

GLMS

GLOBAL
LOTTERY
MONITORING
SYSTEM

**Apostas esportivas, uma grande
oportunidade para o país !**

Brasilia, 23 Julho, 2021

LUDOVICO CALVI - Presidente da Global Lottery Monitoring System (GLMS)

GLMS

GLOBAL
LOTTERY
MONITORING
SYSTEM



- ❑ **Atual Presidente do Comitê Executivo do Global Lottery Monitoring System (desde 2017)**
- ❑ **Membro da Força-Tarefa de Apostas Esportivas da Associação Americana de Jogos (AGA)**
- ❑ **Membro do Comitê de Trabalho de Integridade dos Esportes da Associação Mundial de Loteria (WLA)**
- ❑ **Ex-CEO de empresas de apostas italianas, com operações terrestres e on-line (100 funcionários, 1B € de faturamento, 2.500 varejistas)**
- ❑ **Ex-Vice-presidente de marketing de produtos para um provedor B2B global**
- ❑ **Experiências anteriores em outras operadoras de apostas no Reino Unido e na Itália**

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Global Gaming Market & Brazilian Focus

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Fiscal & Regulatory Scenarios

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Betting Challenges & Opportunities

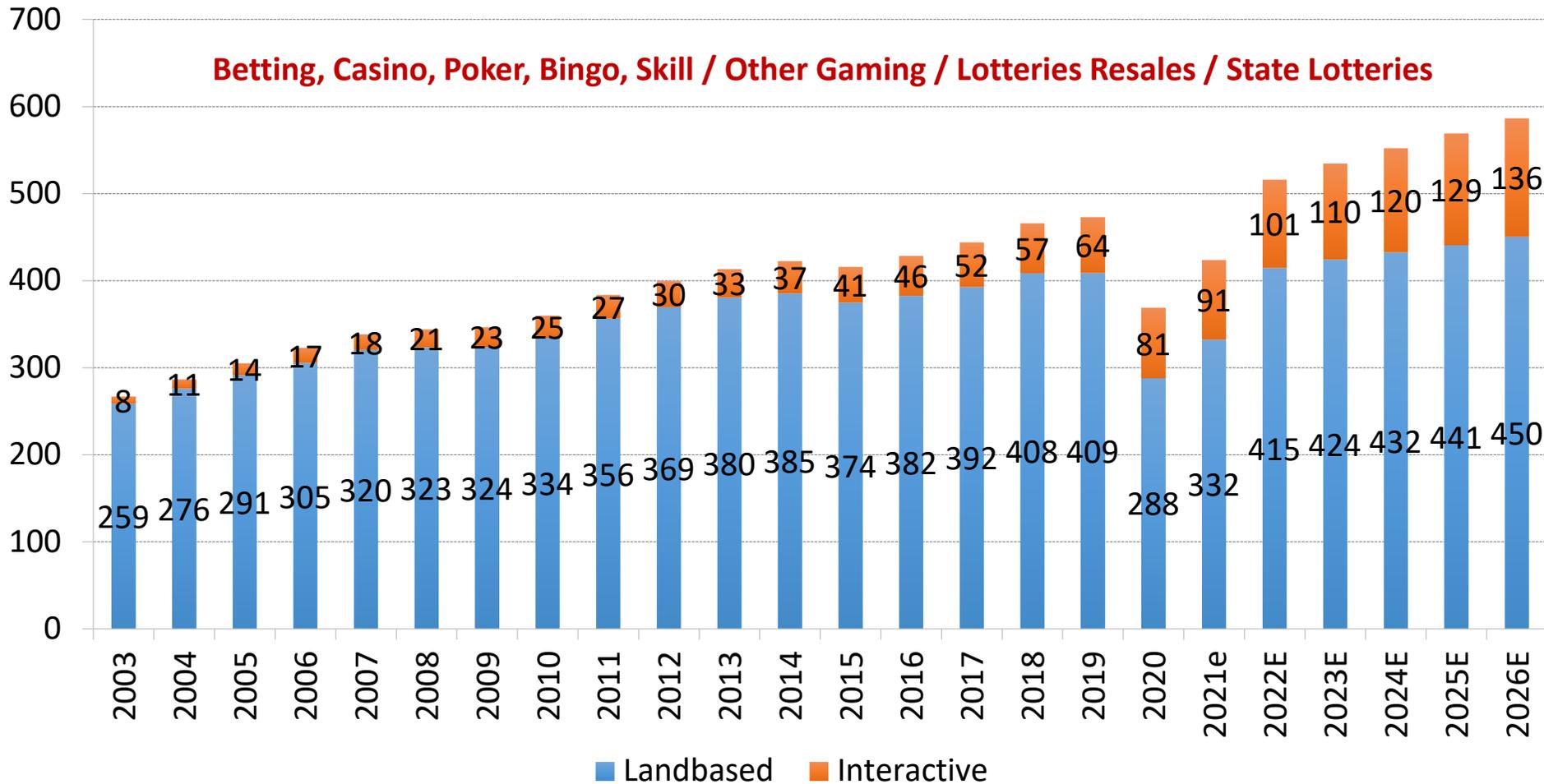
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Betting Product Life Cycle

01

Global Gaming Market & Brazilian Focus

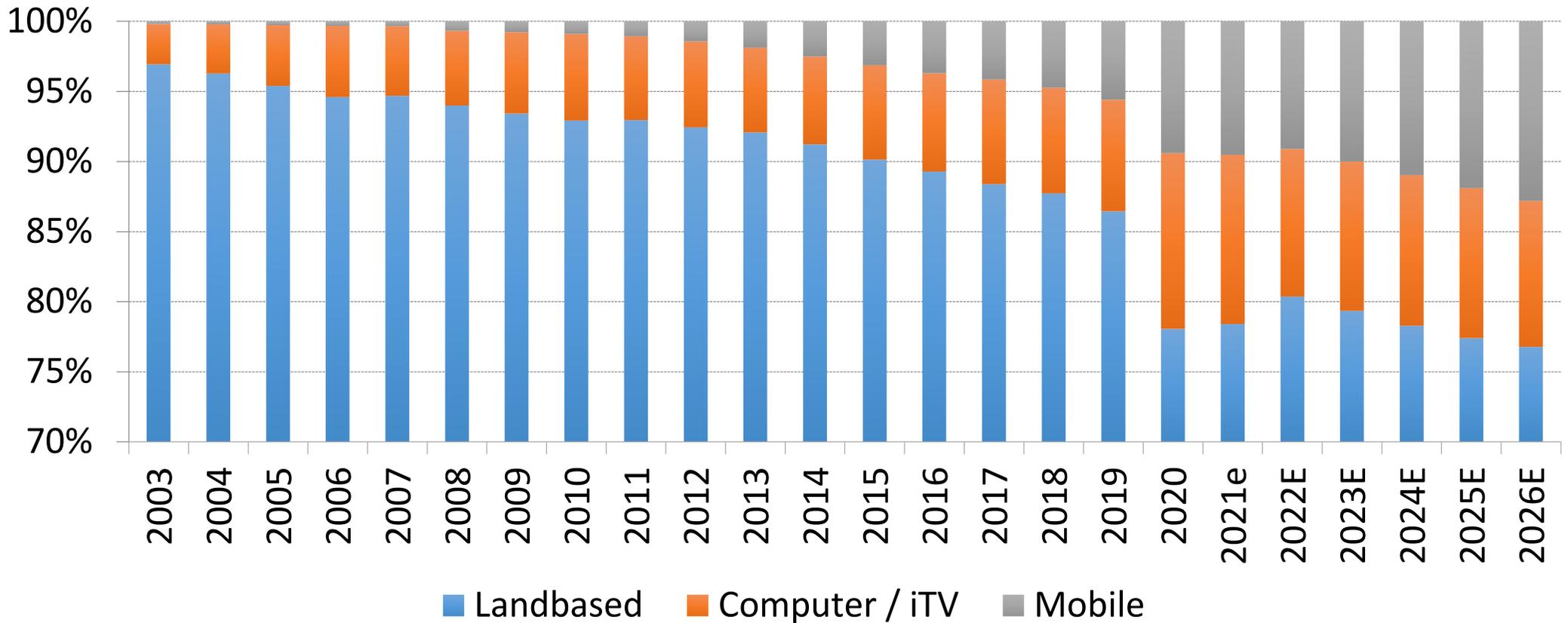
Global Gaming Market GGR* (\$ Bln)



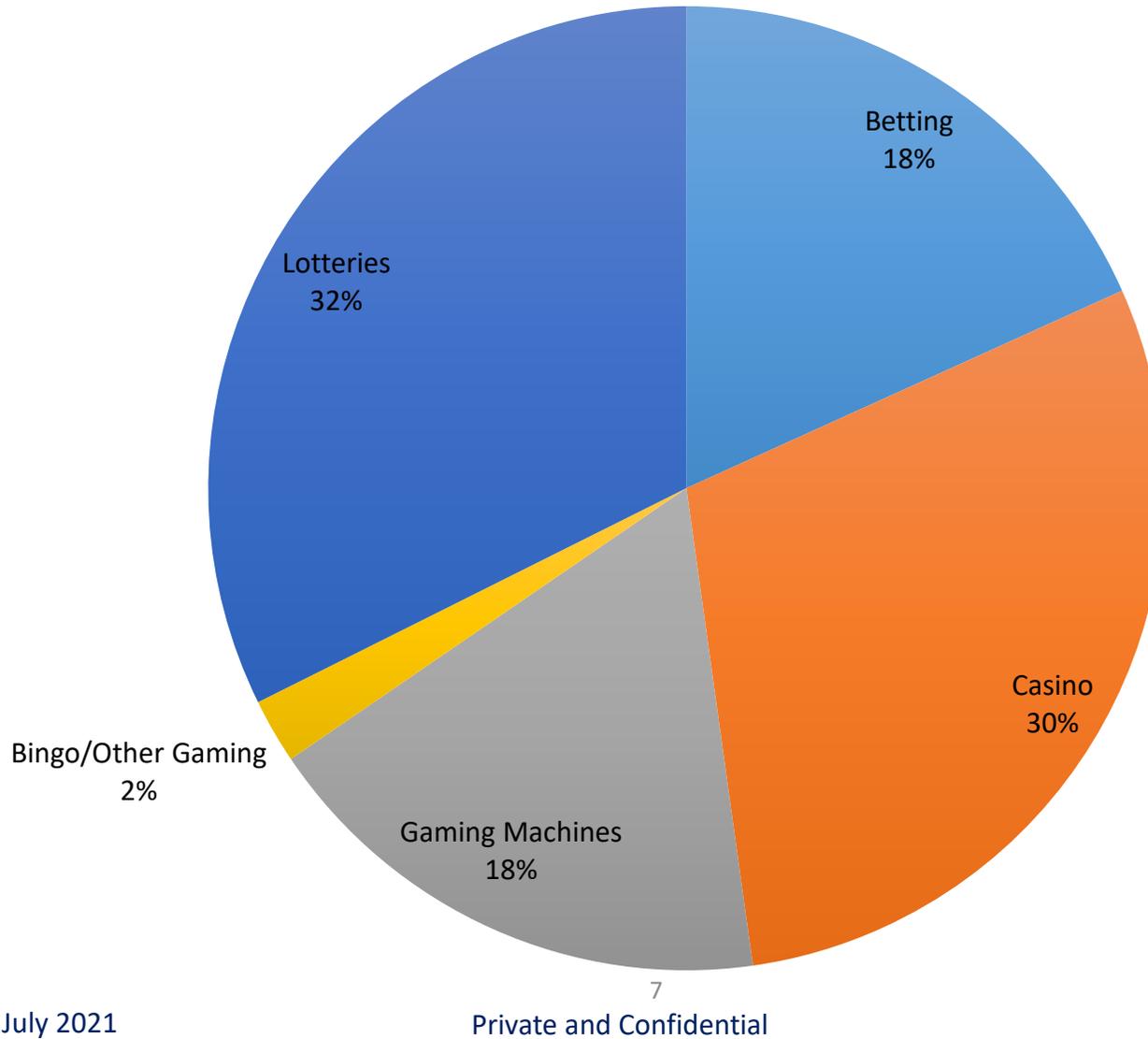
*GGR= Stakes, less prizes but including bonuses

**Source: H2 Gambling Capital July 2021

Global Total Gaming GGR by Channel Evolution

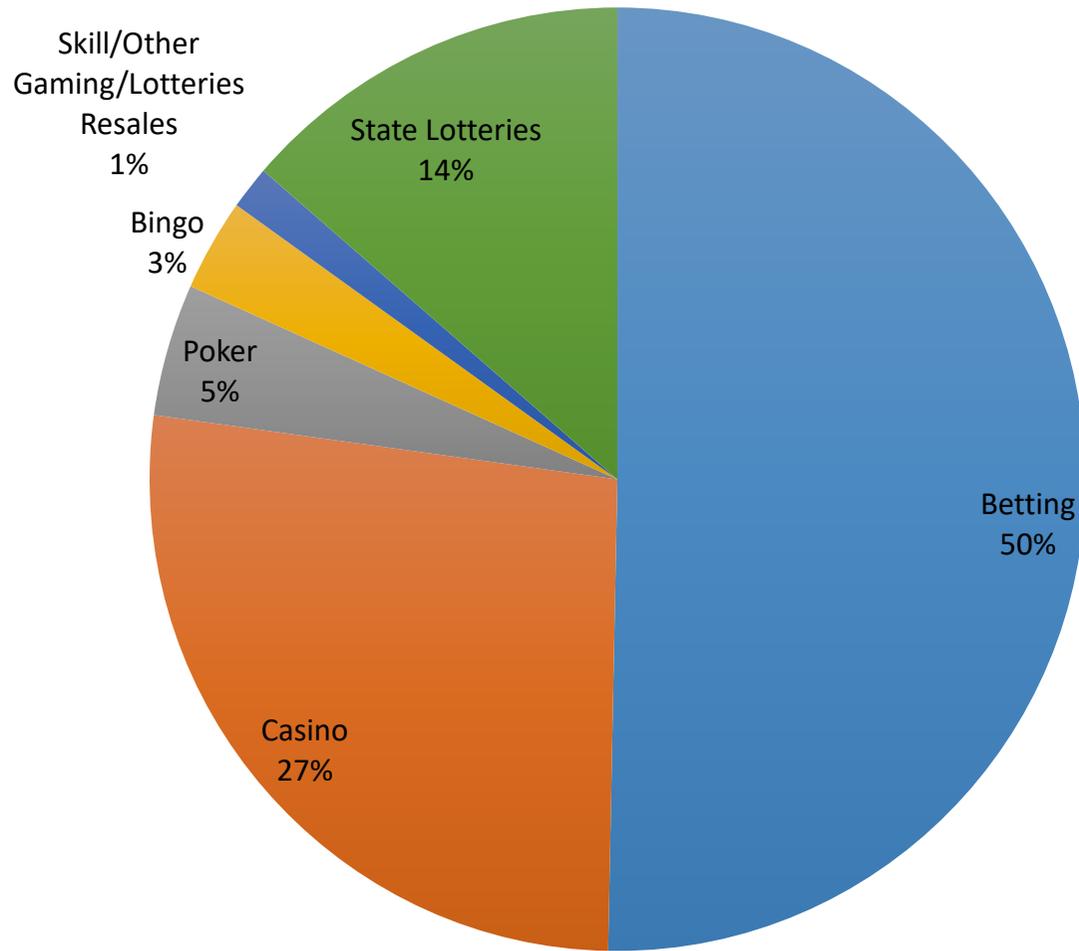


Global Total Gaming GGR by Product Vertical 2020

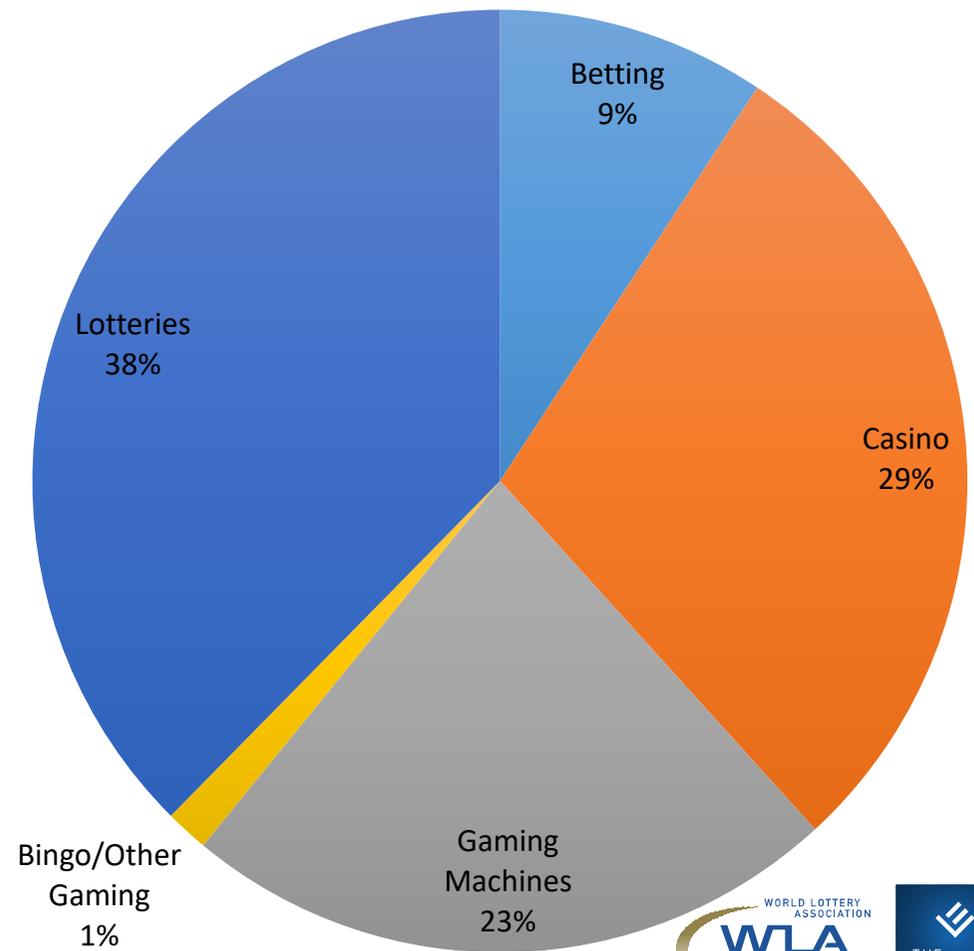


Global GGR by Product Vertical and Channel 2020

Interactive



Landbased



8

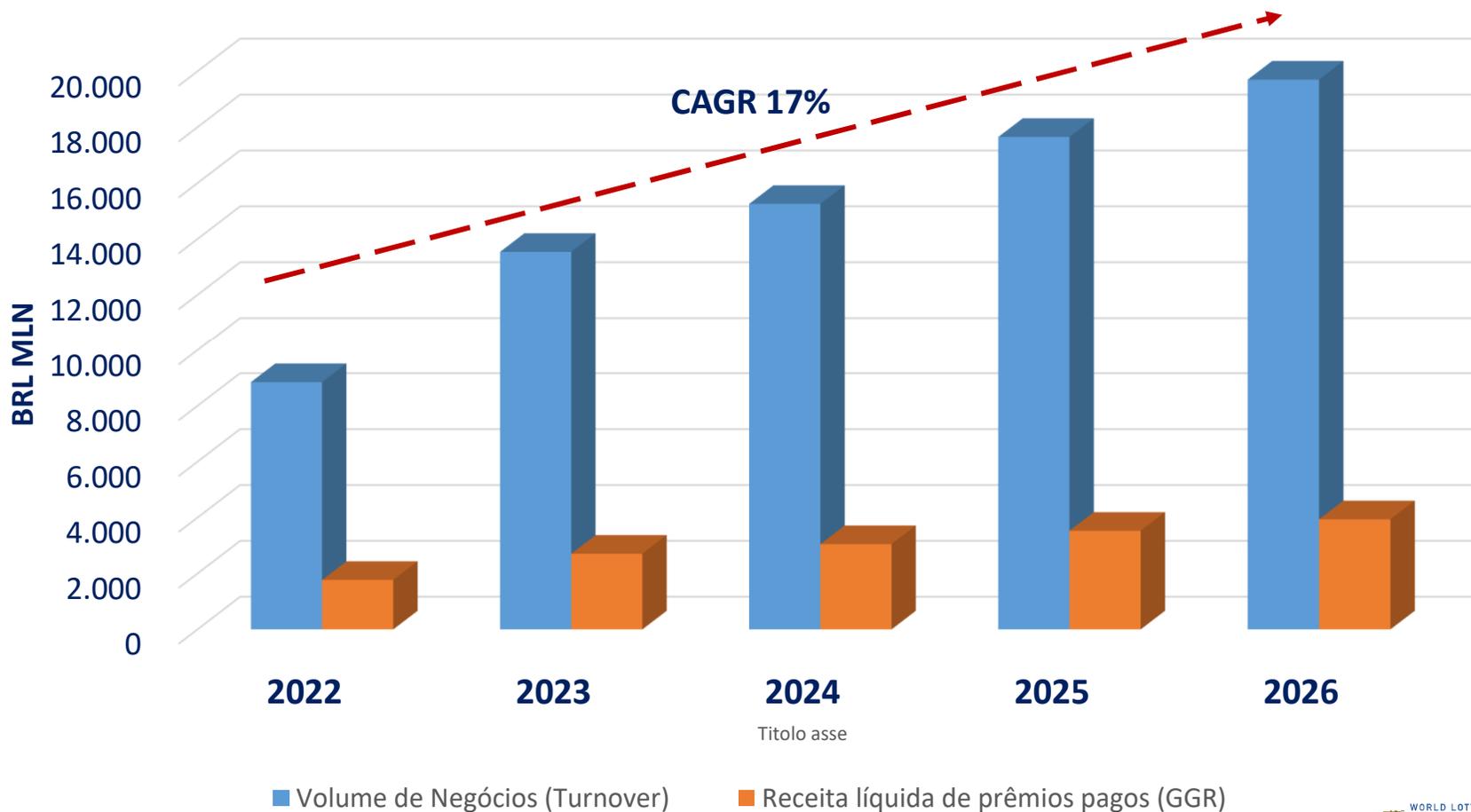
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*Source: H2 Gambling Capital July 2021

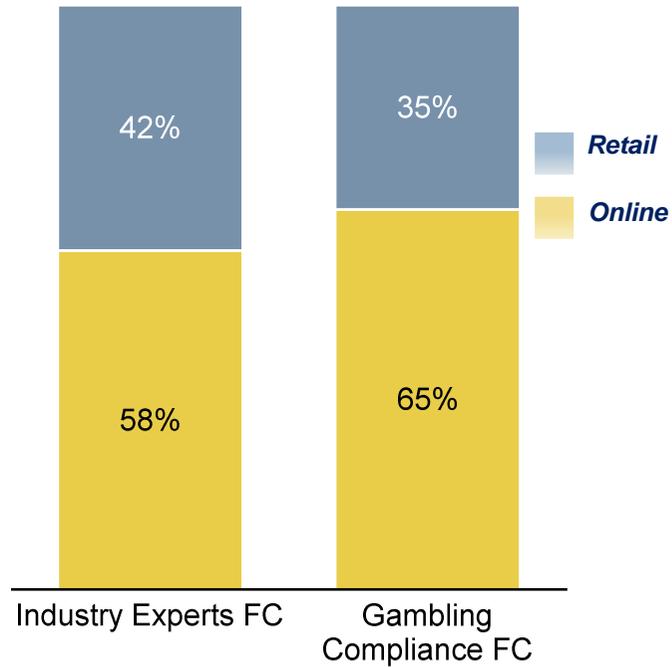
Brazil Sport Betting Unregulated Market Estimates* (BRL Mln)

Brazil Sport Betting Market Evolution



*Source: H2 Gambling Capital July 2021

Expected Betting Channel Mix



Strong presence of retail betting in the Northeast Region, Prevalence of Digital betting in the South, in the most advance States such as Rio de Janeiro, Sao Paulo and Minas Gerais

*Source: Sources: Gambling Compliance estimates, H2, "Instituto Brasileiro Jogo Legal" in partnership with BNL Data Portal, Brasil Futebol Expo

02

Fiscal & Regulatory Scenarios

Turnover Tax

- **A taxation system based turnover**

- Betting **P/O** is **extremely volatile** and cannot be predefined, as in the majority of other gaming segments (subject to pure chance and unpredictable results)
- The **T/O tax does not impact fairly** and **evenly** on actual industry value chain **revenues** (GGR) at different P/O scenarios and therefore it makes **impossible** for licensed operators to **plan** in the **mid-long term**

Gross Gaming Revenue Tax

- **A taxation system based on the effective customer spending (wagers – winnings) has positive effects on the entire value chain:**
 - **taxation levied** on actual value chain industry **revenues in line with other Italian Betting products** (Virtual Betting and Betting Exchange)
 - licensed **operators** would be able to maintain a **sustainable strategy on mid-long term investments** with the objective of expanding market size
- There are evidences that **these types of fiscal environments** have **beneficial effects on market expansion:**
 - **Upgrading** and **widening** of customers' betting **propositions;**
 - **Prompt emersion** of **illegal market segments**

Fiscal Environment varies across jurisdictions

Turnover Tax (examples)



Gross Gaming Revenue Tax (examples)



- **Tax on turnover** drives products with low degree of competitiveness...
- ...while **tax on gross gaming revenue**, enhance competitiveness among operators and is more effective in the fight against illegal betting operators

Brazil : Change in Betting Taxation

Brazil sanctions Law No. 14,183 and modifies the taxation of sports betting from turnover to GGR !

The Official Gazette of the Union - DOU published on **Thursday (15/07) the amendment** by President Jair Bolsonaro of **Law No. 14.183**, of July 14, 2021, originated from the Conversion Bill (PLV) 12/2021 (MP 1.034/ 2021), which amends chapter 30 of Law No. 13.756/2018, which **modifies the taxation of fixed-odds sport betting**.

The President of the Republic maintained Article 6, which modifies Law No. 13.756, of December 12, 2018 and which **changes the tax base of sports betting**, which will be **based on the GGR**, which is the gross gaming sales less the prize paid to bettors.

With the adjustments in the legislation, from total sales the prizes will be deducted, without fixing the amount of the income tax (30%) and the social security portion (0.10% for bets on retail channel and 0.05% for those in the digital environment).

In addition, **0.82%** will be allocated to **education**, **2.55%** to the **National Public Security Fund - FNSP**, **1.63%** to **sports entities** and **95%** (Payout) to cover the cost and maintenance expenses of the licensed sport betting operators.

The text also specifies that licensed operators operating any type of games with payment of prizes in cash or intangible goods will be subject to **strict financial control**. This control is carried out **by banks and other financial institutions**, which must submit reports to the **Brazilian Central Bank's Financial Intelligence Unit (UIF)**.

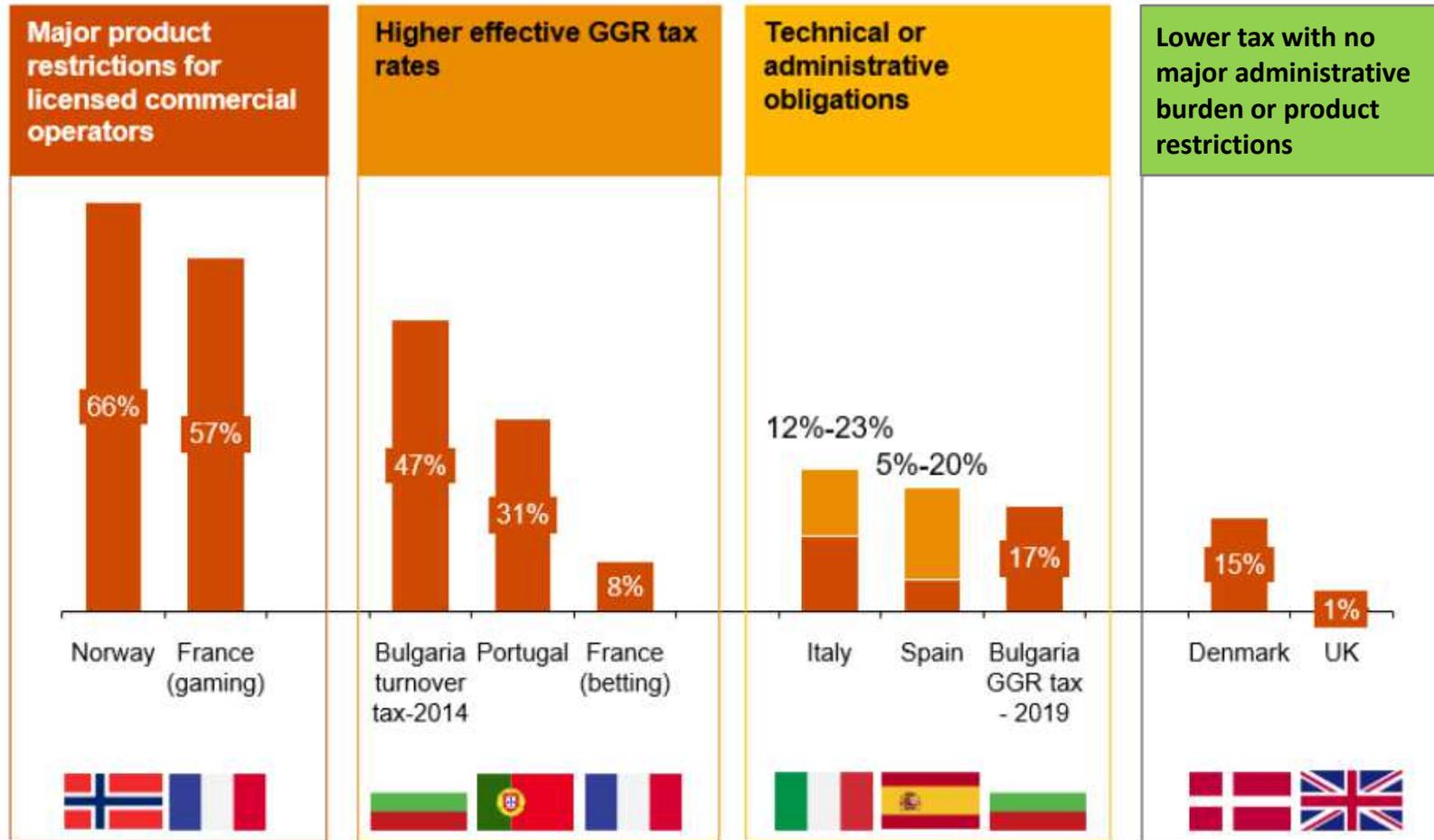
Fiscal Environment and Product implications

Country	Tax Rate (based on GGR)	Notes*
 France 	52%	Robust regulatory framework and strong on betting integrity. But high tax burden, restriction on betting product offering and additional product limitation of a land-based monopoly. Unattractive market with a low number of licensed online operators.
 Germany 	~25%	Long-awaited regulation of one of the largest markets in Europe immediately attracting licensees. However, the turnover-based tax and in-play betting restrictions may cause consumer channelling issues hindering regulatory oversight and fiscal returns.
 Holland 	29%	Unlimited online licences and strong regulatory focus on player protection likely to attract a sizeable number of operators. However, continuing land-based monopoly added to a high online GGR tax and product restrictions likely to impact channelling.
 Portugal 	~40% (8% T/O)	The high turnover tax burden makes Portugal an unattractive market with a low number of licensed online operators and a landbased monopoly. Unlikely to attract many new operators and sizeable player channelisation offshore expected to continue.
 Italy 	22%	Well-established market which, through a balanced framework offering wide consumer choice, has steadily reduced the number of consumers betting offshore. Overly stringent advertising restrictions may reverse that positive onshore channelling trend.
 Spain 	~25%	A relatively positive regulatory and fiscal framework attracting a sizeable number of operators with a growing onshore channelisation. This may however be undermined by overly stringent advertising restrictions leading to reduced market oversight and taxable revenues.
 Denmark 	20%	A robust but balanced regulatory framework has established one of the more successful markets in Europe.
 UK 	21%	Robust regulation, moderate operator costs and taxation. Represents one of the earliest pieces of online gambling legislation and remains one of the best examples of regulation globally. Forecast to retain high operator numbers and channelling rate.
 Brazil 	~13%-16% (Imposto de renda)	Very competitive Fiscal environment and balanced regulatory framework destined to become a best practice not only in S. America but also outside

*Source: H2 Gambling Capital - IBIA June 2021

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Offshore GGR by country



03

Betting Challenges & Opportunities

Sports Betting: Government's Dilemma

Market Needs

- **Player's demand**
- **Market competition**
- **Time to market**
- **Business profitability**
- **Return on Investment**



Social Responsibility

- **State Revenues**
- **Regulatory requirements**
- **Responsible gaming**
- **Compliance and reputation**
- **Anti-money laundering**
- **Sport Integrity**
- **Good causes**
- **WLA, ISO, ...**

MR. POLICY

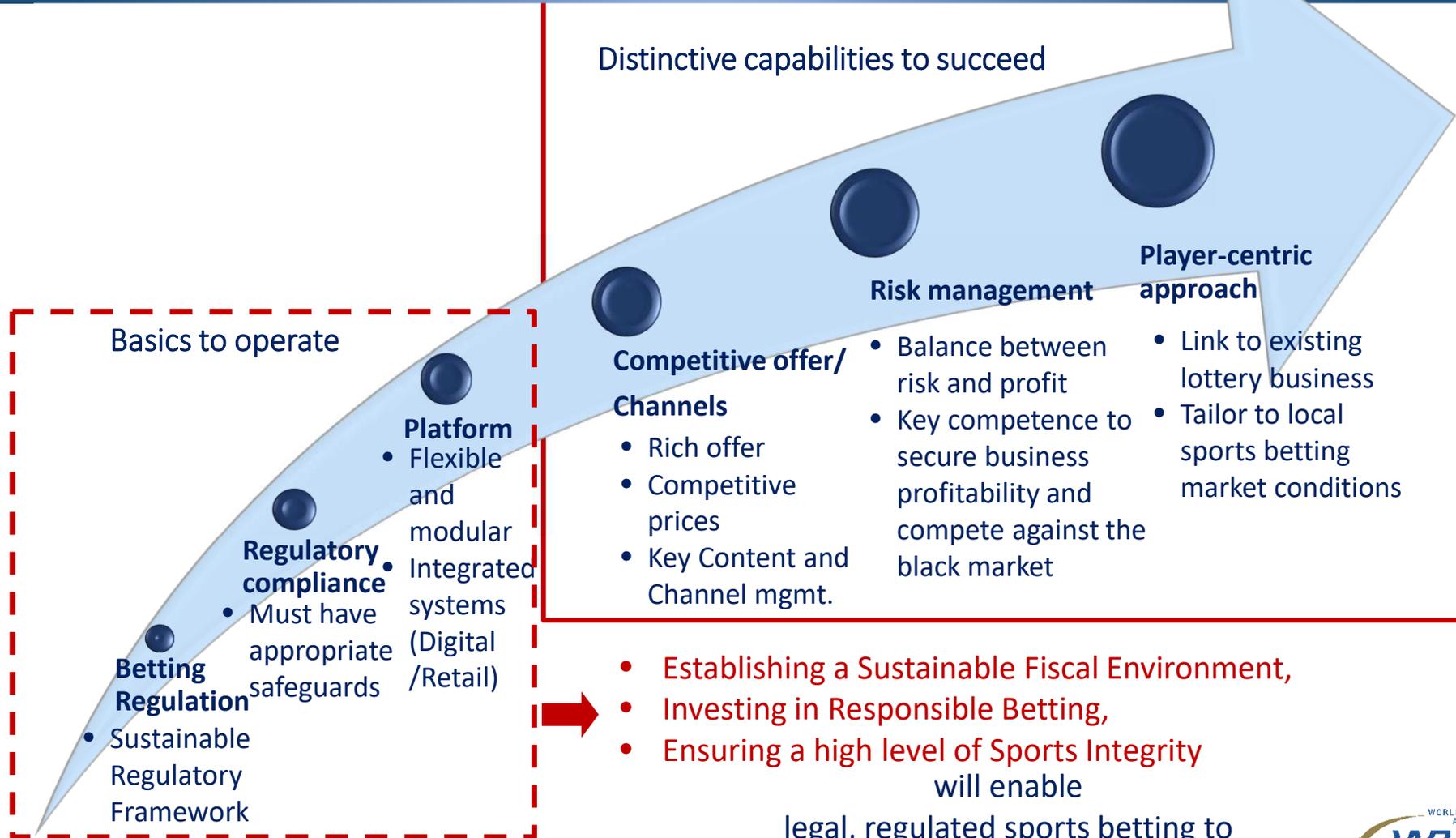
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Sports Betting: The Opportunity



Leveraging on Sports to evolve and grow a responsible and sustainable betting market environment

Sports Betting Key Success Drivers



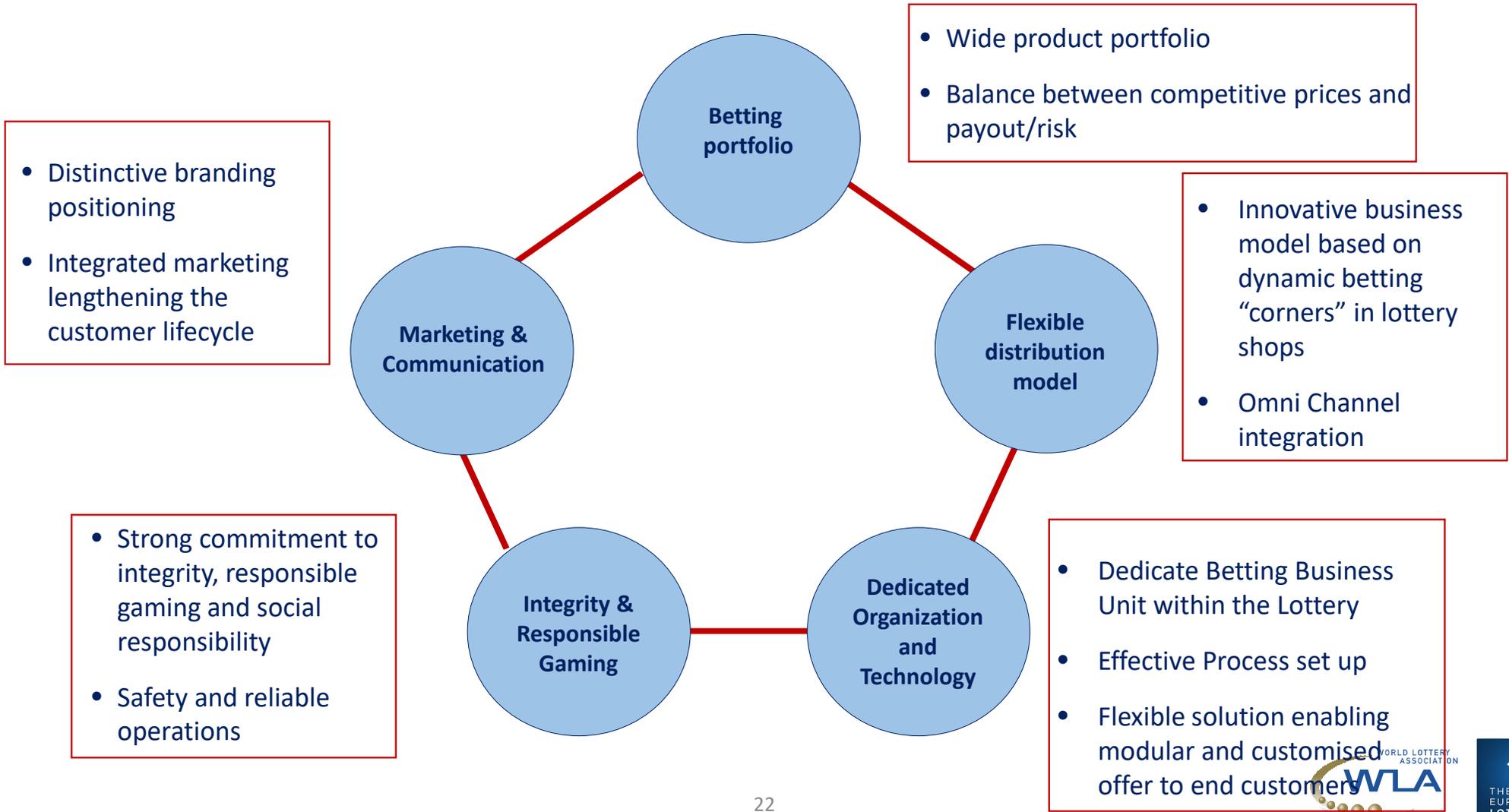
- Establishing a Sustainable Fiscal Environment,
- Investing in Responsible Betting,
- Ensuring a high level of Sports Integrity will enable

20 legal, regulated sports betting to **compete against and defeat the black market!**

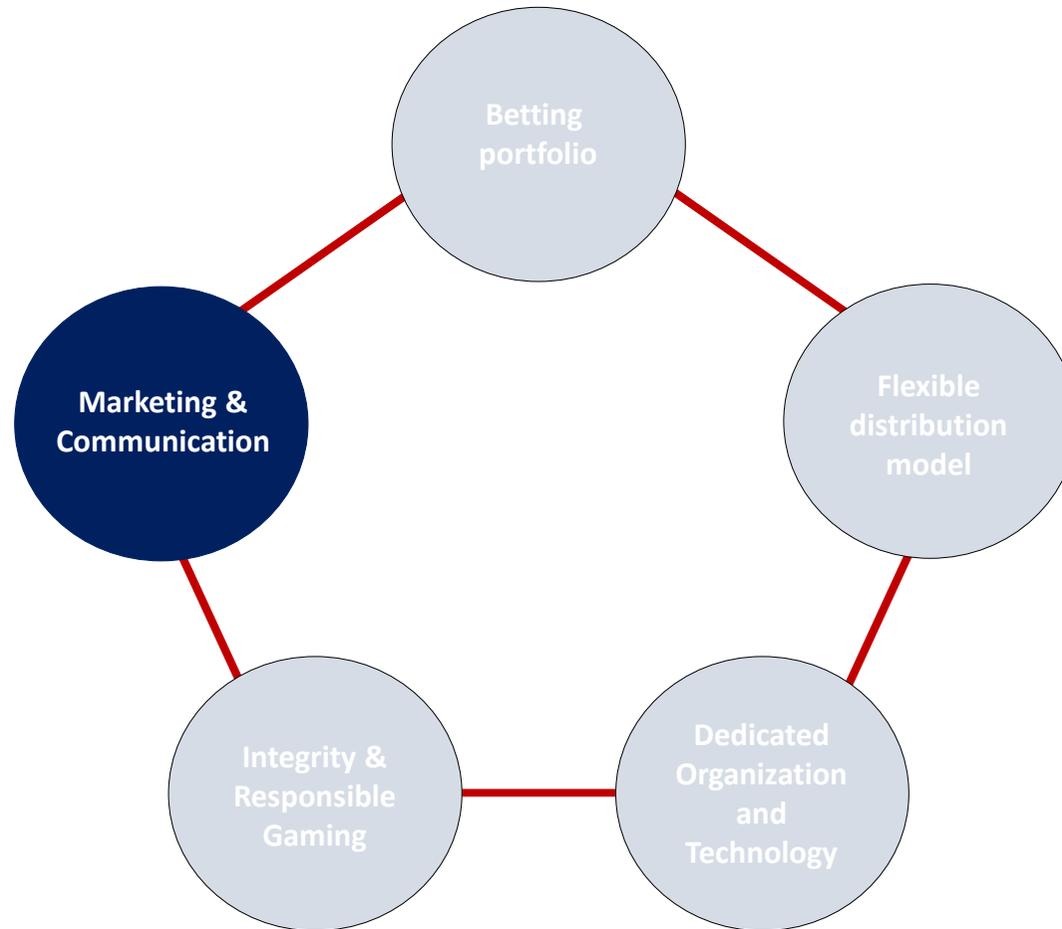
04

Betting Product Life Cycle

Sports Betting Framework



- **Distinctive branding positioning**
- **Integrated marketing lengthening the customer lifecycle**



Creating a Brand New Perception of Sports Wagering

1 RELATION WITH SPORT

- Dynamic and strong naming and visual identity with the world of sport and building on this solid connection

2 SPORT VALUES

- Inspirational and carrying a promise of passion and belonging to a group, leveraging on Sport values such as responsibility, integrity, transparency, reliability and fair play

3 FUN & ENTERTAINMENT

- Entertaining, compelling, fun and generating pleasure and a reliable level of satisfaction

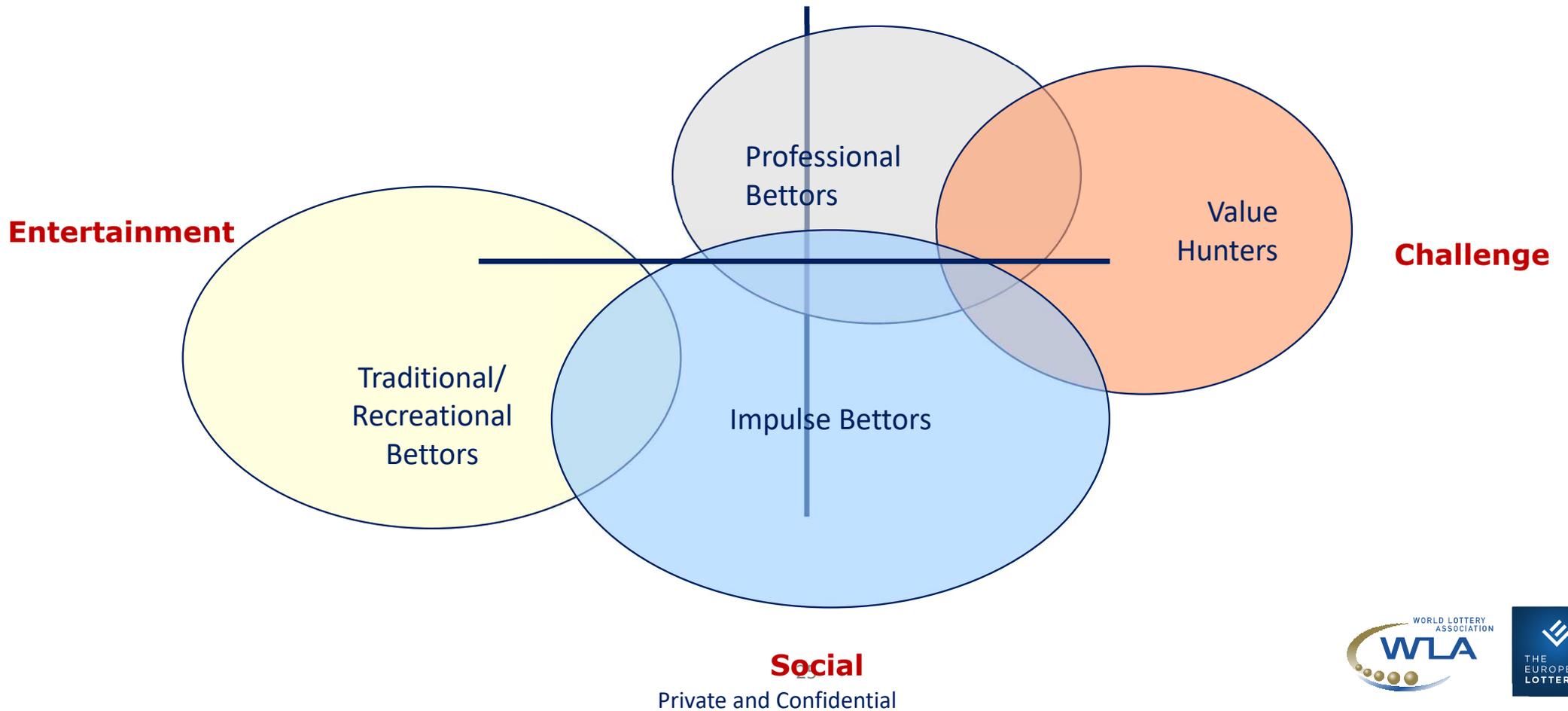
4 "INNOCENT" CHALLENGE

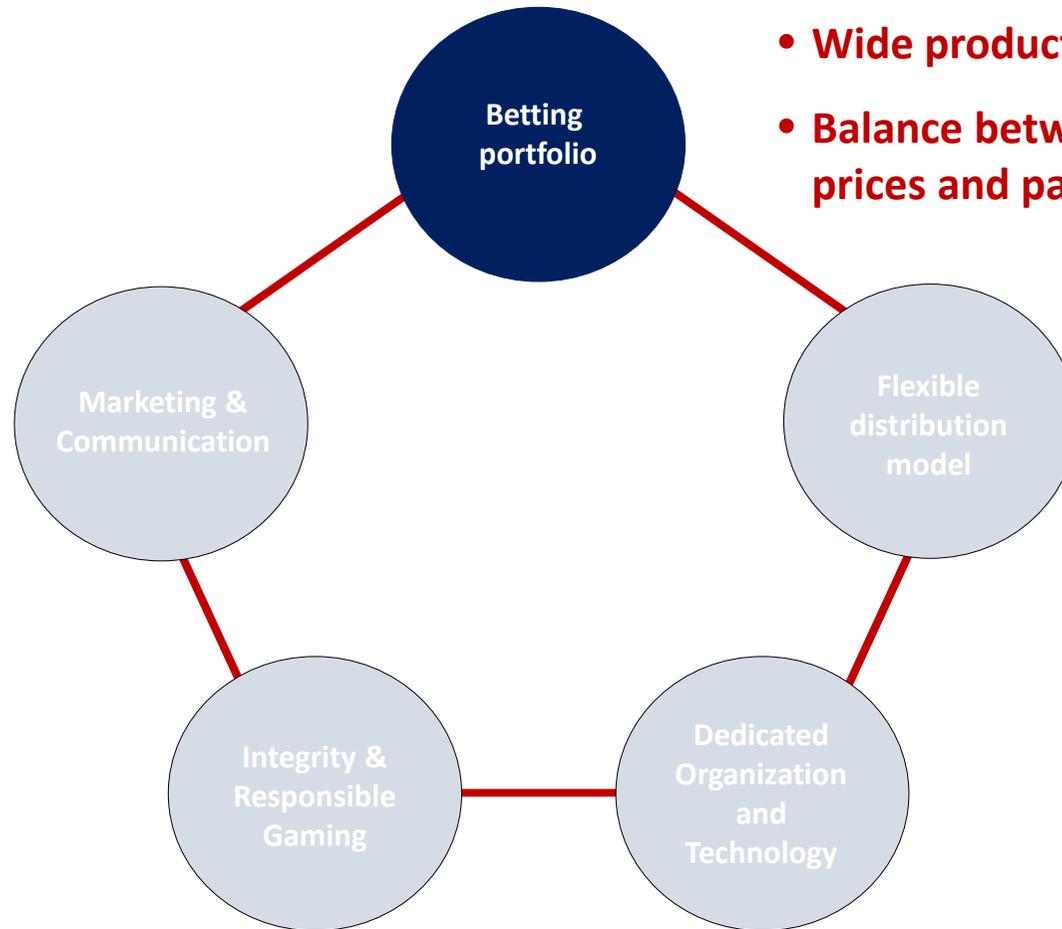
- Easy, simple and reassuring. A reliable and safe brand for those who love and understand sports, without being betting experts

5 SOCIAL ENGAGEMENT

- Inspire true social entertainment and emotional engagement with element of distinctiveness. Convenient because intended as a consumer experience at your fingertips

Playing a Leading Role



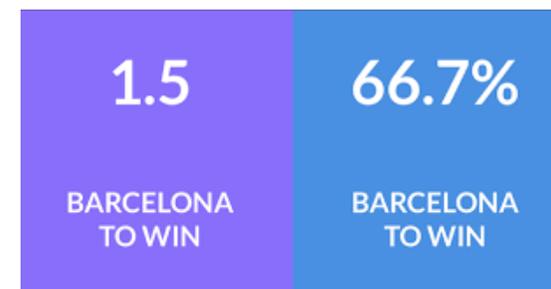


- **Wide product portfolio**
- **Balance between competitive prices and payout/risk**

Fixed odds and Pool games

- **Fixed Odds Sport Betting**

- Each Event/Bet type (ex: Cubs to win) has a **fixed price/odds**.
- Illinois players selects a combination of **minimum 2 events** and outcomes in one bet (Parlays)
- Winning amount is: Wager stake * Total odds for selected options
- **Risk to the operator, volatile payout** – Illinois Lottery aiming for a gross margin (wagers minus payout) of 20-30% after 12 months (TBD)
- Both Pre and Live Event Betting



- **Pool games (Pari-Mutuel Betting)**

- Like Lotto, the **prices depends on the total amount wagered** plus the number of winners in a given price division. Simple, straight forward and **no risk to operator**



Sport Betting Odds

The central part of the betting business product strategy is the **definition of the pricing or over round** : this represents the theoretical margin for the operator in conditions of fair distribution of the bet placed on the possible outcomes of an event.

		- League UK Premier		- League Mexico	
Event	Possible Outcome	Odds	% di Over - Round	Odds	% di Over-Round
Team A	1	2,10	47,6 (100/2,10)	2,05	48,8
	-				
Team B	X	3,25	30,8 (100/3,25)	3,15	31,7
	2	3,50	28,6 (100/3,50)	3,35	29,9
			107,0 %		
					110,4 %

Aggressive Strategy

- Lower margin for the operator
- Better odds for the public



Fixed odds Betting – Singles vs Multiples

Bet type	Customer side		Lottery Operator side	
	Win probability	Potential win	Payout	Risk
Single (player bets on single event)	High	Low	>90%	High (Bets concentrated on a single result)
Multiple (player bets on several events at the same time)	Low	High	70-80% (depending on the number of events)	Low (Bets spread on different possible outcomes)

Managing the Product Positioning



Trade-off between wagers and sustainable payouts

Key Product Drivers

Product Portfolio

- Number of events in portfolio
- Type of bets (single vs parlays/ multiple, pre-match vs in-play)
- Bonus and promotions on multiples

Over-round level

- % of theoretical margin expected by the sportsbook, impacting competitive prices and therefore overall proposition

Timing of odds publishing

- Timing of odds publishing (day / hour)
- The earlier publishing time, higher the risk and competitiveness

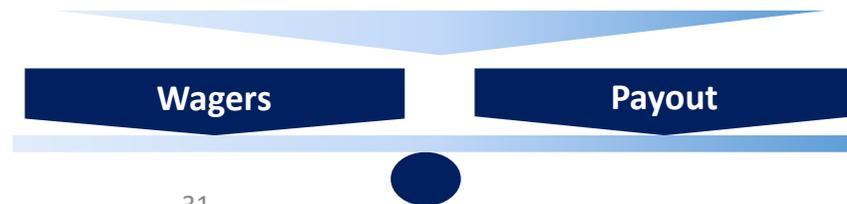
Channels

- Continuous research for balance between Retail and Interactive channels
- Retail Commissioning model to drive multiples bets

Fiscal environment

- Tax on Turnover : products with lower degree of competitiveness
- Tax on gross gaming revenue: products with higher degree of competitiveness

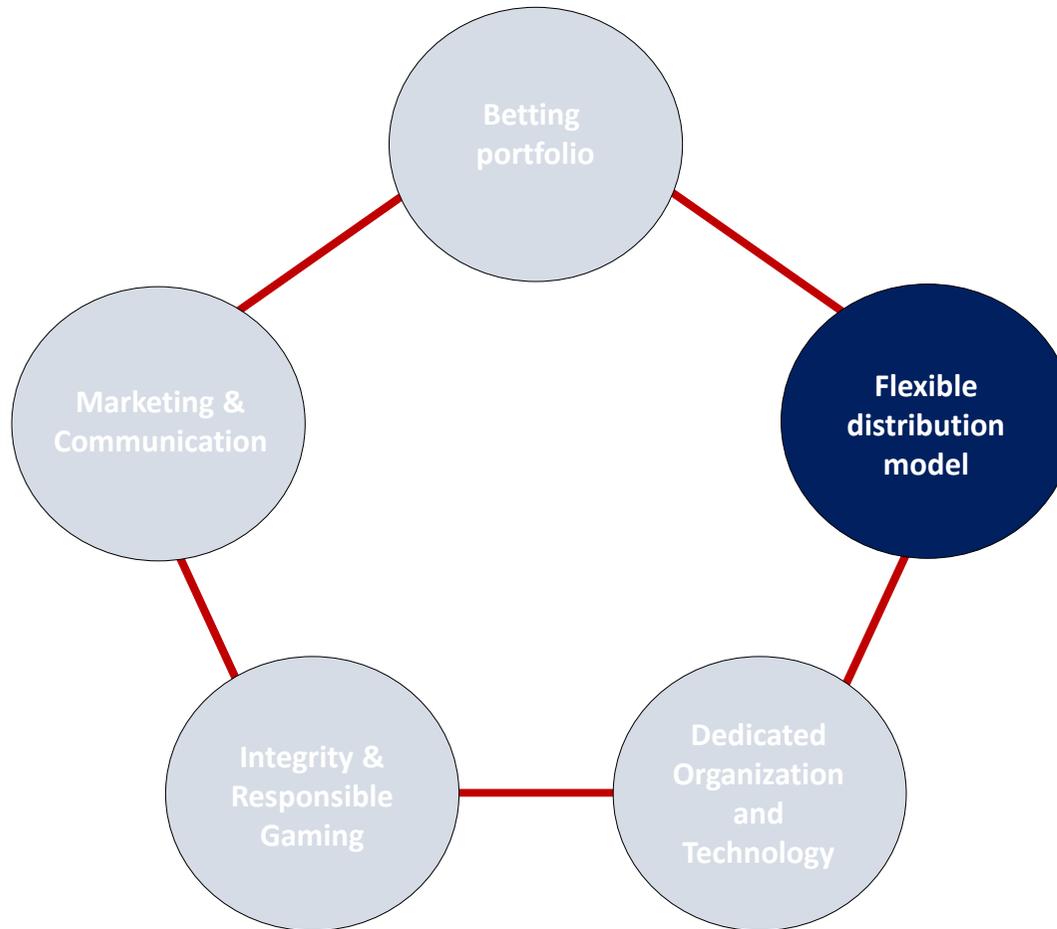
Balance between wagers and sustainable payouts



31

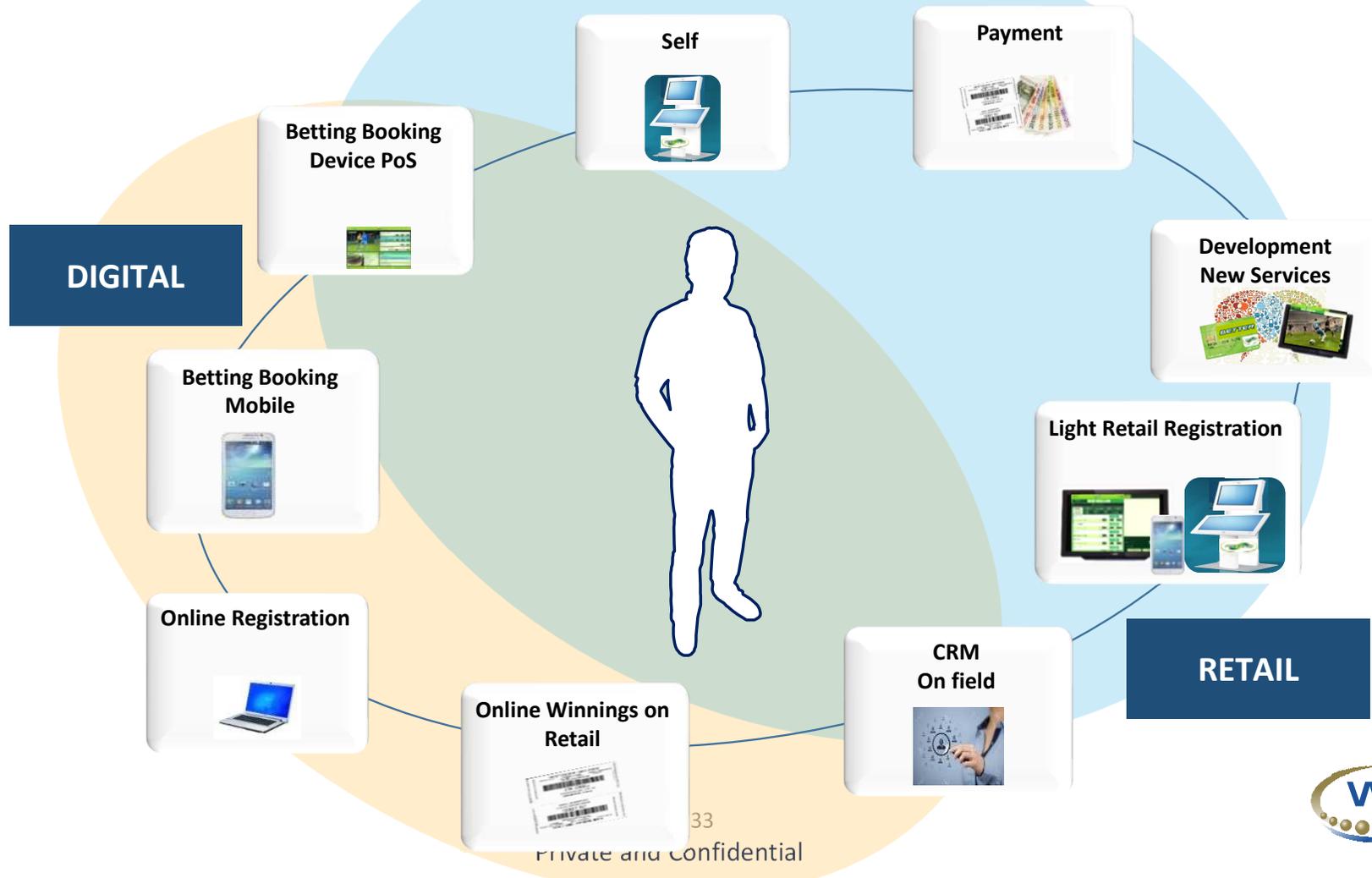
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Flexible Distribution Model



- **Omni Channel integration**
- **Innovative Retail business model based on dynamic betting “corners” in convenient stores and sport bars**

Customer Centric and Omnichannel Approach



The “Betting corner”

Some operators have invested on the corner format model leveraging on its lottery retail network:

- Selection of most **performing PoS**
- **Sales and support services** to the retailers (contact center, agents, internet, mobile)
- Leveraging on **Omni channel approach** -> Retail Digitalization
- Tailor made/full **branded store layout**
- **Reorganization** of the **store layout** in functional areas (info – sale – entertainment)
- Opportunity to **leverage** on **existing technology** and innovation **synergies**
- **investments in PoS** (PoS branding, layout, furniture, marketing, communication)

EXTERNAL



PRELIMINARY OPERATIONS



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SALES AREA



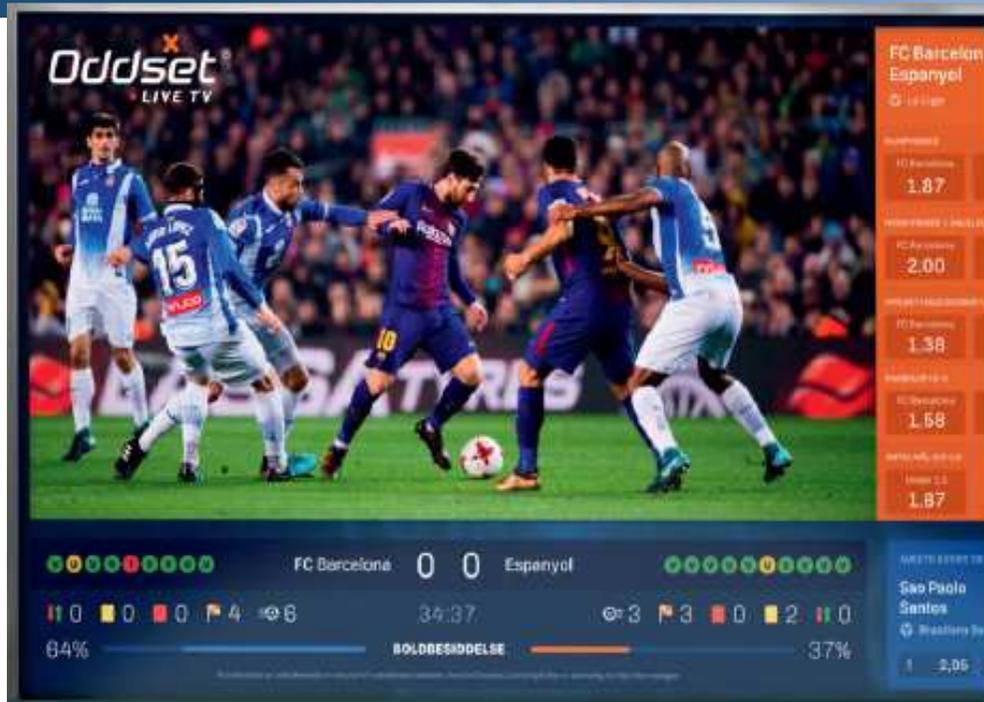
The Customer Experience

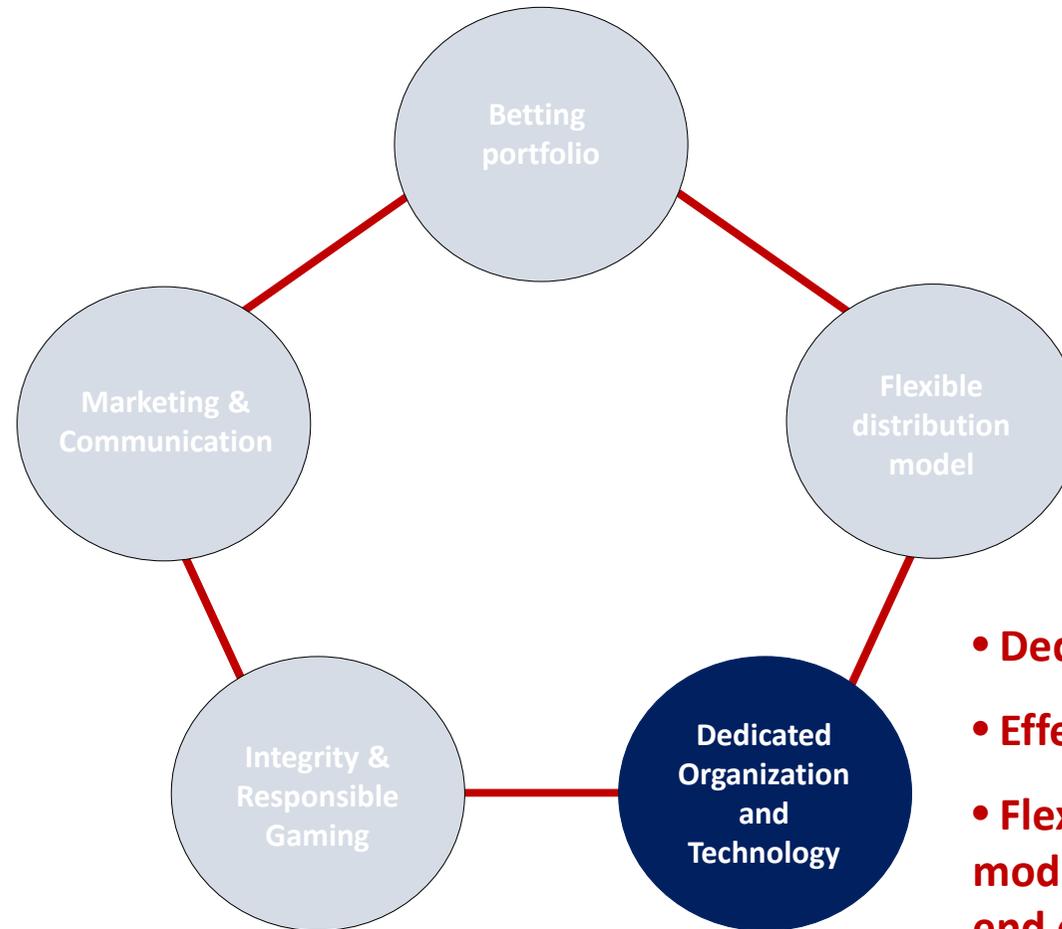


Modernizing Betting Retail User Experience



Betting Self Service Terminals





- **Dedicated Betting Competences**
- **Effective Process set up**
- **Flexible solution enabling modular and customised offer to end customers**

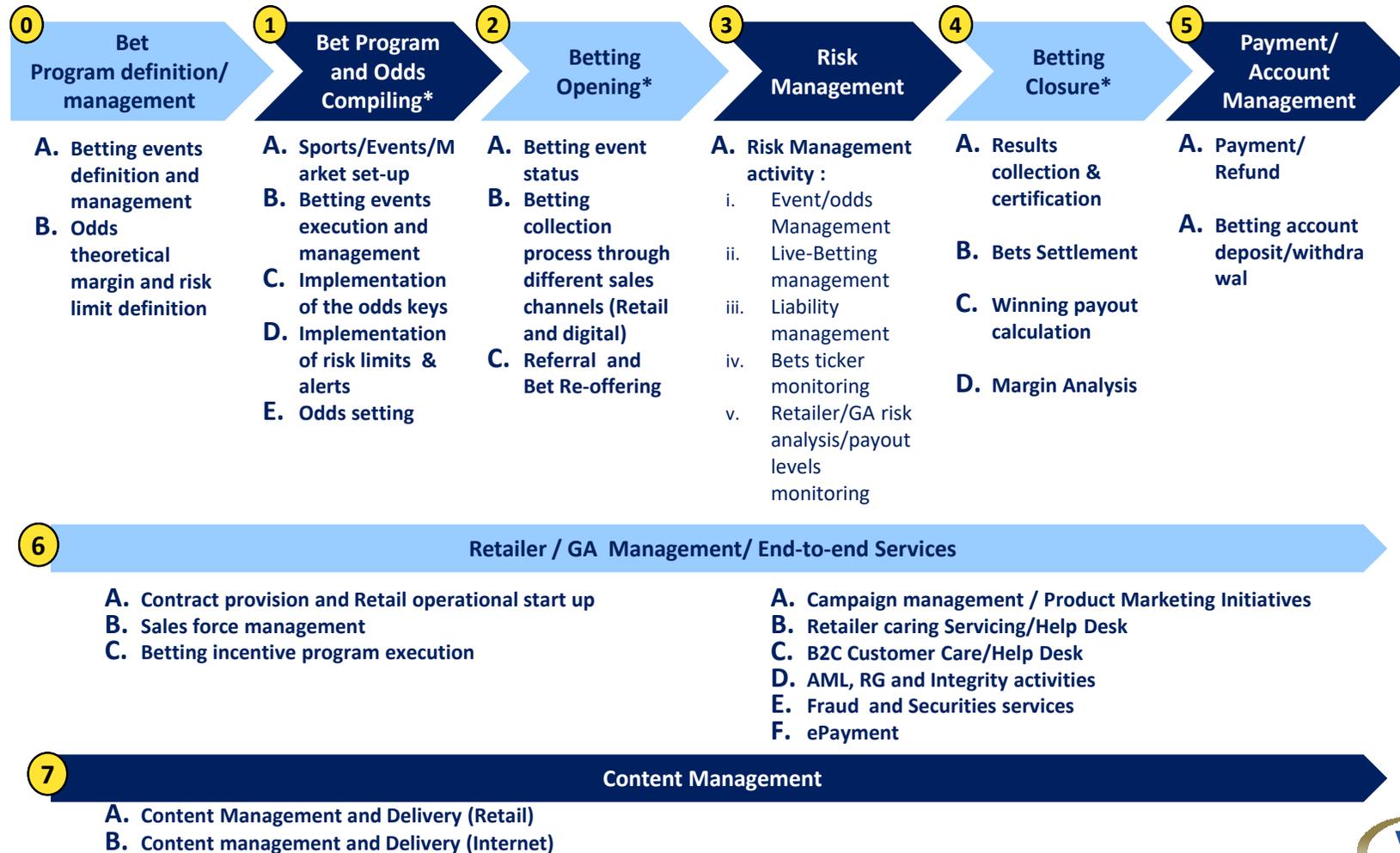
Set-up of a new betting venture

- Definition of Betting operations strategy
- Organization setting
- Definition of Channel Strategy and PoS Selection
- Systems set-up
- Digital & Retail set-up and betting ops launch

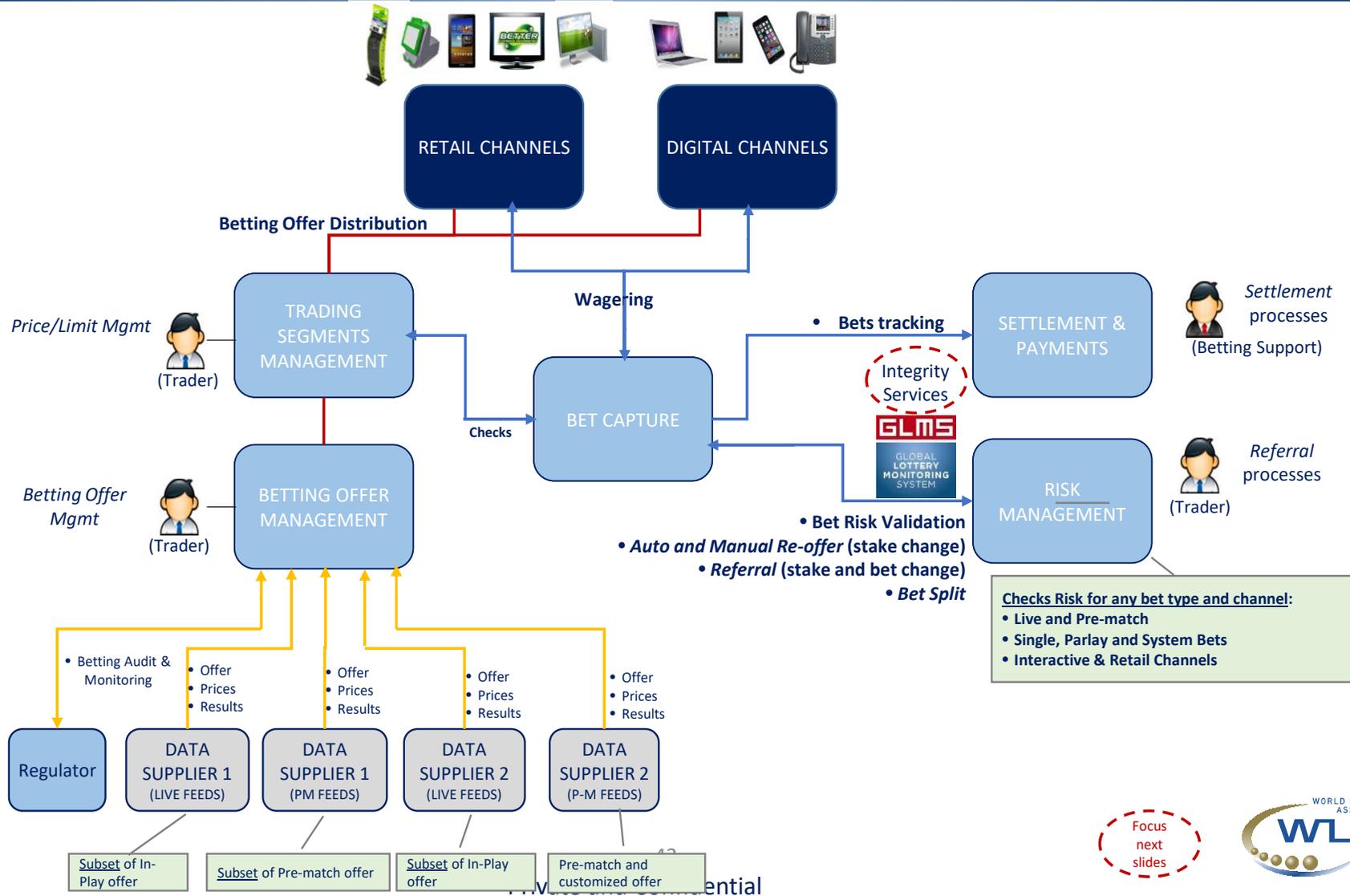
Betting operations

- Bet program definition and odds compiling
- Betting opening
- Risk management
- Betting closure
- Payment/ Account Management

Betting Operations



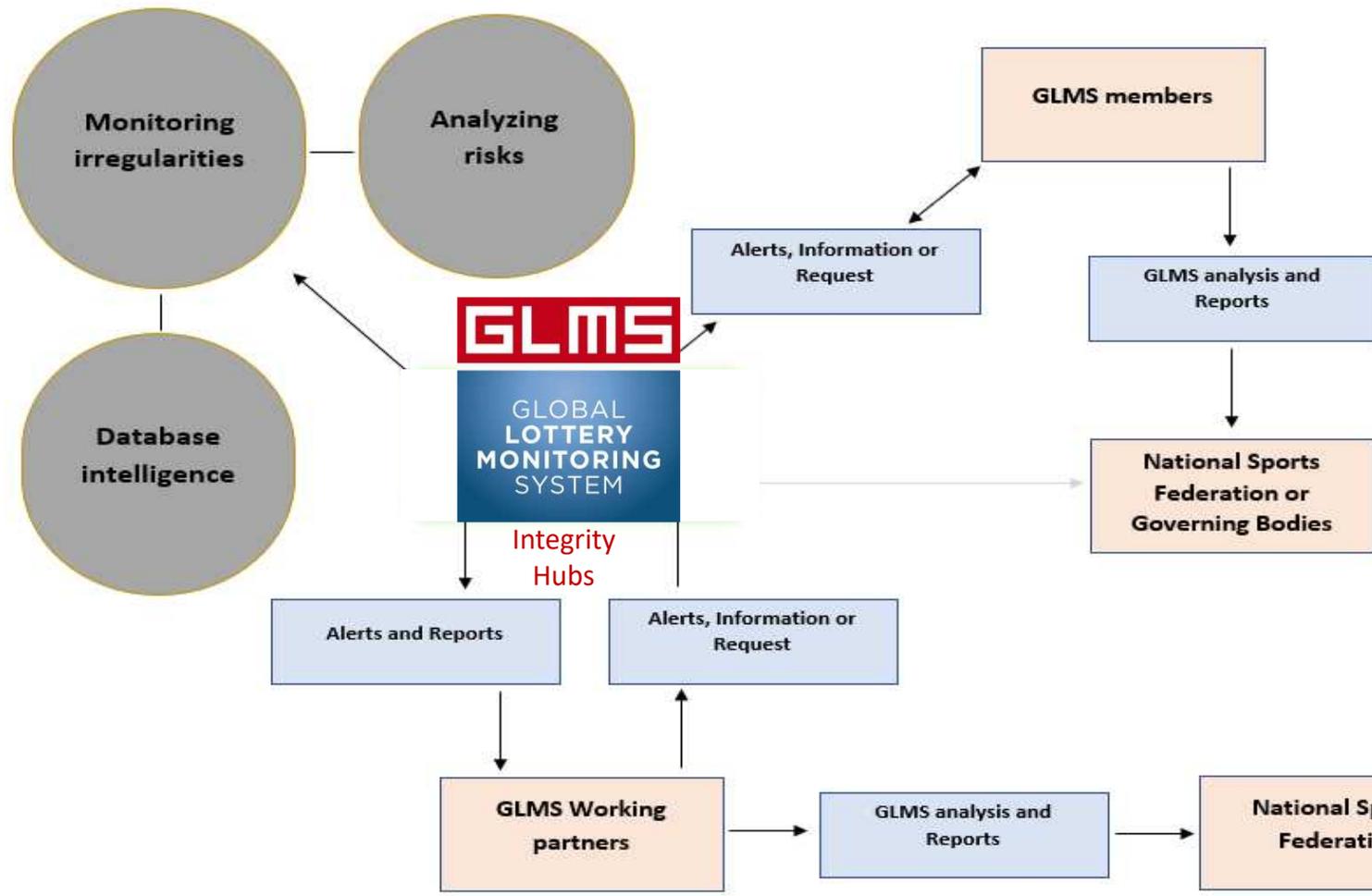
The Betting Technology Flow



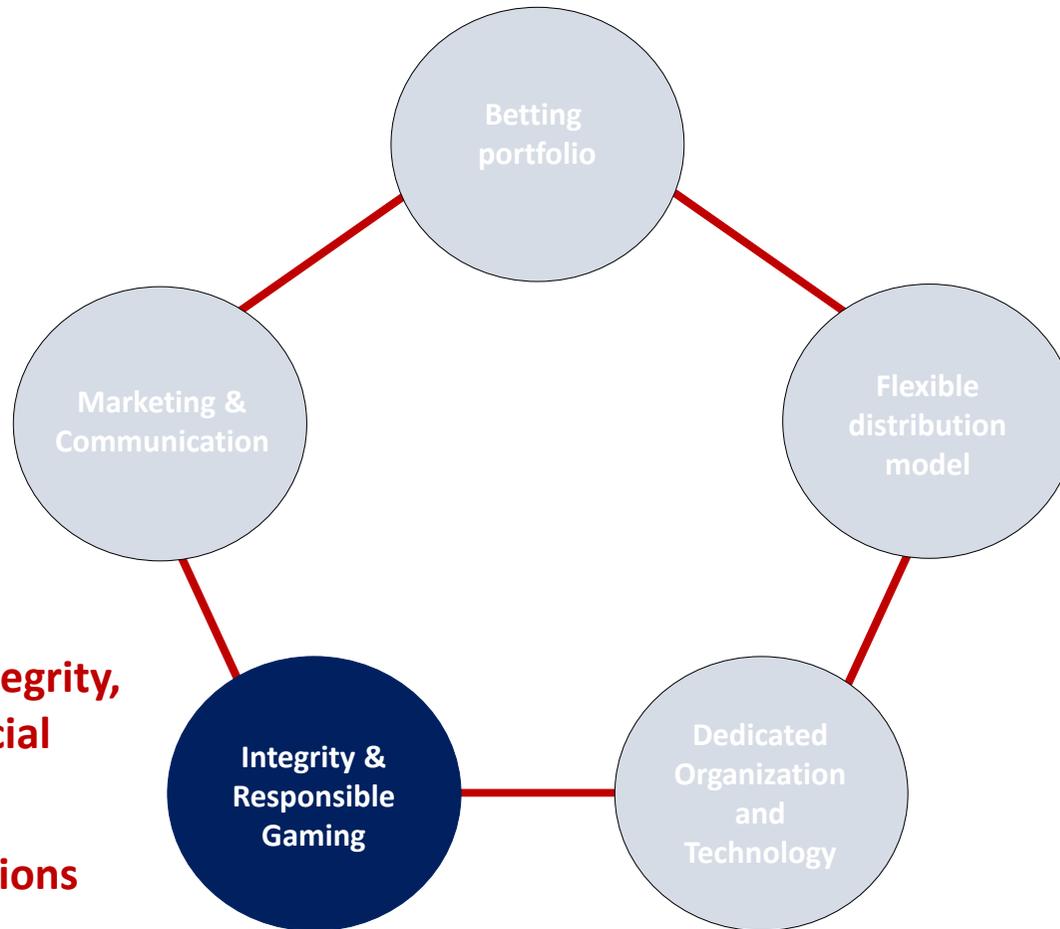
Focus next slides



GLMS Operational Process Flow

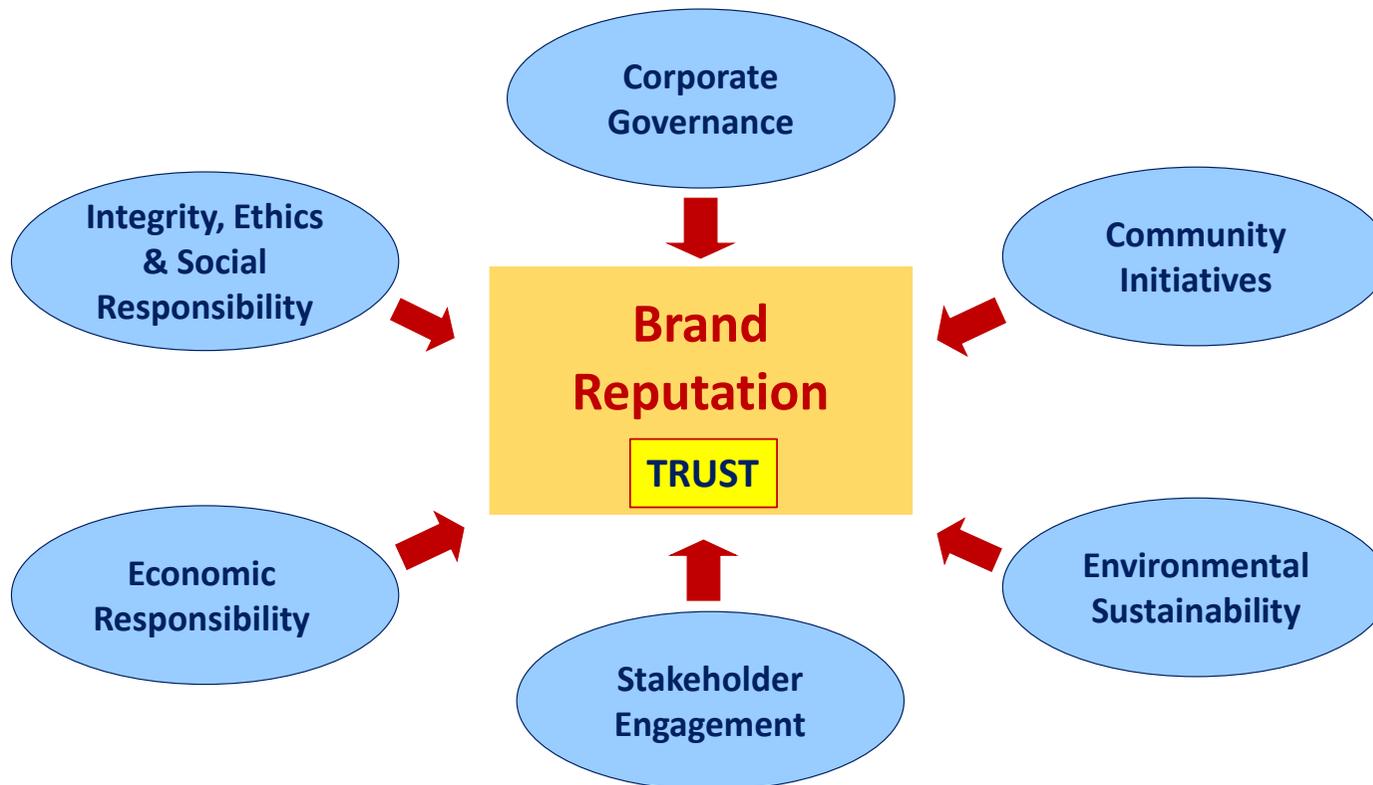


Integrity & Responsible Gaming



- **Strong commitment to integrity, responsible gaming and social responsibility**
- **Safety and reliable operations**

- Social Responsibility Program -



EXAMPLE

1
ENHANCING TRUST IN YOUR
BRAND IS YOUR NUMBER ONE
PRIORITY

- AI And Machine learning are providing operators with effective tools to **assess player risk** and identify and **minimize harmful gaming**, detecting potentially problematic behavior before it happens

2
PROACTIVE HARM PREVENTION

- Compulsive gaming behavior has become a very relevant topic for regulators, policy makers and the public opinion. It is therefore paramount to work on effective **prevention measure** based on data mining and predictive analytics to **detect and pro-actively monitoring compulsive behavioral patterns**.

3
RESPONSIBLE GAMING

- Nowadays auto-generated messaging can be used to **remind players** how long they have been playing or suggest they take a break, encouraging them to **assess their own behavior patterns** too. Being able to proactively assess and address player risk, and empowering players to do the same, is central to developing a **healthy, safe gaming environment** and building and enhancing player trust.

A Global Multi-Stakeholder Approach



01

Sport

- Education & Prevention
- Disciplinary sanctions
- Protection of whistle-blowers
- Sharing with other stakeholders – participation in a Sports Integrity national platform* (coordination of all stakeholders)

02

States & Public Authorities

- A strong sports betting regulatory framework (types of bets, pay-out rates, underage betting, conflict of interests)
- Control bets and volumes
- Concrete measures against illegal sports betting
- Active participation in a Sports Integrity national platform*
- Separate criminal offence for sport competitions manipulations

03

Law
Enforcement
authorities

- Education & prevention
- Exchange best practices when it comes to investigations
- Participate in FBI/INTERPOL's Match-Fixing taskforce

04

Sports Betting Operators

- Education & prevention (both for employees and for their national stakeholders)
- Monitor sports betting patterns (active participation in the GLMS network)
- Active participation in national platform
- Avoid posing any risks with product offering – avoid proposing risky bets
- Make best efforts to identify players (notably for the digital sports betting channel)

05

Members of
the public /
Media

- Need to be informed of any issue
- Report any information that might come to their attention

Main Matters of relevance for licensed Betting Operators

- 01**  Legal Sports Betting
- 02**  Education & Prevention
- 03**  Sports Betting regulation & Conflict of Interests
- 04**  Monitor & report any irregular betting activity
- 05**  Share information & actively participate in sports integrity national platforms*

01

Legal Sports Betting

- Always operate in the jurisdiction in which you are licensed by the competent public authority
- Make sure you always stick within the limits of your license and you respect any regulatory restrictions / constraints

02

Education & Prevention

- Licensed Operators should encourage awareness raising, education, training and research to strengthen the fight against manipulation of sports competitions.
- Licensed Operators should raise awareness among their shareholders and employees of the consequences of and the fight against manipulation of sports competitions, through education, training and the dissemination of information.

03

Sports
betting
regulation &
conflict of
interests

limitation in the provision of sports betting offering - following consultation with the Sport Integrity national sports organizations and sports betting operators, particularly excluding sports competitions:

- which are designed for those under the age of 18; or
- where the organizational conditions and/or stakes in sporting terms are inadequate;

prevent **conflicts of interest and misuse of inside information** by natural or legal persons involved in providing sports betting products

Conflict of Interests : The 5 Golden Rules

01- operators

abstain from acquiring a **significant stake in a sports club**. Should this be the case, ensure you never include this club in your sports betting offer

02 - operators

If you are a sponsor of a club/sportsperson/competition, always **abstain from taking part in sporting decisions** (include this in sponsoring agreement)

03 - employees

Don't place bets with you employer.

04 - employees

Don't misuse inside information

05 - employees

Don't participate in any capacity, directly or indirectly, in events offered for betting

04

Monitor &
Report

sports betting operators should timely report irregular or suspicious betting without delay to the betting regulatory authority, the other responsible authority or authorities (i.e Law Enforcement Agencies, Sports Leagues), or sports integrity national platform.*



05

Share
information
& actively
participate in
national
platforms*

- exchanges of information with relevant public authorities, sports organizations, competition organizers, sports betting operators and sports integrity national platforms
- Participate in the creation of a Sports Integrity national platform*

THANK YOU!

Ludovico Calvi

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Backup

Why join GLMS as a Member

Serving the Global Sport Integrity Community value based-approach and core values: Responsibility, Society / Sustainability, Integrity and Transparency

- With GLMS you are match **fixing compliant** and **Public Authorities have a real interest in society**, this is why they are serious about relevant risks
- With GLMS you can **generate value by preventing potential losses** and invest in good causes and sport
- With GLMS you have **access to a wide range of education and prevention tools** which will help you **strengthen relations** with your key **sport** national and international **stakeholders**
- With GLMS you are adopting **the world's Integrity best practice** and becoming a **key reference** for any **public stakeholders** (Regulators, Min. of Health, Education, Sports, Law Enforcement agencies,....)
- With GLMS, you are always **on top of all global sports integrity policy and regulatory developments**
- With GLMS you can contribute to the **eradication of corrupted athletes safeguarding the values of sports** and fight criminal organizations, **fully in line with the public agencies' values and mission**

Application form available on GLMS website:

www.glms-sport.org

info@glms-sport.org

