

Keep calm and carry on licensing!

by Tina Rawlinson, Director, Cavendish Trust Company Limited

There is some concern surrounding the impact the impending shake up of the UK's gambling and licensing regulations will have on the Isle of Man's e-Gaming sector.

The UK's influential Department of Culture, Media and Sport Committee (DCMS) has recommended that, in future, all operators providing services or advertising to British-based consumers should be taxed and regulated at the point of consumption (POC). Companies would also be subject to a tax on UK gaming yields, at a rate still to be set.

Around 80% of online gambling in the UK is currently conducted with operators not licensed in the UK. Under existing UK legislation, these non UK operators must be licensed in one of the white list jurisdictions approved by the UK Gambling Commission. The Isle of Man is one of only four such white list jurisdictions in the world and, of the four, the Isle of Man is seen by many as offering the best infrastructure and services for the gaming industry.

The DCMS admits the proposed changes will mean the scrapping of the white list system, but has confirmed that operators already doing business in the UK, but based in a white-listed country, will benefit from a 'period of transition' during which they will automatically be given a 'provisional licence' to ensure continuity of trade. Further, former white list jurisdiction



registered e-Gaming companies will get favourable UK licensing provisions with fast track priority, meaning no duplicating of due diligence etc.

Opponents of the Bill say it will not provide any more protection for consumers and could even drive them to unlicensed operators with a cheaper cost base and therefore higher win percentages. But the UK authorities are convinced the POC-regulation proposals will 'bridge a regulatory gap' that currently exists in consumer protection and anti-corruption efforts, claiming operators in well-regulated jurisdictions will not face significant increases in licensing costs.

DCMS Minister, Hugh Robertson, says the changes mean all operators selling into the British market, wherever they are based, would be required to hold a UK Gambling Commission licence and adhere to UK gambling laws, but that the

proposals were not designed to duplicate the work of other 'approved' regulators or to unnecessarily increase burdens imposed on operators.

We, therefore, have to accept that there will be changes to the UK gaming legislation, the changes may impact upon the cost base for those Isle of Man licensed operators with UK clients and, also, that at some point in the future, the Isle of Man's white label status will be lost and previously non-white listed jurisdictions will be allowed to advertise to the UK market, creating a highly competitive and potentially overcrowded market place.

Whilst this may be a cause of concern for some, I believe the changes in the UK will have a minimal impact on the Isle of Man's e-Gaming sector.

My opinion is based on the fact that the Isle of Man has created its market position by offering a commercially superior, responsible and well regulated platform for international e-Gaming companies and that this offering has not changed, and will not change, for the foreseeable future. As such, the Isle of Man will continue to be a very attractive location for all e-Business entities.

It is also worth noting that the Isle of Man Government has intimated it may consider mitigating the 'doubling up' of gaming duty costs, caused by needing both an Isle of Man and a UK license, however even if all

Isle of Man gaming duties are removed, it will only offset a portion of the proposed UK duty charges facing all e-Gaming companies doing business in the UK.

Furthermore, any changes in the UK position aren't likely to take place until December 2014 at the very earliest, so this still provides a lengthy timeframe in which to take an e-Gaming business through licensing and, thereafter, achieve the UK market share advantages available to Isle of Man licensed gaming operators, prior to the market opening up, post the legislative changes.

So my advice to any start-up or established businesses considering applying for an e-Gaming licence in the Isle of Man, is to begin the application process as soon as possible and make hay while the sun shines!

And even after implementation, the significant advantages of being an Isle of Man based e-Gaming company will remain; which can be summarised as follows:

- the kudos from being established in a top tier regulatory jurisdiction
- world class telecoms and hosting facilities with resilient power supply
- a business friendly (pro-Gaming) Government
- a zero corporation tax platform
- very low gaming duties
- network of highly experienced professionals to support the industry.

So keep calm and carry on licensing!



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To contact Cavendish, please visit www.cavendishtrust.com, call +44 1624 679000 or email info@cavendishtrust.com