

Untapped

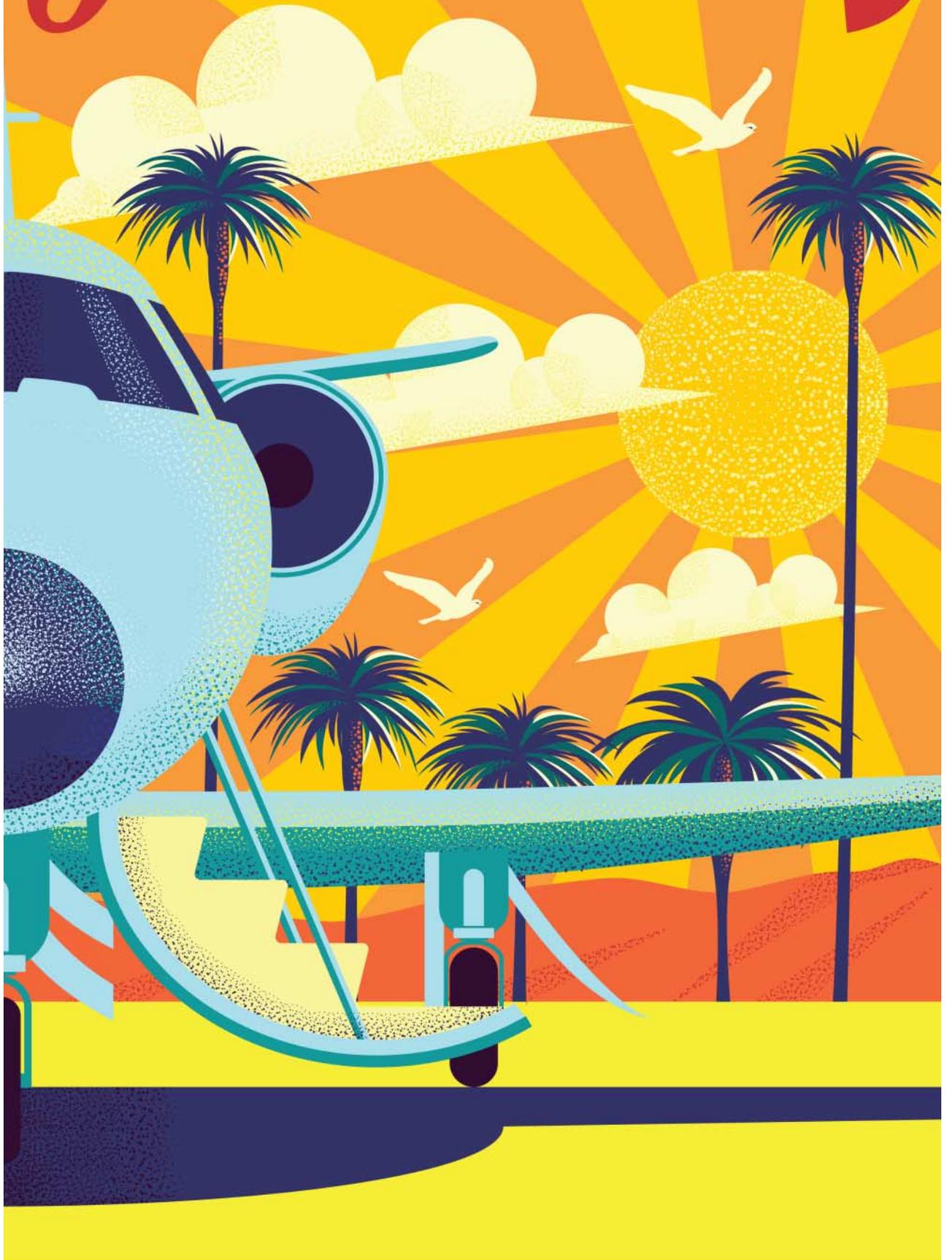
International Sports Betting Markets



There are still a large number of markets around the world where sports betting remains illegal or is underdeveloped. These markets offer huge potential but an expansion will be difficult due to a number of reasons. They include: unstable political conditions, opposition to gambling on principle and a desire to protect government controlled gambling monopolies.

Why are some markets untapped, despite their potential? Which jurisdictions offer the most potential and where are we likely to see growth going forwards? What is the potential size of these markets? What obstacles currently stand in the way of land based sports betting expansion in these regions and how likely is it that these markets will open up at some point in the future?

Travel Times



1

Ethiopia

Ethiopia is the second most populous country in Africa after Nigeria and is now Africa's fastest-growing economy after a decades-long reform which has seen the country overcome years of economic upheaval and famine during the 1980s. On average Ethiopia has recorded a nine per cent economic growth for more than ten years. The government has liberalised the economy and privatised state-owned companies but the economy of Ethiopia is expected to shrink between 5.6 to 11 percent as a result of the COVID-19 pandemic.

Sports betting is a relatively new industry as it only began in 2013 but sports betting shops have spread quickly throughout the country on the back of the popularity of Premier League football. There are now around 18 sports betting companies, most of which were granted licences in the past two years. Sports betting operators are licensed by the National Lottery Administration (NLA), all of which have branches in the regional states. Each company operates around 30 sports betting shops on average. However there is some backlash against the industry as the Ministry of Women, Children and Youth has recently announced its decision to terminate gambling licenses. All the same operators are moving into the space. Locally based Bet251 plans to open 100 betting shops in Addis Ababa over the next six months.

2

Gambia

In March 2015 the Gambian government banned sports betting. The ban on gambling was imposed by former President Yahya Jammeh to end the 'unethical and exploitative businesses' as well as to safeguard and promote the welfare of the Gambian people. However the current government under President Adam Barrow has reversed the law in an effort to create jobs and provide a boost to the economy. The reversal, which was made via executive decree, is part of a much larger plan to modernise the nation's economy. Although there are no official statistics, according to local press the gambling industry is one of the highest employers in the country. The decision is part of the government's plans to transform the Gambia into an attractive hub for investors and to create employment opportunities.

3

Namibia

While there are no licensed sports betting parlours in Namibia this is likely to change soon. In 2018 Tourism minister Pohamba Shifeta put forward a draft law that would regulate the gambling industry. New laws would put the industry under the control of a new state-owned Gambling Board. The Gambling Board would be responsible for the regulation of 260 licensed slot machine operators (six casinos), (254 slot parlours), as well as issue different licences for casinos, gambling houses and bookmakers.

In February this year the Ministry of Environment and Tourism started conducting nationwide inspections of all gambling and casino operations in order to create a database of licensed and unlicensed businesses.

4

Botswana

Botswana's economy is set to contract dramatically amid the fallout from COVID-19, according to data announced by the country's finance ministry. The Southern African country's GDP is expected to shrink by more than 13 per cent in the current fiscal year. It is the largest contraction since the recession that followed the global financial crisis of 2008.

In Botswana the government has only recently enacted laws to cover land based sports betting shops. The gambling authority opened its doors in 2016 and was established by an act of parliament to replace the now-defunct Casino Control Board. While the industry is in its infancy Gambling Authority Chief Executive Thuli Johnson told stakeholders last year that the government would support the gaming industry as it would help boost the economy.

In April 2019 the Gambling Authority started the first of their ten towns tour across the country geared at educating the general public about the Gambling Authority's mandate, future economic opportunities generated by the new gambling industry, as well as cautioning the public against consequences of illegal gambling. Sports betting licences will be granted for ten years

Johnson recently announced that the agency's role is to facilitate the growth of the gaming industry adding that the organisation had been granted approval by the Minister of Investment, Trade, and Industry to issue national lottery license, casino licenses in Maun, Kasane, Palapye and Gaborone, as well as sports betting and bingo.

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Africa

In Africa, Kenya, Nigeria and Ghana stand out as the three jurisdictions where there has been the largest expansion of the sports betting market over recent years. All three markets have been driven by an increasingly young population and the popularity of football, especially the Premier League. In Nigeria the median age is 17.9. In Ghana it stands at 21.1 years while the median age is 19.7 years in Kenya. Increased government scrutiny in all three regions has meant improving conditions for sports betting operators and a fast expansion. While sports betting is already present in these markets (with arguably some room for expansion in all three) there is still plenty of room for growth in other markets in Africa in the future. However these regions are only just putting new gaming laws in place and it could be a while before we see retail sports betting up and running in these regions.



1

India

With a population of almost 1.4 billion India offers massive potential and the government is looking into changing gambling rules. The gambling industry in India is regulated by each state and more loosely on a national level. In 2016, India's Supreme Court asked the country's Law Commission to look into decriminalising sports betting including cricket which is hugely popular.

The commission concluded that regulating a legalised industry would "effectively curb the menace of black-money generation". Sports betting would also create jobs, and generate significant tax revenue which could be used to augment infrastructure for other sports and tourist facilities. However as it is an advisory body, it will be up to the Parliament and state legislators to decide and the topic has yet to be put forward for a debate.

For now horse racing is the only activity on which betting is allowed in India but sports betting is legal in a very small number of regions where it is legal to bet on virtual reality games and fantasy sports. Both are driving sports betting popularity. A number of high profile cricket match fixing scandals is also driving for calls for more stringent regulation.

Before the Law Commissions reports, two committees were set up by the Supreme Court of India: the Mudgal Committee argued that regulation would reduce money laundering and organised crime while the Lodha Committee recommended the legalisation of betting with strong measures in place to regulate the industry. The Law Commission suggests reforming the existing gambling market and the introduction of measures that would mean that betting should only be offered by Indian licensed operators who have obtained valid licences from the game licensing authority.

2

Vietnam

Gambling is very popular in Vietnam with the Vietnamese spending around US\$3bn a year on lotteries and US\$1bn on gambling overseas. With a population of nearly 100 million and increasing incomes Viet Nam offers great potential but sports betting expansion could be slow.

Vietnam's one-party state has started loosening its rules on casino gambling, allowing its citizens to bet in casinos and opening up some sports betting as well. In 2017, the government announced that it would allow locals to enter a selected number of casinos paving the way for more investment.

In June just before the beginning of the World Cup 2018 the government also passed a bill legalising sports betting.

Locals are now allowed to bet on football matches but only on those leagues and football events that are on a list approved by the sports authority. For now the government only allows betting on international football games recognised by FIFA, which will inevitably limit the profitability of any operators wishing to get on board. The expansion of land based sports betting to begin with will be limited and just one operator will be granted a licence to operate a single license for five years as part of a pilot program. Foreign investors will be allowed to take part.

Revenue generated by the newly regulated industry will be used for the state budget and to help develop local sports as well. However the passage of the sports betting bill has led to significant interest in the building of horse race tracks and the passage of a new horse racing bill with foreign investors eager to build racecourses in Vietnam.

According to the new law covering the industry the charter capital requirement stand at at \$44.2m, while for greyhound racing it stands at \$13.2m. Offers will be accepted in a similar way to the newly liberalised sports betting industry i.e. via a bidding process.

In October Hanoi granted the investment license for the construction of a \$500m racetrack complex in Soc Son in Hanoi. Investors, Hanoi Tourist Corporation and South Korea's Global

Consultant Network Company, estimate the project will cost around US\$420m.

The project was first announced in November 2018. Meanwhile South Korea's Golden Horse said that the company plans to set up a subsidiary to build a racecourse as part of a \$500m investment in the northern province of Bac Ninh. Golden Horse had first proposed the plan to Bac Ninh in 2017.

G.O.Max I&D Company (also based in South Korea) in 2016 said it was hoping to invest in a horse racing and entertainment complex in the province of Vinh Phuc at an estimated cost of \$1.5 billion. Seventy betting points will be set up in 54 cities and provinces around the country, as well as an online betting system as part of the investment.

However last year the company said that the proposal to develop a large-scale horse racecourse in Hanoi, close to its own racetrack in Vinh Phuc, put the project in doubt.

3

Uzbekistan

Uzbekistan is implementing a number of important economic reforms including significant cuts to tax rates for both firms and individuals. GDP is expected to grow by 1.5 percent in 2020. Despite the outbreak of COVID-19 Uzbekistan's economic growth is expected to expand at 6.5 percent in 2021. Uzbekistan is Central Asia's most populous country and comprises nearly half the region's total population. With a population of 33 million there is significant room for expansion.

President Shavkat Mirziyoyev signed a decree in December which gives the country the green light to offer sports betting in 2021. Revenue generated by the industry will be used to help to develop sports and football in particular. The new laws will allow for both land-based bookmakers and online gaming. Betting firms will be required to obtain a license from the Capital Market Development Agency.

However a number of details of the bill are yet to be announced. There is still doubt over the question of whether the government will allow foreign bookmakers or will establish a monopoly of bookmakers made up from local companies.

Asia

Sports betting is limited in Asia with only a very small number of markets opening up and it is unlikely we will see significant growth short term. Many jurisdictions are imposing bans and stricter penalties while others are strengthening government sanctioned sports betting monopolies. In addition religion plays a major part in many of these jurisdictions meaning that sports betting will remain illegal. Gambling in Pakistan is forbidden. Thailand has some of the strictest gambling laws in Southeast Asia. In November 2019 the government of Sri Lanka banned Sri Lankans from gambling on overseas contests. Gambling is against the law for all Malaysian citizens with stricter penalties on the way.

Other jurisdictions are seeing a gambling expansion but sports betting will not be part of this. For example, gambling is generally prohibited in Japan unless special permission has been granted under law and generally excludes sports betting. When the government Integrated Resort Promotion Committee's summary was announced in 2017, the list of casinos clearly stated that "gambling on competitions implemented by other parties such as sports betting, or simple betting between customers shall not be allowed." The bill has not been amended meaning that Japanese sports betting remains unlikely.

Other jurisdictions such as the Philippines only allowed one company to offer sports betting. Gaming regulator PAGCOR only allows MegaSportsWorld (MSW) to offer retail sports betting services. Meanwhile, in Macau, Macao SLOT Ltd. (Sociedade de Lotarias e Apostas Mutúas de Macao, Lda.), is the only company allowed to run sports betting under a license from the Gaming Board. Sports betting on football and basketball is offered, on an exclusive basis, by the company. As a result sports betting still only accounts for less than one per cent of Macau's total gaming revenues. Meanwhile in Turkey the largest state-sponsored sports betting market IDDAA is run by Sans Digital, an affiliate of Demirören Holding, one of Turkey's largest companies.



1

Peru

For now sports betting shops are permitted via municipal licence and there is no specific authority that regulates them. Currently there are no rules in place which specifically cover sports betting other than the penal code which dates back to 1942.

The private sector has the right to enter the market as long as the company adheres to Peru's Civil code and the terms of their licence as granted to them by the municipal government.

Proposals for a land based expansion were put forward in September 2018 which would see a larger land based expansion after a group of lawmakers, all belonging to the same political party, announced that they would push for new laws which would further regulate land-based sports betting.

In November, the head of The General Directorate of Casino Games and Slot Machines (DGJCMT), Manuel San Román Benavente, said that the government has already set a new tax on land based sports betting which will stand at 12 per cent of net profits. The bill will now have to go through several legislative stages before being passed.

Peru is one of the few markets in Latin America where a land based sports betting expansion looks possible. In Peru there are only around 30 sports betting outlets while horse racing is already present via racetracks and off track betting shops. There are around 25 Costa Rica International Sports (BetCris) sports betting shops.

In addition a small expansion is currently underway. In 2019 with the support of local partners, RETAbet established an office in Lima as part of a planned expansion and has opened two betting shops so far. RETAbet, a technological company specialised in sports betting, already has extensive sales network of more than 2,300 points throughout Spain.

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2

Colombia

In Colombia the sports betting market is set for expansion after Codere was granted a licence to operate sports betting by the gaming board Coljuegos. More companies could follow.

However sports betting is still at a very early stage. In 2017 Codere announced its expansion plan for the coming months, beginning its land based operations in Colombia through 155 sports betting outlets, through its own network of gaming rooms and with other third parties.

Codere will expand in Colombia via its brand Codere Apuestas operating sports betting establishments alongside its already existing gaming rooms as well as gaming rooms belonging to its partners via third party agreements. Its sports betting offer in Colombia will encompass 264 branches.

In order to expand its reach last year Codere Group launched a campaign designed to specifically engage with Colombian audiences by using local football legend Carlos Valderrama as part of its advertising campaign.

3

Brazil

Sports betting is set for a major expansion in Brazil but there have already been a number of delays.

The undersecretary of Prizes and Sweepstakes of the Ministry of Economy, Waldir Eustáquio Marques Júnior, announced that the Brazilian government would present the final regulation for sports betting in March but this has already been delayed.

Bill 846/18 will allow for both online and land based sports betting as well. The Ministry of Finance was originally aiming for the regulation of sports betting this year but this has been

delayed due to COVID-19. Waldir Eustáquio Marques Júnior recently said that regulation should be in place by the end of this year or next year.

Operators from abroad will be invited to offer sports betting. However the number of operators that will be allowed came under criticism as it was originally restricted to just 39 in the first draft of the decree.

This could well be expanded as the bill is further developed over the next months in what is expected to eventually be a multibillion-dollar sports betting market. It is believed that that the Ministry of Economy has been looking at international regulatory models to understand which framework would be best suited to Brazil.

4

Puerto Rico

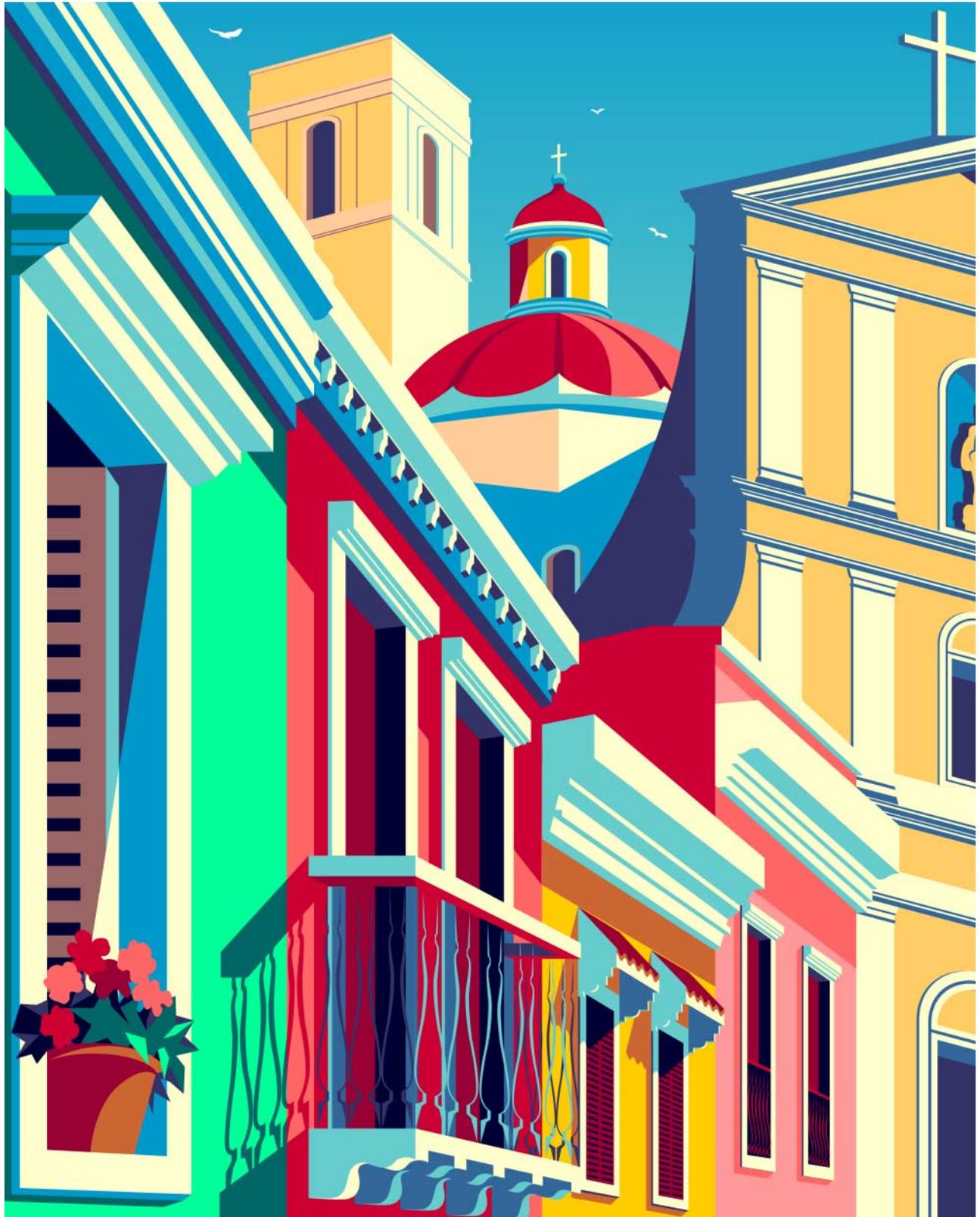
Members of the House of Representatives reached consensus over how sports betting should be regulated after impetus came from the governor's office. In April 2019 the governor of Puerto Rico, Ricardo Rosselló said that a study carried out by the government showed that a newly regulated sports betting industry could bring in between US\$44m and US\$66m per year.

The Betting Committee Act of the Government of Puerto Rico was signed into law in July 2019 by the outgoing governor and will allow for both new large scale sports betting operations and smaller establishments.

Bets may be placed at any place authorised by the Commission, such as casinos, racetracks, hotels and hostels, amongst other locations. A rate of seven per cent has been put in place in the case of retail gross gaming revenue and twelve per cent when it comes to bets placed online.

Latin America

While horse racing is very much part of the culture in many jurisdictions retail sports betting is practically nonexistent apart from in a small number of countries such as Mexico and Panama. It will remain that way for some time as there is little appetite to regulate the industry amongst lawmakers in many countries. However there are a number of important exceptions such as Brazil which offers huge opportunities while in other smaller jurisdictions we are seeing the beginning of a steady roll-out of sports betting shops.



1

Monopolies

A large number of European sports betting markets will continue to be off limits to private sports betting retailers as they continue to remain under the control of government monopolies. Furthermore there are few signs that these monopolies could end soon. In the Netherlands the monopoly over sports betting will remain in place long term. In Hungary sports betting is monopolised by SzerencsejátékZrt which operates some 300 direct betting outlets throughout the country. SzerencsejátékZrt is fully owned by the Hungarian State and has the exclusive right to sell sport games.

In Greece OPAP (Greek Organisation of Football Prognostics S.A) owns 100 per cent pre-paid exclusive retail licences, providing significant barriers to entry in the Greek market. OPAP's exclusive retail licences include, horse racing, with the earliest expiration in 2026. In Portugal sports betting is organised and operated by the Santa Casa de Misericórdia de Lisboa (SCML) through the Games Department under an exclusive monopoly.

Meanwhile there is no private retail sports betting in Norway and the Norwegian parliament voted to continue and consolidate its monopoly model in May 2017. In France there is a monopoly for sports betting (Française des Jeux). New regulations give Française des Jeux (FDJ) the exclusivity in operating lottery games in France, both in physical networks and online, as well as retail sports betting. More than 95 per cent of FDJ's activity is operated under exclusive rights (lotteries on the one hand and sports betting in points of sale on the other).

2

Austria

Austria will update its sports betting industry as its laws on sports betting currently date back to 1978. While the casino market is organised as an oligopoly with 15 casinos the sports betting market is regulated by the nine provinces. At present, Austria's nine states have been granted autonomy on governing wagering services. In August 2019 Lower Austria, the country's largest state submitted sports betting legislation to regulate online and retail betting to the European Commission. It sets out specific regulations for online bookmakers and retail sports betting hosted in outlets such as tobacconists, video stores and restaurants.

The Act in Lower Austria sets out a licensing system in which sports betting operators can apply for online or retail licences, with new market entrants limited to two-year licences. Online sports betting licences are limited to two-year terms. The limited lifetime of online licences compared to land based operations could lead to an expansion in the retail space as companies renewing their certification can apply for licences lasting up to 10 years.

Licensing requirements as well as the exact product scope and licence term still differ significantly from state to state. Betting licences are generally available without limit on the number that may operate but scope varies according to local laws. However changes on a national level could be on the way. In March, Austria's finance minister called for the establishment of an independent gambling regulator which would take regulation from the hands of the country's Treasury.

3

Ukraine

With a population of 43 million there is a good potential for an expansion in the retail sports betting space. Gambling in the Ukraine was made illegal in 2009.

The Ukraine is currently looking at a major overhaul of its gaming laws and is close to passing a gaming bill. A draft bill including provisions for casinos in hotels, slot halls, sports betting and online gaming was drawn up in 2018. The draft of the new law allows for 800 sports betting shops provided by 80 different companies. Ukraine companies would be allotted at least 32 of these licences. A cap of 40 betting shops would be allowed in any one city with operators being limited to operating no more than 10 outlets each.

In January, Ukraine's legislature approved a bill that would legalise gambling in the country in its first reading, with 260 of the country's 450 deputies voting in favour. According to the latest draft of the bill each licensee would be granted permission to open five outlets. 32 bookmaking licences would be available in Kyiv, 16 between two other of its largest cities Odes and Kharkov and 32 more would be permitted in the rest of the country. The bill now faces a second reading in the Ukrainian parliament.

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Europe

Europe offers an extremely diverse picture of land based sports betting. Many markets are already developed. These include Serbia, Romania, Italy, Germany, the UK, and Ireland amongst others. In other markets a number of factors will limit growth. In Spain, for example, there is a growing anti-sports betting sentiment and a number of local governments are seeking to restrict the number of licences to sports betting shops. In the Czech Republic the new regulatory framework was designed to encourage international investment, but high taxes have limited inroads into the retail sports betting market. However there is still room for growth in a small number of markets.

