casino and Les A Diamond. Mansion is headquartered in Gibraltar and provides casino and poker game sites.

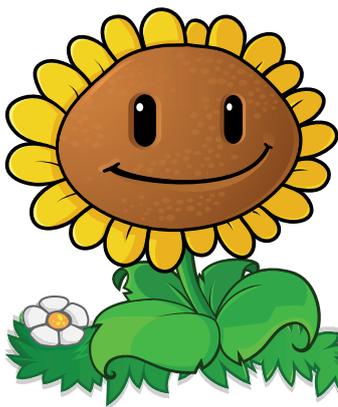
- Tombola Gibraltar Ltd offers bingo gaming and has been in operation since the 1960s as a leading supplier of bingo tickets. The licence in Gibraltar means all aspects of the Tombola is managed in house and the company has its own uniquely styled bingo games and team of designers and software engineers. In December last year they launched tombola.it and in May they ventured into Spain and launched tombola.es

- Probability Gibraltar Ltd has been developing and operating games for mobile users in regulated markets since 2003. The London company offers B2B and B2C services with 3D casino games in several languages.

- Gamesys Gibraltar Ltd (Entertaining Play Ltd) offers casino gaming via main brands Gamesys, Jackpotjoy and StarSpins and other associated brands. Gamesys Ltd was founded in 2011 and is a London based parent company of the Gamesys Group and provider of technology services. Licenced companies in Gibraltar include Profitable Play Ltd which is the licenced operator of Jackpotjoy, Entertaining Play licenced operator of Sun Bingo, Caesars Bingo and Casino and Heart Games and Leisure Spin licenced operator of non UK international player sites Botemania and Jackpotjoy.se. The company saw group revenues of £125m, a 27 per cent increase on the previous year, whilst group wagering was over £3.1bn in 2011.

- ProSpreads Ltd (formerly FuturesBetting.com) is the only Financial Spread betting business in Gibraltar. The company began its life as FuturesBetting.com in 2005 which was a company set up to provide serious speculators with a trading platform with a level of technology demanded by professional traders. In 2008 ProSpreads became part of the London Capital Group. The trading platform provides the same functionality as Direct Market access to execute spread bets on major indices, currencies, commodities and equities.

ProSpreads has dual regulation both from the Financial Services Commission Gibraltar and the Gibraltar Regulatory Authority. ProSpread's Simon Brown says it would make sense for the gambling



# Report

## GIBRALTAR

division to pass over regulation to solely to the FSC as all products are financial. He said: "This would mirror the situation in the UK where the FSA has sole responsibility for regulating the Financial Spread Betting companies. The mechanics of financial spread betting and 'regular' gaming are very different and to try and cover both under the same licence and legislation is obviously a challenge."

Up until recently ProSpreads only targeted 'professional' customers however recently permission has been granted for the firm to accept those with less trading experience. The firm can now accept non professional customers, although they still target the more sophisticated trader.

- IGT Gibraltar Ltd offers casino (B2B) gaming via various partners such as 888.com, Bet365, Betclac Ladbrokes, Bwin party, Microgame and Victor Chandler. Since 1981 IGT has been specialising in design, development and manufacturing and distribution of gaming equipment and software.

- Digibet Ltd is a sports betting company which employs more than 200 people at its Gibraltar, German and Isle of Man offices and has more than 150 betting shops in Germany and UK. They offer fixed odds and casino gaming.

- Partouche Interactive (Gibraltar) offers casino gaming. It is run by the French Groupe Partouche which was born back in 1973. In 2006 the subsidiary Partouche Interactive was formed dedicated to games development on technology for mobile phone, television and the internet. The licence was received from Gibraltar soon after for the operation of online games. Brands include Partouche casino, Partouche Game, Partouche Gammon, Partouche Mobile, Partouche Poker and Partouche Scratch. In 2011 the Partouche group saw a turnover of €464.3m.

- BetClac Everest Gibraltar Ltd was created in 2005 by French entrepreneurs and today has four international brands – Everest Gaming, Betclac, bet-at-home and Expekt. The company is equally owned by Lov Group and La Societe des Bains de Mer, Monte Carlo and offers sports betting, poker, casino and bingo games in 25 languages. They are active in 100 countries with more than 12 million customers worldwide.

- St Minver Ltd was formerly known as St Enodoc and was founded in 2003 following the purchase of Gala Interactive from the Gala Group plc. The company's name changed in 2005 and today is licenced in Gibraltar to offers online casino gaming working with brands such as Chit Chat, Yahoo and Littlewoods via

Bally Technologies bought out Chilli Gaming's B2B i-gaming operations earlier this year and intends to invest more time and money into the online gambling market. The licence in Gibraltar will enable them to set up servers in the region. Bally recently acquired a core service associate e-gaming certificate in Alderney which will allow them to partner other gaming companies



"Gibraltar company and commercial law is similar to the UK law and of course English is widely spoken. Remote gambling is an international business, even when local licencing is required in different jurisdictions, it still makes sense to centralise operations somewhere, and preferably where it's sunny." **NEIL RUMFORD,** Baker Tilly Gibraltar.

affiliate programme. The company runs instant sites internationally in countries such as the UK, Spain, Sweden and Russia.

- St Endillion Ltd offers casino gaming under the brands Skill Juice and Sklots. The company is a provider of products and services to US state lotteries. Skilljuice.com and sklots.com both offer various tournaments and one on one formats. The casino and skill games are developed by Arcadelia AB, Sweden and Root9 Media Lab in Austria.

Approved testing facilities in Gibraltar include Technical Systems Testing, eCOGRA, iTech Labs Australia, Gaming Associates and Gaming Laboratories International.

### FUTURE OUTLOOK

In 2011 the UK's Department of Culture Media and Sport announced that it intended to revise the UK Gambling Act 2005 to require all online gambling operators who wish to transact with British residents to obtain a British gambling licence. This would change the rule to a 15 per cent tax at point-of-consumption rather than point-of-origin.

The timescale for this is set for December 2014. At the moment there are various consultations in the industry and between the Gibraltar and UK governments who are discussing the proposals.

Gibraltar Gambling Commissioner, Phill Brear said: "There has been lots published by commentators with different

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perspectives such as constitutors, stock market analysts, lawyers and others, who have said the foundation and structure of the tax is defective. But we are waiting for a UK government response to that.

“But its two and a half years away and 18 months away before necessary legislation would be finalised. Even with a fair wind and no other issues one assumes they have given themselves a huge window to get themselves through parliament.

“Operators in Gibraltar are watching the situation. But every operator in Gibraltar has a different level of exposure to the UK market. A handful are UK focused, but at least half are not UK focused. And at the end of the day there are always other reasons to stay in Gibraltar.”

## **CURRENTLY OPERATORS NEED ONLY BE LICENCED IN A COUNTRY IN THE EEA, PARTICIPATING IN THE EU INTERNAL MARKET.**

Currently operators need only be licenced in a country in the EEA, which means they can participate in the EU's Internal Market without formally being members of the EU. There are 30 members of the EEA – 27 EU nations and honorary members Norway, Iceland and Liechtenstein.

In 2011 the UK's Department of Culture Media and Sport announced that it intended to revise the UK Gambling Act 2005 to require all online gambling operators who wish to transact with British residents to obtain a British gambling licence. This would change the rule to a 15 per cent tax at point-of-consumption rather than point-of-origin.

In addition to these licenced internet gambling companies there are other countries on a separate 'white list' which are allowed including Gibraltar, Antigua, Alderney, Isle of Man and Tasmania.

The new proposal is aimed at 'plugging a regulatory gap' to ensure a more consistent and higher level of protection for those who gamble online in the UK. To create a level playing field as such. It has also been suggested that companies who fall into a 'high risk' category should be audited more frequently. It is thought however that those in 'trusted jurisdictions' will be treated more favourably than those elsewhere.

The UK based online and offline gambling operators have long complained that offshore licenced ventures have a huge advantage over UK companies due to a lower tax rate. The move would see offshore companies pay a secondary tax rate to operate in the UK. It would also see a return of income back to British shores.

Neil Rumford of Baker Tilly Gibraltar said: “The Gibraltar government has been fairly cautious over the last 15 years or so in that they have not gone for immediate growth in the gaming sector at all costs. The operators that are here are well established and have a significant physical presence.

“Whilst I'd hesitate to make any predictions for such a constantly changing industry, I'd remain fairly confident about the future. Even if these plans, or something similar goes ahead in the UK or in other jurisdictions, Gibraltar still has a lot to offer. We have a low rate of corporate tax, a regulatory environment that is robust and at the same time responsive to the needs of responsible operators, a good reputation and no VAT on IT equipment. We have a good pool of people with expertise in the industry – locals and those who have come from overseas – and support services which have evolved with the e-gaming industry.

“Gibraltar company and commercial law is similar to the UK law and of course English is widely spoken. Remote gambling is an international business, even when local licencing is required in different jurisdictions, it still makes sense to centralise operations somewhere, and preferably where it's sunny.”

Between March 2009 and March 2010 the remote industry saw a drop of 23 per cent from £816m to £631m in gross gaming revenue due to the relocation of significant UK brands overseas. It has increased since then due to growth by existing operators and new entrants to the



market and at the end of September 2011 stood at £680m.

Leading figures of Gibraltar's gaming industry are however apparently working to quash this idea to defend the Rock's well established sector. In April they met at an e-gaming summit and some are apparently incensed with the idea and claim they have long complied with, and often lead on regulation with the UK's overt approval and encouragement.

The Consultation on the Regulatory Future of Remote Gambling in Great Britain was released in 2010 and there was significant feedback with the consultation period ending in June 2010.

William Hill, which relocated its online operators to Gibraltar, three years ago claims despite the suggested changes they will be loathe to move from their current base citing it as a 'hub for online gambling activity in Europe.'

Meanwhile Ladbrokes says its internet betting operation between the years 2001 and late 2009 was based in the UK and subject to the 15 per cent tax and the 10 per cent horseracing levy. As it made it impossible to compete effectively with offshore competitors they moved to low tax jurisdictions.

Steve Buchanan at Ladbrokes said: "With

"With regards to the British Government's plans to introduce a Point of Consumption tax and a new framework of regulation for offshore companies targeting the UK, these initiatives have been expected for some time but do not affect Ladbroke's decision to have its online business in Gibraltar."

**STEVE BUCHANAN,**  
Finance Director  
and Head of  
Gibraltar  
Operations,  
Ladbrokes.

### **THE BRITISH HORSERACING AUTHORITY IS IN FAVOUR OF THE CHANGES AND SAYS IT WILL GIVE GREATER PROTECTION.**

regards to the British Government's plans to introduce a Point of Consumption tax and a new framework of regulation for offshore companies targeting the UK, these initiatives have been expected for some time but do not affect Ladbroke's decision to have its online business in Gibraltar which, even after the introduction of a place of consumption tax, will continue to bring significant fiscal advantages to Ladbrokes when compared to locating in the UK

"Ladbrokes continues to monitor both the detail of the legislation and the legal situation and will take all such appropriate steps to protect its ongoing international and UK viability as this situation develops.

"The British Horseracing Authority is in favour of the changes and says it will give

British consumers the same level of protection.

"In just the last two years racing has seen levy income decline from £115m to £77m. A significant factor in the fall of the levy is operators deliberately relocating themselves overseas to avoid making levy payments. William Hill and Ladbrokes moved at an estimated cost to racing of £4.5m. The total cost to the sport is estimated to be £10m per annum with the threat that this could grow.

"The BHA supports the consultations thesis that it cannot be right that a remote gambling operator can have full access to the lucrative British market without being subject to our specific regulatory and licencing standards, without paying Horserace Betting Levy and without being subject to the domestic taxation regime – the 'level playing field'. We therefore fully endorse the policy intention set out in the consultation to address this."

Meanwhile other changes in Gibraltar at the moment are a result of the direct response to the imminent changes in the US market which is expected to see significant interest in this region in terms of licences either independent or via teaming up with Gibraltar operators already based here.

Both Shufflemaster and Bally have applied



for Gibraltar licences and are now waiting for approval of their application.

Shufflemaster received a Nevada licence this summer to provide online real money poker systems for its casino clients and the Gibraltar licence is thought to be similar and will enable Shufflemaster to compete in the European online gambling market. The company cancelled a \$26m deal earlier this year to buy Gibraltar based internet poker company Ogame Network.

Bally Technologies bought out Chilli Gaming's B2B i-gaming operations early in 2012 and intends to invest more time and money into the online gambling market. The licence in Gibraltar will enable them to set up servers in the region. Bally recently acquired a core service associate e-gaming certificate in Alderney which will allow them to partner other gaming companies

Phill Brear added: "If you are a big American company chances are you will come knocking on the door in Gibraltar. Historically we have been the most selective jurisdiction in the industry and as it grows and the big names come to us we will give them serious consideration."

Meanwhile there is a draft law in place which could permit gambling on cruise ships docked overnight in Gibraltar. In

## IF YOU ARE A BIG AMERICAN COMPANY CHANCES ARE YOU WILL COME KNOCKING ON THE DOOR IN GIBRALTAR.

2010 some 11,000 deep sea vessels called in at the port to make use of the maritime services in Gibraltar and there are been a growth of 241 per cent in the past 15 years in the cruise industry.

Amendments are suggested to the current legislation which would allow cruise ships to open all their onboard revenue earning outlets from 6pm onwards. This could work with plans to refurbish the Cruise Terminal and also link in with the government's long term goal of turning the Western Arm into a dedicated cruise facility.

The move to allow cruise ships to open their casinos and shops overnight was announced some time ago but draft legislation was issued in June last year and has yet to be approved by parliament.

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