

# Europe's e-gaming 'Silicon Valley'

## INTERVIEW WITH REUBEN PORTANIER

CHIEF EXECUTIVE OFFICER, LOTTERIES AND GAMING AUTHORITY, MALTA



**REUBEN PORTANIER** is an economics graduate and has senior management experience in the ICT industry and in Management Consultancy. In 2004, he assisted the Government of Bermuda in its capacity building exercise on ICT and eGovernment Strategic Planning. As a Senior Executive with MITTS Ltd, he was also the chair of Government's CIO Council, was a member of the National Information Society Advisory Council and was Malta's representative on the International Council for Information Technology in Public Administration (ICA). In 2006, Mr Portanier co-authored the Government's Industry Strategy for Malta 2007-2010. Mr Portanier is one of the key national technical experts on gaming regulation and policy, in various EU and EC working groups.

**T**hose who are not in touch with the online gaming sector may perhaps not realise that Malta, the smallest EU Member State, is in fact the largest regulatory jurisdiction in Europe for online gaming, with more than 425 online gaming licences granted to more than 240 operators, including the big players such as Betsson, Betfair, Stanleybet, Unibet, Microgaming, Pokerstars, Playtech, Bet-at-home, and Virgin Games. Indeed, if one delves into this sector and the numbers behind it, with 4,000 people employed directly by the industry and an equivalent number employed by the firms servicing the licenced operators, then Malta could be easily compared to Silicon Valley in terms of having the full supply chain for online gaming operating in and from Malta. The achievements of Malta in this field are indeed impressive. Reuben Portanier, Chief Executive Officer of Malta's Lotteries and Gaming Authority sheds some light on what makes Malta so unique and attractive in this sector.

### **Some have dubbed Malta the 'Silicon Valley' or 'City of London' of gaming. How did this come about?**

Over twenty years ago, Malta articulated a well thought-out national strategy for embracing the services industry and technology. Malta placed considerable investment in education, telecommunications and IT, e-Government and a strong financial services regime. This strategic outlook created the right mix for addressing an upcoming niche sector in 2000, that of online gaming. Based on the successful approach in IT and in financial services, the Government designed a forward looking legislative framework for regulating online gaming which was specifically designed to stand the test of time by having a regulatory framework that was both technology-neutral and game-neutral, thus ensuring that the regulations could cater for the sector's evolution, both in terms of technology and in terms of business models. Thus Malta's regulatory framework remains current and relevant. Moreover, the regulations were based on regulating risk, with a strong accent on consumer protection. This gave rise to a very attractive regulatory regime for operators, as they see Malta as a strict jurisdiction but at the same time a very business-friendly one.

From day one, the legislator had a clear aim in mind, to devise a regulatory regime that would replicate the high reputation enjoyed by the Maltese financial services sector, coupled with the cross-linkage with other regulatory aspects, such as the anti-money laundering regulations and its principles, data protection, anti-corruption laws in sports, cyber-crime regulations, investment promotion, tax rules, advertising codes and others. This set the backdrop for the supervisory approach that was to be adopted by the Lotteries and Gaming Authority (LGA).

### **Malta seems to have created an attractive yet strict regulatory regime, how do you strike this balance?**

Yes, definitely. Malta's remote gaming regulatory framework is based on the principles of responsible gaming and consumer protection, which makes consumers feel more comfortable playing on a Malta Licensee. This is an important aspect for operators as it provides comfort to customers. This has an important bearing on the selection of Malta as a place to invest.

However, as you correctly note, the legislative framework alone is not the only component in success. Through the years, Malta's private sector service providers, including the telecoms operators, data centre operators, law firms, audit firms, testing labs, banking and payment institutions, and consultants all invested heavily in their gaming knowledge and capacity base, which also contributes to an effective regulatory approach and an attractive place where gaming operators could invest in, and operate from. The fact that such enterprises have top-notch industry specialists as service providers was and is a key determining factor encouraging entrepreneurs to choose Malta. We offer the full supply chain.

Moreover, other attractive propositions also entice entrepreneurs to locate their gaming operations in Malta, such as the full imputation tax system (with tax refunds to shareholders of up to 6/7ths), the highly qualified persons tax rules (a 15 per cent flat tax rate for specialised positions in gaming and financial services, but subject to certain conditions), the lowest crime rate in Europe, the excellent standard of living, the availability of technical resources, one of the strongest banking systems globally, an economy which has proved to be resilient to the economic turmoil of the past 4 years, and the list keeps going on.

## The LGA has invested heavily in nurturing a corporate ethos of ‘continuous improvement’

**The LGA is celebrating its tenth anniversary, and is regarded as the ‘veteran’ regulator of online gaming in Europe. Do you feel you are still enjoying the benefits of being the first EU member state to regulate online gaming in the EEA?**

Malta was the first EU state to believe that this sector needed to be regulated, even at a time when the sector was still a small niche. Practically, the LGA started regulating the sector in its infancy, and was (and still is) a determining factor in instilling a paradigm shift in attracting operators to be properly regulated. So, having been there first gives us the advantage of knowing from where the industry came from, its evolution and developments. We are often referred to as the ‘veterans’ as we were not only the first to regulate, but mostly because we have acquired a certain regulatory ‘wisdom’ that newer regulatory jurisdictions still have to experience. But most importantly, over the past 4 years, the LGA has invested heavily in nurturing a corporate ethos of ‘continuous improvement’; that is our key determining factor, from which we are still enjoying the fruits.

**How do you define and characterise that ethos?**

The LGA’s corporate ethos helps us avoid falling into the trap of complacency as a regulator. The industry is so fast moving, both in gaming models and in technological innovation, that in order to truly regulate effectively, the LGA (or any gaming regulator that wants to regulate effectively) can ill-afford not to keep itself abreast of the speed of innovation. In truth, the core competency of the online gaming industry is not gaming in itself, but rather *innovation* (together with technology), and its use in online gaming.

In 2012, the LGA was recognised as one of the Global Fast50 organisations for the second year in a row, in recognition of it being a regulatory body that seizes innovation and diligence. In the recent ‘Austria v Omer and Dickenger’ ECJ case, the ECJ stated that Malta’s regulatory system is of a high level and is ‘sophisticated’, whilst the European Commission, in its launch of the Green Paper on the future of Online Gambling described Malta’s success in this sector as a result of having a strong regulatory system. Such independent recognition demonstrate good practice, diligence, responsibility and relevance, and are a direct result of our ethos.

On the other hand, our ethos of continuous improvement does not allow the LGA to rest and be satisfied with what institutions, of an international standing and repute, have to say about the Maltese regulatory approach. Acquiring a reputation for being innovative and diligent is tough to achieve. Gaining the trust of consumers in the Maltese regulatory regime is even tougher to achieve. Maintaining that momentum,

and even increasing it, is more challenging by far than simply demonstrating high standards.

In this context, LGA’s strategic outlook is based on further embracing technology in all senses. The consideration of new technological developments for supervisory purposes is always high on our agenda, including the latest innovations in the creation of a central online player self-exclusion system linked across all LGA licensees, and the introduction of a dynamic e-seal of approval which will allow consumers to have real-time assurances on the operator with whom they are transacting. On the technological front, in 2012 the LGA is embarking on a ‘cloud computing architectural review’ which will provide the Authority with a more intimate understanding of how, and under which parameters, ‘cloud technologies’ can be effectively regulated in the field of online gaming.

**What other initiatives do you have in mind with a view to maintaining Malta’s competitiveness?**

Malta’s edge is maintained by keeping our jurisdiction as one based on reputation, rather than volume. Quantity is consequential to quality, and we will continue to strive to improve on our regulatory structures so as to make it relevant for operators who want a stamp of quality. However, our next big initiative is regulating a completely new sector – that of digital games of skill with prizes, which again will be a first, not only in Europe but globally.

**What are your predictions for the future?**

If we look at past trends, seeing the growth in employment in Malta generated by the regulated remote gaming industry year on year; the overall gross gaming revenue of the Malta Licensees has grown year on year; the number of licensees grew from 12 in 2004 to 240 in 2012, and the number of licences reached the 400 mark by the end of 2011, then the future should be bright. However, predictions for the future are not based on simple trend analysis, no matter how strong these are, but on how we intend to embrace innovation. This is a fast-moving industry, and if do not embrace innovation in our approach we will lose relevance. That is how we have succeeded over the years and that is what we intend to continue doing. The industry is going through a phase of mergers and acquisitions, and thus we will see a consolidation of the industry in the years to come. The good news for Malta is that operators are consolidating in the country and not away from it. Unfortunately, I do not have a crystal ball, but as things stand, coupled with the innovations we are introducing, the future looks bright. I feel very confident that given Malta’s competitive advantage in all aspects of e-commerce, as outlined above, the outlook is very positive for this sector. **F**



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