



HM GOVERNMENT OF GIBRALTAR

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**CHIEF MINISTER'S SPEECH TO EU'S INTERNAL MARKET & CONSUMER
PROTECTION COMMITTEE, WED 20th MARCH 2013**

Thank you for this opportunity to appear before you today to present an overview of Gibraltar's arrangements for the regulation and supply of remote gambling services and our views on the future of the industry.

As you know, the 30,000 people of Gibraltar joined the EU with the United Kingdom forty years ago in 1973.

Since then, Gibraltar has played by the rules of the EU.

I was able to announce last month that we are now totally up to date with all transpositions required of us in terms of EU Directives.

I am sure you will agree that this is a stunning and remarkable achievement for a jurisdiction of our size.

That means that we – little Gibraltar - are ahead of most Member States, despite the fact that we are probably the jurisdiction with the least resources in the EU and serves to demonstrate the importance that we put on complying with our obligations.

That is important for you to know and note.

Remote gambling emerged as a 'transnational' economic service also some 40 years ago when UK bookmakers began to regularly take bets by telephone from customers in many parts of the world.

So although remote gambling is not a new phenomenon, it is certainly an accelerating one.

In the mid 1990's a UK bookmaker established offices and call centres in Gibraltar to process its business more efficiently and based on the lower cost base prevalent in Gibraltar and much of southern Europe.

In parallel, similar businesses were being established in much more remote places. I am not here to criticise those jurisdictions that are beyond the shores of the EU, but I will say that from the outset, only Gibraltar required its remote gambling industry to operate FROM THE BEGINNING at the highest levels of probity and integrity.

Indeed, we allowed only a handful of the existing 'blue chip' firms to base themselves in Gibraltar.

Hence, we have always had nearly all of the UK and Europe's major brand names in remote gambling in Gibraltar, and few others.

As the Gibraltar remote gaming industry quickly adopted the internet, and with the emergence of broadband, telephone sports betting quickly developed into internet gambling of roulette, blackjack, slots bingo and poker.

As a result, the industry now employs approximately 2,000 people directly and many hundreds of others indirectly.

Indeed, it is also a source of cross frontier work and cohesion; with many who work in the industry living in Spain and crossing into Gibraltar each day.

The industry has grown not just in Gibraltar but around the world.

But Gibraltar stuck to its guiding principles : only licensing small numbers of blue chip operators for a good and simple reason - such companies bring with them strong internal controls, and as valuable a brand name as Gibraltar itself.

We are a risk-averse jurisdiction.

We licence risk-averse companies.

We licence companies who value their reputation as much as we value ours.

It was and remains Gibraltar's explicit intention to avoid a proliferation of remote gambling companies and to maintain the HIGHEST standards of regulation in the EU and indeed the whole world.

In the EU legal context, as you know, remote gambling has not been included in the Services Directive, but it is recognised as an economic activity governed by Treaty principles.

Gibraltar licence holders are therefore entitled to and have taken advantage of the opportunity that presents, but with major caveats which no other jurisdiction, to my knowledge, has adopted.

For example, where an EU Member State passes legislation which satisfies the European Commission as being compliant with Treaty principles, and there is no other obvious impediment in that law, then Gibraltar requires its operators to abide by it – but not otherwise.

As a consequence, when Italy, France, Spain and Denmark negotiated their own legislation out of monopoly protectionist models and into competitive market models, Gibraltar required our licence holders to leave those markets unless they were granted local licences.

They have done so.

And we have extended this principle beyond the EU.

Gibraltar was the only jurisdiction to require its operators to withdraw from the US market when it passed the Unlawful Internet Gaming Enforcement Act in 2006.

Only Gibraltar took this step, and its relevance should not be understated.

It led to massive economic and market losses by a number of our operators whilst ‘bad actors’ took over the US market and now dominate world and European poker, and some have even gone on to be licensed by EU MS.

There is a salutary lesson to be learnt from that experience.

So let me now turn to some of the detail of our regulatory model and how this complements both the European Commission Action Plan and the recent draft report led by Ashley Fox for IMCO.

We are pleased that the Commission’s first statement is a call for Member States to comply with internal market principles, and that the enforcement of EU law would be a priority.

Both Member States and businesses need clarity in the law if they are to develop and supply this market safely and efficiently.

Any gaps or ambiguities in the law allows unsafe and unreliable suppliers to take substantial market share and even dominate certain markets.

So the reality is that without proper action to address these concerns, the EU risks continuing to reward those who care little about compliance whilst penalising those who are committed to compliance.

Likewise, we welcome the EC’s commitment to encourage greater administrative co-operation between MS and their regulators.

Gibraltar offers an open door policy to regulators, politicians and others with an interest in this area.

However, the EU's track record of fostering Member State co-operation in this area is not good.

I can tell you that some regulatory bodies continue to operate as if other regulators simply did not exist.

Can you imagine in another regulated industry a situation where a new regulator in one state does not contact his or her long established counterpart in another state in order to establish simple, non-personal or non-protected information about a local operator, let alone visit or examine an operator's primary operating centre and technology facilities?

Such insularity is not in the consumers' interests, it is not in the operators' interests, it is not in Member State's interests - but this is what happens.

You can see the types of situations I am describing are akin to the position in financial services some 20 or 25 years ago.

And yet, that is the position today in respect of online gaming.

Gibraltar, by any definition, hosts Europe and the world's largest and longest established remote gambling operators, but time and again we see European regulators working in isolation, re-inventing systems and processes, at massive cost to the industry and consumers, taking antagonistic positions, rather than collaborating with us for the common good.

Despite that absence of co-operation from our own EU backyard, I should add that we have numerous visits from further afield, with US and Canadian regulators visiting regularly.

Gibraltar is equally committed to and has an outstanding track record in product development and consumer protection measures.

In fact, we would argue that the Gibraltar industry has developed and led the world in consumer protection, ranging from sophisticated age verification procedures, spending limits, self exclusion and complaints management.

Moreover, Gibraltar operators all contribute to European consumer support charities for problem gambling support;

Gibraltar operators provided the basis for the European Committee for Standardisation's (CEN) remote gaming standards in 2011;

Gibraltar operators established the European Sports Security Association (ESSA) for sharing suspicious betting information in 2005; **AND**

Gibraltar operators adopted the 3rd Directive on Anti Money Laundering, across all of the remote gambling industry, effectively from 2008.

Some of you will know that the soon to be published 4th Directive will make the same recommendation – well we have already been acting in such manner since 2008.

Moreover, Gibraltar investigates each and every consumer complaint.

This is Gibraltar's approach to consumer protection.

Not letting problems develop and brushing them under the carpet.

Instead we have taken forward customer protection, common standards, sports integrity and anti-money laundering, early and directly.

Today, I can offer our support to develop the IMCO report recommendations on a website Trustmark, more reliable age verification and identity measures and further research into defining and preventing problem gambling.

We are also uniquely placed to take forward, at least on a proof of concept basis, the notion of a common database of self excluded customers.

These issues have strong attractions, but we know they are not without significant difficulties, because our operators and regulator have already been working together and looking at them.

The Action Plan's fourth priority area is preventing fraud and money laundering.

We offer our experience in assessing operators and their systems to ensure there is no criminal intent or benefit in remote gambling.

Our experience is that remote gambling, like most e-commerce is the target of both simple and sophisticated fraudsters, who seek to defraud both players and operators alike.

The best operators have the systems to minimise this risk, but there is an endless supply of people who will clone credit cards, steal identities or find other ways of cheating via the internet.

That is why we need effective systems and co-operation to deal with these global issues.

I have also already mentioned the Action Plan's fifth priority, that of preventing match fixing, and Gibraltar's early lead through the establishment of ESSA which arose from the Hoyzer events in 2005 involving a corrupt football referee in match fixing.

ESSA provides a 24 hour channel for bookmakers to contact a colleague who acts as co-ordinator and assessor for reports, but he can also ask for reports, as well as making an assessment of the suspicious bets.

ESSA now has information sharing agreements with all relevant sports bodies and regulators, so it can quickly assess and pass on reports.

To conclude, we remain committed to licensing only Europe and the world's strongest and most reliable brands.

Those licence holders that are 'household names' within the gambling industry.

They are required to establish offices, personnel and technology within Gibraltar so that it can be monitored and regulated.

We do not subscribe to the 'brass plate' model of operators and their key systems being based in many different places, many thousands of miles away, behind different time zones and different cultures.

Gibraltar licence holders are and must be in Gibraltar, though they may also be in many other places as well.

We have hosted and licensed remote gambling operators for 15 years, the lifetime of the industry, and our regulator has issued Codes of Practice on consumer protection, anti-money laundering and technical standards.

If Member States are to control the use and prevent the abuse of remote gambling we believe it must be done by ensuring that high quality, competitively priced, and properly protected services are in place for consumers. Gibraltar does that, so can others, and we want to help in that process.

Because it is now undoubtedly true that Gibraltar is recognised as a global hub for the online gaming industry. We are the "Silicon Valley" of online gaming. We already attract a diversity of nationalities developing and innovating products, at the southern most tip of Europe

With the world's best in the industry already based in Europe, the next step should be working to grow this European success story, and not how to cripple it.

We should be talking about adopting Gibraltar's peerless standards of regulation across the board. "Brand Gibraltar" and "Brand EU" setting the standard for the most effective regulation in the world.

That is where the path to consumer protection and growth lies.