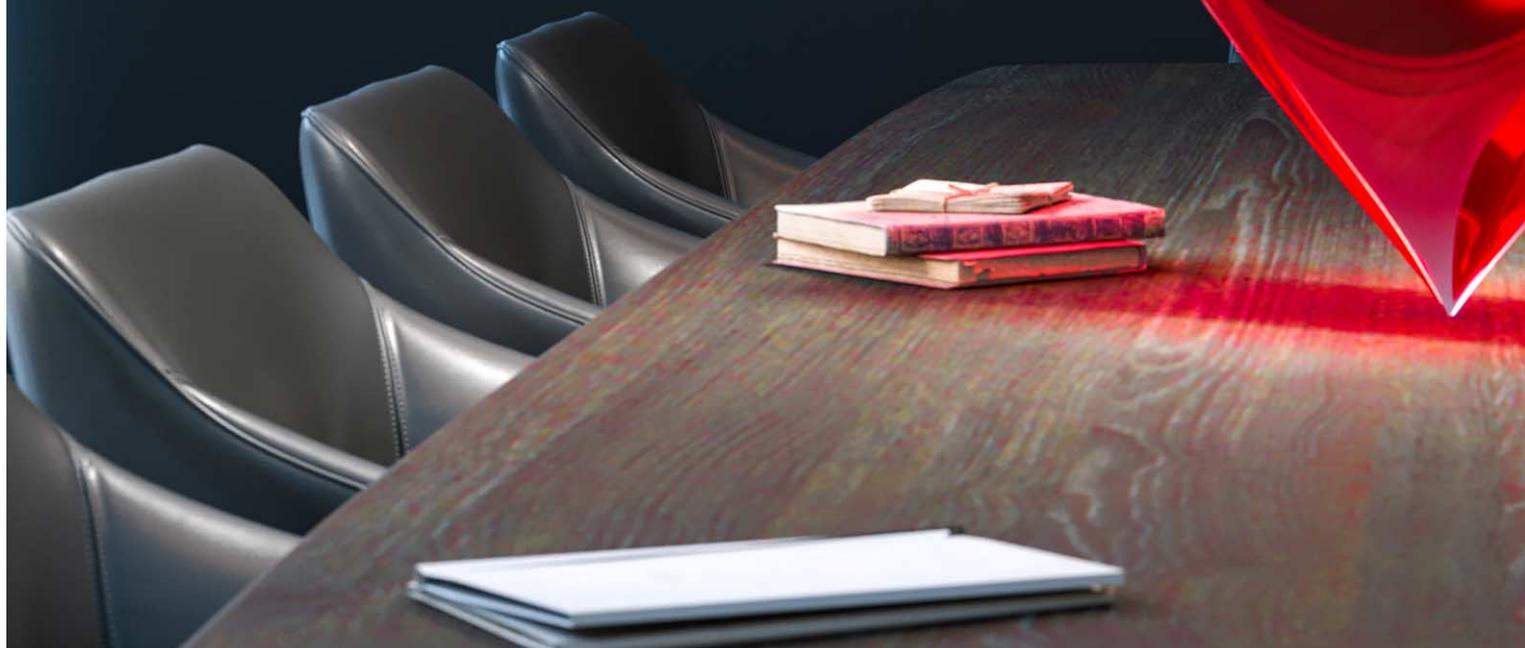


# Search Engine

## Gelocation Technology

The use of location technologies such as GPS or IP addresses to identify and track the whereabouts of connected electronic devices is becoming an increasingly important tool in enabling operators to legally offer services in legalised states. G3 explores the state-by-state legislation and talks to key technology providers enabling operators to pinpoint the location of their players.





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Arguably the most complex jurisdiction of all is in D.C. where sports betting via GambetDC and powered by the DC Lottery is prohibited on federal property and can only be used within two blocks of Capital One Arena and Nationals Park – where sports betting is run by private companies.

### **Washington DC**

State legislators quickly recognised the impact sports betting could have on potential tax revenue generated by the state. As a result a number of state governments introduced legislation to reverse prior state prohibitions on sports betting after PASPA was overturned. Legal sports betting has expanded quicker than any other form of gambling in the US. According to The American Gaming Association (AGA) sports betting activity is now live, and legal in 29 States as well as DC. Three states have classified sports betting as legal but have yet to launch while two states have active or pre-filed legislation in place.

The use of location technologies such as GPS or IP addresses to identify and track the whereabouts of connected electronic devices is becoming an increasingly important tool in enabling operators to legally offer services in legalised states. Geolocation compliance services validate transactions and ensure that users are permitted to make a bet based on where they are. They play an essential role in ensuring that betting companies comply with state mandates which require that they are able to verify that players are betting within approved boundaries.

Boundaries can not only be placed around a state or region but can be much smaller encompassing just a street or even a building. As such it has given lawmakers much more scope in forming sports betting rules. Furthermore geolocation companies are coming up with

increasingly sophisticated ways to detect when a user is trying to circumvent rules and make a bet from an unlicensed location. In Louisiana, for instance, geofencing will prevent residents in nine parishes which voted against it from accessing mobile sports betting applications.

What has quickly become clear is the effectiveness of geolocation in ensuring that operators do not unintentionally flout state rules. Republican state Senator Ronnie Johns was clearly impressed with how geofencing was working in the state of Louisiana telling local press: "It's fascinating to see how well it works. A lot of people try to fool the system and it's virtually impossible to do. It will cut you off from one side of the road to the other."

Due to the differences in legislation between states geolocation requirements vary a great deal. Betting within New Hampshire's borders is strictly enforced by operator sites and apps. In New York State online sports betting received legislative approval in April 2021 and is predicted to go live before the 2022 Super Bowl. Once mobile sports betting is up and running the state will also use geolocation technology to make sure that bets are made within state boundaries. In Pennsylvania, as required by law, all regulated online gaming software providers must use geolocation software to identify a player's location. According to The Pennsylvania Lottery, when playing on mobile the mobile device's Wi-Fi must be turned on and a minimum of three Wi-Fi locations must be visible to the device in order for the system to accurately triangulate a player's location.

In certain states only small restricted areas are allowed to offer sports betting meaning that geolocation technology needs to pinpoint more exactly where the customer is. Arguably the most complex jurisdiction of all is in D.C. where sports betting via GambetDC and powered by the DC Lottery is prohibited on federal property and can only be used within two blocks of Capital One Arena and Nationals Park – where sports betting is run by private companies. BetMGM, for instance, now allows online sports betting in Washington, D.C. via the Bettor's Box, a specified area in and around Nationals Park, to bet online.

Washington DC is just one example of how geolocation has allowed local lawmakers to reach consensus on what is often a very controversial issue. In South Dakota sports betting is limited to Deadwood casino properties only. In Iowa in order to bet, players must go to a casino property and register. From there, bettors can use their mobile device to place their bets anywhere within state borders. In Montana state law requires a liquor license in order to obtain a sports wagering license for the business, and bets can only be made in a licensed establishment.

So how does geolocation technology work? How do online gambling companies verify a player's wager is placed from a location authorized for gambling? How is the technology evolving in order to keep sports betting operators one step ahead of fraudulent practices in the market and how will it develop going forwards?

**What's the history of Xpoint? In what states are you present and are you expanding in the US market?**

I'm proud to say that Xpoint is transforming the geolocation industry. We have a very exciting future ahead, especially in the USA where we are expanding rapidly.

Xpoint was founded in 2019 and we have our U.S. headquarters in Miami, with another team based in Dubai who work with our roster of global partners. In the USA, we are already able to operate in seven states - New Jersey, Colorado, Idaho, Iowa, Nevada, Washington DC, and Arizona - and in 2022 we will be adding more states to that list as we continue to grow.

**Your service supports all use cases including on-premise betting enablement or venue specific restrictions. Does that mean you can pinpoint the user to a specific place in a state?**

Geolocation technology is, very simply, tech that enables people to locate precisely where they are. Xpoint works with a range of companies to harness data from the mobile communications industry, from satellite tech and from other data sources to provide our partners with extremely accurate information about where their customers are. This is particularly important in the sports betting industry in the USA where some states have legalised sports betting, and others have not (although that picture is evolving very quickly). Xpoint's technology enables our partners to know that their customers are engaging with their platforms and meeting all the regulatory and compliance laws governing their operations, state by state.

**How accurate is it?**

The short answer is it's incredibly accurate. You only have to look at your phone which tells you where you are to a matter of meters, to know how accurate location technology is, and that is important in the sports betting world, as there can't be inaccurate information being used to ensure whether someone is placing a wager from within a state that has not legalized sports betting.

There is also another huge benefit to this technology, which is where Xpoint's real transformative strength comes into play. We work with our partners to build a better understanding of how their consumers want to be communicated with, how to fine tune their experience using our partners' platforms giving them a 360 degree view of their clients' needs.

**Why is this technology so important in the US market? Will it continue to play an important role in the market going forwards?**

It's critical in the US market, because of the differences in legal status from state to state. For companies to be able to operate legally and to



**Marvin Sanderson**  
CEO and Co-founder,  
Xpoint

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meet their regulatory obligations, they have to trust the geolocation technology they are using, and with Xpoint, that trust is built in. As the US market continues to evolve, and more states legalise sports betting, geolocation technology will become ever more important, and Xpoint is ready to help our partners meet their own goals as more states come online.

**Are people trying to get around state requirements and gamble from out of state?**

You could call this the grey market, sports fans who want to place wagers but are unable to do so because they live in states where it is not legalized. This means that there are people who can't place wagers with licensed operators who give them all the consumer protections any well-regulated industry does.

**You also work in fraud prevention. Could you tell us a bit more about that? Does geolocation play a part in fraud prevention?**

The primary fraud Xpoint's tech detects and stops is "Geolocation Fraud" - i.e. a user who is attempting to wager outside of a permitted area. This is where Xpoint's technology can verify the device geolocation data points are valid and not the result of a user trying to circumvent regulations through the use of location spoofing technologies and techniques.

Xpoint also has a number of other fraud detection capabilities, namely;

**Device Sharing** - A single device being used for multiple accounts. This can act as warning that proxy wagering is taking place.

**Account Sharing** - A single account being used across multiple devices. This can also act as a warning that proxy wagering is taking place. Geolocation plays an additional role to detect location jumping scenarios.

An example of this would be a user who is out of their registered state but logs in and then selects their wagers and logs out. The user account is then accessed on another device this time within the regulated state, however the time between logins would be unrealistic to allow for travel between. Our tech detects that and helps prevent that sort of fraud.

**Proxy Wagering Explanation** - An individual instructs someone to wager on their behalf. In the USA this breaches laws (specifically the Wire Act) and state gaming regulations.

**Will people come up with more sophisticated ways to circumvent location requirements?**

As more states legalise sports betting, the grey market will shrink. That will mean less people are trying to circumvent regulations, and there will be more people able to enjoy placing a wager in a safe, secure, regulated environment. In states where sports betting remains unregulated, there will likely always be people trying to get round the regulations, but technology will continue to evolve to minimise those numbers in un-regulated states.

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### What's the history with LocationSmart?

LocationSmart provides cloud-based location services to gaming and lottery operators for geolocation compliance and to supply chain operators to manage their mobile devices across the Internet of Things (IoT). We were founded in 1995 and are based in Carlsbad, California.

Our mission has always been to solve operational challenges for businesses that have a mission-critical need to know in real-time where their users and devices are located. Over our history we've helped wireless carriers launch federally mandated emergency caller location services (E9-1-1 in the US and Canada), enabled automated hands free location for roadside assistance and trucking services, and are now addressing geographic compliance regulations for gaming and lottery services.

### In what states are you present and what are your expansions plans?

We are licensed as a geolocation service provider for sports betting in Colorado. Other states where our customers operate include Kentucky, New Jersey, New York with more in process. We also serve customers operating in parts of Canada, Europe, and the Caribbean. We strive to provide customers with secure, reliable cloud-based geolocation services anywhere they are needed in the world.

### Why is geolocation compliance in the US gambling market important?

As a gaming or lottery operator, it is critical to know where users are located and offer them only those forms of wagering that are allowed at their current location. For instance, US federal law prohibits certain forms of betting and the transfer of money associated with betting across state lines. Yet many states allow in-person or online betting if it takes place entirely within their boundaries.

To complicate it further, within each state, there may be different rules for in-person versus online gambling or for different forms of betting. For instance, over 40 states have regulations allowing daily fantasy sports. On the other hand, about half the US states allow sports betting in person. Only about a third of all states allow sports betting online. Even fewer states allow online casino-style gambling, although many more allow it in person.

In some states online betting may be allowed anywhere within the state boundaries, while in others a user must be physically present at an authorised venue within the state. There are even situations where one part of a state (say, a county) may have different laws about what is allowed or how winnings may be taxed there versus the rest of the state.

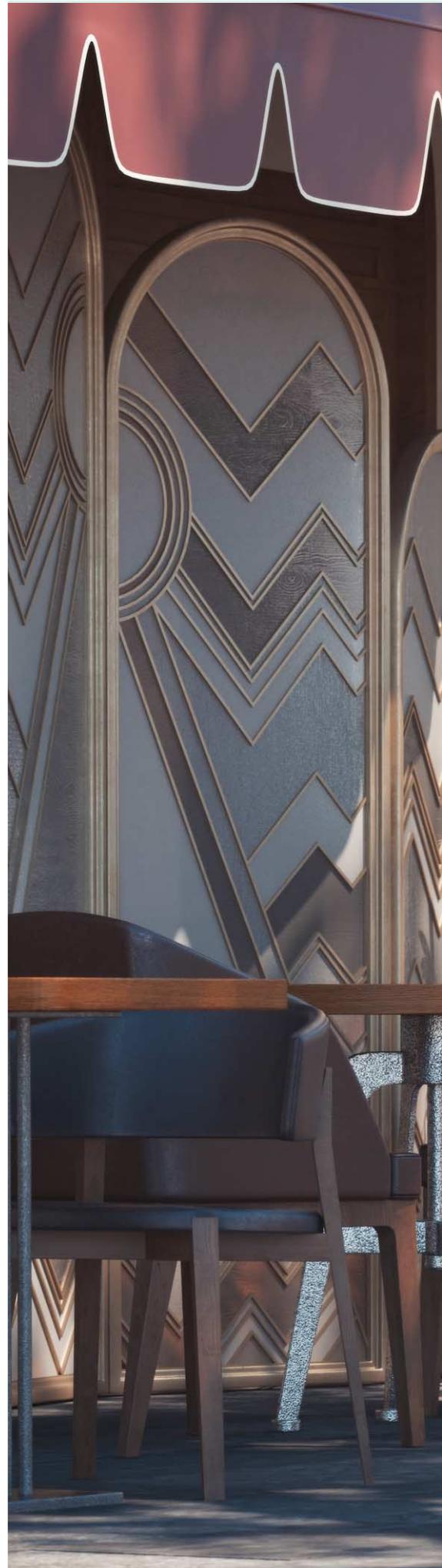
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Chief Executive Officer,  
LocationSmart

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picture across the states is not static. There are many state legislatures and regulatory bodies evaluating or rolling out legalized gambling of various forms. So, the list of allowed states and what each may allow is ever changing. It's important for operators to keep that in mind so they can be ready to enter new markets as they open up. While at the same time, staying in compliance in existing markets must be paramount.

But wait, there's more... indigenous tribal lands within states fall outside their purview and are governed by federal laws which require other measures. These too are subject to occasional changes in federal law.

As in the US, Canada also has a regulatory framework for gaming that varies from province to province and is also changing. For instance, we are working with several gaming operators seeking to launch licensed sports betting services in Ontario over the coming weeks and months under the province's newly formalized regulations.

Until now, only the provincial government's own Ontario Lottery and Gaming Corporation has been authorized to operate such services. New regulations aim to make third-party operated online gaming available for Ontarians as well.

**Could you tell us more about geofencing, IP intelligence and device profiling? What is it? How does it work?**

Those are various technical functions that help determine the location of a mobile or internet-connected device and verify where it is in relation to authorized boundaries. Each connected device is assigned an IP address that typically has certain known attributes. Those may include whether it is used on a mobile or fixed network, whether it is associated with a home, a business, a VPN, an anonymizing service, or a hosting facility, etc. The attributes also include where the IP address is assigned geographically by the serving ISP, VPN, or hosting service.

Other techniques such as mobile app-based location, browser-based location and device profiling are used to validate the information associated with the IP address and the device using it as a means of multi-factor authentication for the key attributes.

Once the geographic details are established, geofencing rules are applied to assess whether the device is within an authorized area, how close to a boundary it might be, and when an updated location may be needed to account for potential travel across the boundary, for example. All these technical capabilities are brought to bear to make an informed go / no go decision about whether a user is in an authorized area to allow the form of wagering being offered.

**From a gambling operator's perspective do your services offer other advantages to operators beyond geolocation compliance?**

Customers appreciate our ability to offer services that are tailored to their specific needs. We take customers through an onboarding and

integration process that puts them on a path to success from day one. A dedicated customer success manager provides one-on-one technical guidance towards successful implementation for their specific use case.

Whether they are offering lottery services at a national level or sports betting within a local venue, customers access our services through a standardized set of APIs but are guided by application-specific best practices from a subject matter expert. Customers tell us they feel pigeon-holed by other providers that offer a one-size-fits-all product and they find our customer-first approach refreshing. We think that's a strong advantage.

**Are people trying to get around state gambling laws and bet in other states via VPN services and so on?**

That's certainly the concern of regulators and a possibility that operators must face. People attempt to use a variety of services, consume content, stream media, or complete transactions in places where they may not be allowed to do so. But, that may not always be intentional. People are mobile and often may not be aware that a certain service or content is not available where they are currently located. So, geolocation services can help both the operator and user maintain compliance.

**What barriers do you expect to see in the future regarding geolocation compliance? How will LocationSmart meet these challenges?**

New challenges tend to come from technical evolution, changes in user behaviour and regulations to address them. As new operating systems, networking technologies, or sensors emerge, the means of locating connected devices need to change as well. As technologies advance, regulations will inevitably be adapted, and new solutions will have to be applied. So, we are continually evolving our underlying technology to keep up with those changes.

There's also a natural tension between learning from historical user activity, including location insights, to offer new services or make them better, more secure, or more compelling, while at the same time protecting sensitive data and privacy. Flexible processes and adaptive technical frameworks help us manage those factors to meet any new challenges.

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