

Testimony of
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Thank you, Chairman Upton, Ranking Member Pallone, Chairman Burgess, Ranking Member Schakowsky and members of the Subcommittee, for the opportunity to testify before you today. My name is Jordan Gnat and I am the Senior Vice President of Strategic Business Development for Scientific Games Corporation (SG). SG is a leading innovator in the regulated global lottery, gaming and interactive industries, offering a range of products, technologies and services to more than 300 customers on 6 continents for the last 40 years. These products include instant lottery games, lottery gaming systems, terminals and services, and internet applications. SG is also the service provider to the Delaware Lottery of its legal, regulated sports betting offering at over 100 retailers and 3 racetracks.

I am honored to be with you today to share my observations from my 12+ years in the international gaming industry. In particular, I have witnessed firsthand a core set of best practices in the implementation of sports wagering regimes that protect the consumer while going to great lengths to ensure the integrity of sports. I would like to offer some insights regarding the means by which other countries have successfully implemented regulated sports wagering systems.

As this Committee contemplates this issue, my testimony will outline two case studies from Ontario, Canada and the EU to help illustrate how these best practices; from geolocation and

age verification to betting limits, real-time global monitoring of betting activity and education, have enabled effective and transparent sports wagering in international jurisdictions.

Additionally, in almost all cases, these regulatory systems enable both governmental lotteries and commercial gaming operators to offer innovative products through multiple highly regulated, licensed distribution channels. In fact, 9 of the top 10 legal sports betting jurisdictions in the world offer sports wagering either exclusively through their lottery or a combination of lottery and commercial operators, being land-based or internet, where there is a mature commercial casino and betting market. Why is it done this way? Lotteries have an infrastructure built around integrity of play, ubiquitous distribution, player protection and responsible gaming. This holds true as well for commercial operators in many cases with the exception of ubiquitous distribution, unless it is online.

Let's begin with Canada. Legal sports wagering has been available in Canada since the early 1990's. The Criminal Code of Canada provides for Provincial Lottery Corporations to be established to conduct and manage lottery and gaming activity within its borders. Each of the 5 Provincial Lottery Corporations in Canada offer a full line of sports betting but in the form of parlay wagering, meaning that a wager placed must be on the outcome of more than one event, activity or performance. While the Criminal Code of Canada today specifically prohibits single bets, legislation has been introduced in the Canadian Parliament to remove this prohibition, which illustrates how sports betting regulations are ever-evolving to meet market demands.

To provide you with an example of how legal, secure, regulated sports betting happens in Canada, I will use the Province of Ontario as a case study. Ontario launched "Pro-Line" in 1994 and it is available at the nearly 10,000 licensed Lottery retailers in the province. The first product launched was a simple 3 game parlay with minimum and maximum betting limits

set. Over the past 20+ years, the product offerings have continued to evolve in sophistication to include 2 event parlays, proposition wagering and cross event wagering. The product has also evolved from a Lottery only channel to now include the casino channel. Recognizing the difference between the two, Ontario created a differentiated model for Lottery retailers, with betting maximums for players at \$100, and for Casinos with adjusted odds and offerings and betting maximums at \$1,000. Casinos and their staff have the training and infrastructure to manage large bets and provide an experiential offering.

For its internet activity, Ontario is soon to offer its sports betting product online alongside the current casino and lottery products.

British Columbia offers a full range of internet sports betting products. Both Ontario and BC use geolocation and age verification systems to ensure that players are of age and located specifically in BC or Ontario. Geolocation works by capturing the IP addresses of the player and these are tracked by latitude and longitude. Companies like Digital Element, GeoComply and Neustart take this data and determine where the wager request originates and then respond to confirm the wagers based on the location.

Age verification is managed by companies like IDology and Equifax. These companies aggregate data including census records and driver's license data. Players' registration information is sent and the system cross references all sources to provide verification.

I will now turn to Europe. Sports betting is available throughout Europe. The majority of jurisdictions in Europe offer sports wagering through their lottery or a combination of lottery and commercial operators. A notable exception is the UK which has a fully commercial market. Each jurisdiction establishes its own betting rules, risk management teams, policies and Odds setting framework (or outsources it to a professional organization).

In 2012, the World Lottery Association (WLA) introduced the Global Lottery Monitoring System (GLMS). This system went live, in partnership with Sportradar, in June 2015. GLMS provides its members alerts on betting anomalies from around the world. Each member reacts to the alert independently, looking at the betting in their particular market, and determines what corrective action, including voiding bets, is necessary. There are 27 global members of GLMS, 20 from Europe, 1 from Canada, 2 from South America, 2 from Asia, 2 from Africa. The program will be expanded in the latter part of 2016.

In addition to technological advancements, professional sports organizations themselves are beginning to introduce measures to ensure game integrity. In 2013, FIFA, FIFPro and Interpol came together to announce a new initiative to combat match fixing in the form of a training program for players called “Don’t Fix It”. The program focused on raising “awareness of the dangers of match fixing among players, referees, officials, administrators, organizations, and public authorities”¹ and to raise the ability of those involved in professional soccer to know how to recognize it, reject and report it.

Conclusion

It is estimated that the illegal sports betting market in the US could be as much as \$400billion. To put this number into perspective, the legal, regulated global lottery business is approximately \$280billion and the US casino industry is approximately \$240billion.

The point to understand here is that sports betting is already an enormous market in the US – legalizing sports betting will not create something that isn’t already there. Instead, implementation of regulations that ensure integrity, accountability and consumer safeguards in sports wagering can turn the current multibillion dollar black market into a transparent,

¹ <https://www.fifpro.org/en/projects-partners/don-t-fix-it/about-don-t-fix-it>

effective system that generates important tax revenue like we see all around the world and keeps professional and amateur sport safe for the future generations.

Mr. Chairman and Ranking Member Schakowsky, I again want to thank you and the members of the Committee for inviting me to testify at today's very important hearing. I hope my presentation has provided helpful insights on some of the key elements of successful regulatory systems employed around the globe. I look forward to the opportunity to answer your and your colleagues' questions.