Executive Summary

The KSA has commissioned Regulus Partners to provide an overview of the online gambling B2B market and highlight key licensing risks to consider, especially given that the Netherlands licensing regime does not envisage directly licensing B2B providers. This paper discusses the context and key elements of the B2B value chain, provides an overview of the main B2B providers and discusses the operational and licensing conditions of white label operations (including charity lotteries). The paper also examines the practices and lessons from other markets (Denmark, Sweden, UK, Spain, Italy) in order to provide examples validate both the evidence and risk guidance. NB, the aim of the paper is to provide analysis and highlight risks rather than to advise on solutions.

Section I: the B2B value chain

The B2B gambling value chain is complex and constantly evolving. However, it can be broken down into key components which can be understood and tracked from a services, revenue and responsibilities. Key service providers and whether services and infrastructure is provided in-house or outsourced can also be mapped. The key areas of B2B solutions are: platform, betting engine; content (gaming and sports usually separate); hosting; payments services; customer support services, and; marketing services. These can be bundled together to create 'white label' products, which would require licensing either as the B2C brand or with the provider holding a licence.

Section II: review of key service providers

We identify twenty one key service providers which we believe captures over 95% of the outsourced B2B value chain in Europe (excluding content-only providers). These providers range from businesses with over €500m of annual B2B gambling revenues to four with less than €10m: scale and capabilities therefore vary as much as operators. All but one of these providers has a platform and so can provide key infrastructure services; 12 can provide turnkey services to white labels.

Section III: white label

While there is no settled definition of white label solutions there are a number of clear types. We identify: non-gambling brands that wish to access gambling revenue without any inhouse operations; small marketing businesses without the desire for any infrastructure; businesses that want brand exposure to a jurisdiction without direct operational and/or regulatory exposure, and; formerly (or informally) connected business (e.g. a marketing business and infrastructure business). Each of these different motivations comes with different licensing risks.

Section IV: non-state lottery

Non-state lotteries often comprise a form of white label gambling, where a supplier provides the infrastructure and often pools players/prizes of a number of charities. Since the charities (or other good causes) have neither the wherewithal nor the appetite to be gambling operators, this has created a business opportunity made more significant by online distribution. This creates risks in terms of the potential exploitation of charitable giving and adequate harm prevention regulation.

Section V: evidence from other markets

We examine five jurisdictions (Sweden, Denmark, UK, Spain, Italy), providing an overview of their approach to B2B, whether and how the white label market has developed, reported regulatory issues and specific market considerations. While each market is different, the examples suggest that licensing models without a B2B vs. B2C distinction can cover white label providers (and does in most markets) with the providers holding a licence unless the brand wishes to be licensed directly, though white label providers do seem to represent a higher risk group of operators than 'standard' B2C models.

I: the B2B value chain

The gambling B2B gambling chain is complex and constantly evolving. However, it can be broken down into key components which can be understood and tracked from a services, revenue and responsibilities. Key service providers and whether services and infrastructure is provided in-house or outsourced can also be mapped. The key areas of B2B solutions are: platform, betting engine; content (gaming and sports usually separate); hosting; payments services; customer support services, and; marketing services. These can be bundled together to create 'white label' products.

The B2B value chain for online gambling comprises multiple complex parts. Some companies maintain some or all services in-house, outsourcing only those elements for which third party solutions are essential (for example sports data or slots content: see below for explanations). Other operators outsource large proportions of the value chain to an array of B2B providers, making them key to both operations and compliance, but with the operator clearly 'in charge' and responsible for the management of the business since they are not reliant on any one provider and typically manage marketing and customer content themselves; we refer to this as 'operational outsourcing' since strategic control remains with the B2C operator. Finally, some operators are 'white labels' of a single B2B provider, meaning that the B2B provider is in substantially all operational respects an 'operator' and the B2C customer may own nothing more than the brand/URL (indeed, in some jurisdictions they would be licensed as an operator even if the business were to commercially consider itself a B2B provider – the Netherlands is likely to follow this model based upon current regulatory drafts given the lack of a B2B licensing option). We discuss each of the components in detail, but the chart below gives a summary of the components and their cost from an operator perspective:

Type	Component	2000s	Point of Supply (.com)			Domestically Licensed		
		model	small	large	white label	small	large	white label
Tax	Gambling duties					20	20	20
Marketing	Advertising & Sponsorship	5	5	5		2	10	
	Direct marketing	15	10	10	10	20	10	10
	Affiliate Marketing	15	15	10	15	10	5	10
Operations	Turnkey management fee				60			50
	Managed trading services		10			8		
	Sports content (data/odds/steaming)	2		5			5	
	Gaming content	10	10	10		8	8	
	Payment Services	8	8	6		5	4	
	Platform	10	5	3		4	2	
	In-house operations	10	15	25		20	30	
Profit	Earnings	25	22	26	15	3	6	10

NB, while all costs are indexed in the table to ease comparison there are both initial fixed cost elements and significant economies of scale in nearly every line item (see below for more detail). This means that it is economically more efficient for larger operators to do more in-house if gambling is their core business (e.g. they are not a media brand which does not wish to be a gambling operator). The opposite is also true, with smaller brands benefiting from the pooling of resources in an outsourced model. Broadly speaking, therefore, the smaller the operator, the greater the likelihood of outsourcing, which is important dynamic to consider from a risk and compliance perspective.

The '2000s' model is designed to illustrate where the supply chain has moved from (important context which we discuss below), while 'Point of Supply' is what the Netherlands market is now (i.e. licences in Malta, Gibraltar, Isle of Man etc). Domestically Licensed is what the Netherlands will become on regulation being implemented. NB, all of the data is based on averages with material variation between operators and suppliers; all or components can also be in-house for some operators.

In terms of real world examples we would identify:

- **Largely in-house**: bet365, Betsson, LeoVegas
- **Operationally outsourced**: GVC, William Hill, Kindred
- **White label**: Virgin, Sun, hundreds of 'long tail' casino and bingo brands (see below)

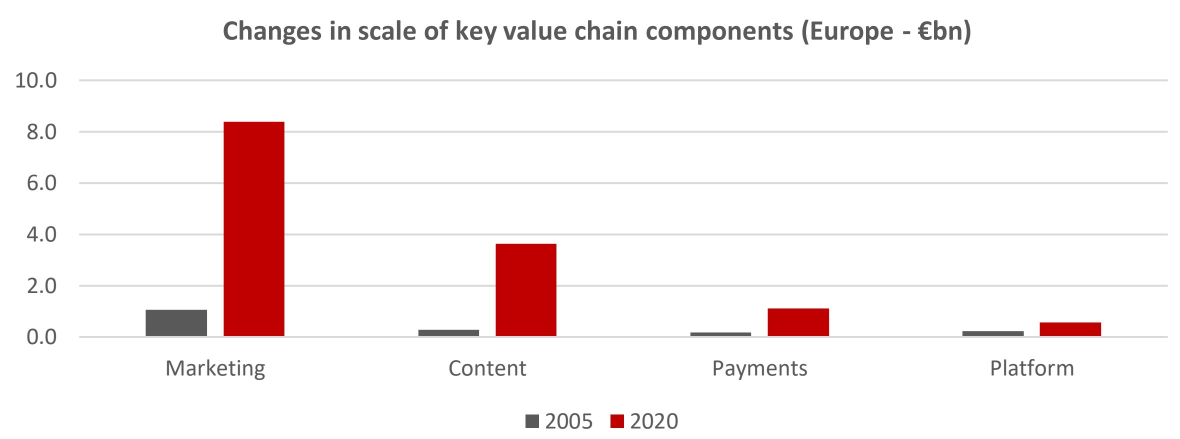
The evolution of B2B services

It will be noted from the table above that the margins achieved for online gambling B2B services in the 2000s were very different from what they are today (e.g. 'platform' has fallen from c. 10% to less than 5%). This is important because it demonstrates the extent to which the supply chain is adapting and adjusting to circumstances (principally: technological change, growth, competition, regulation).

Broadly speaking, in the 2000s outsourcing tended to be to a small number of powerful B2B providers which vertically integrated software (platform) and content (games): margins were high (there was little to no tax) and innovation was relatively low (limited competition, basic online technology). The four drivers of technological change (especially mobile, also much improved bandwidth), growth (20%+ CAGR adding c. €1-2bn pa to European markets in B2C revenue terms or c. €100-400m pa in potential B2B revenue), competition (from B2B businesses set up to take advantage of the first two drivers as well as the increasing need for operators to differentiate in a maturing market place) and regulation (adding cost, complexity and new 'local' clients such as retail becoming omnichannel, lotteries entering online gambling) has caused the disaggregation of the B2B value chain. This is an important underlying consideration that is an underlying thread within the descriptions below.

There are two further significant outcomes of the nature of the evolution of B2B services. The first is that because online gambling has come from an 'offshore' business model, most B2B service providers remain offshore and online specialists – the big landbased B2B providers tend to be quite small in terms of online – this reduces both visibility and built in knowledge of domestic regulation (although many online B2B providers have now been exposed to domestic online regulation in some form for over a decade). Second, due to the entrepreneurial nature of development there are no settled definitions: different companies (and even different people within the same company) will have different working definitions for all the terms discussed below: verifying what precisely people mean when using short-hand terminology can therefore be very important.

It is worth graphically considering the impact of growth from a European market perspective:



Platform
Access to a platform (which stores and processes player, wagering activity and payments data) is a key basic component to offering online gambling. In the early period of online gambling (mid 90s to early-mid 2000s), this was cutting edge, complex technology (especially the security elements) and could command a high value (c. 20-30% of revenue, including basic content – see below). However, technological advances, economies of scale and disaggregation have pushed this figure down to c. 2% (NB, due to overall growth this still represent a global market doubling from c. €800m to c. €1.5bn in two decades, with Europe c. 40% of this). Some platforms include a 'betting engine' (which captures and processes betting data) while in others this component is separate (e.g. Kambi has a 'betting engine' but not a platform; 888 has a platform but is still rebuilding a 'betting engine' having bought BetBright). The largest operators tend to have their own inhouse platform (e.g. Kindred, Betclic, Betsson, LeoVegas). Some operators will also have an in-house betting platform but an outsourced gaming platform (e.g. William Hill, bet365, some parts of GVC; these are typically managed by the operator however, even if the technology and infrastructure is outsourced).

Gaming content
Online gaming content started basic due to the limitations of dial-up internet; it was therefore typically bundled with platform to create a high margin product (typically over 40% profit margins with scale). This, combined with rapid technological change drove both competition and disaggregation – operators now want gaming content from a broad range of suppliers, which by definition cannot all come from the platform provider. Technology, cost of service (e.g. Live games streamed from a studio and R&D has also made a much bigger difference in price, with basic content costing only low single digit percentages of revenue generated and high value content costing up to 20% of attributable revenue. Gaming content costs are a blended mix of these which can vary substantially by operator, although larger operators (particularly those with high market share vs. broad geographic reach) tend to have a higher proportion of expensive content because they have the scale to make this pay.

Gaming content management
The disaggregation of games content has meant that operators need to integrate far more suppliers than the historical key relationship with the (single) platform-content provider. Some operators have the capability and desire to do this in-house (control), others are prepared to allow their platform provider to provide the integrations. However, not all platform providers want to promote third party games and this also gives the platform provider significant commercial leverage which can counteract some of the benefits of disaggregation to the operator. This has created the 'Remote Games Server' or RGS provider. This is a partial platform: it does not provide any player data interface or storage but it simply allows for third party games to be efficiently integrated. Due to the limited nature of the role, costs tend to be low. Equally, player data does not necessarily need to be accessed or stored for most RGS business models to work (which is an important distinction from a regulatory standpoint).

Sports content
Sports content used to be simple because bettors typically bet on data that was publicly available (which horse won a race, which team won a match or combination of several matches to create a 'multiple' or 'accumulator' bet). However, the competitive need for real-time resulting (i.e. recognising whether a bet has won or lost as close to the event taking place as possible) and the growth of in-play (now c. 75% of wagering revenue excluding horseracing) has meant that sports betting data has become big business (either 'official: with the blessing, IP royalties and integrity considerations of the sport contractually factored in, or 'unofficial' without – which may impact the legality and the probity of the data feeds).

Equally, advances in bandwidth and smartphone technology have also meant that streaming live sports within a betting app is now a major value-added service.

Some betting companies outsource only data, information and streaming, which is a specialist service; others take an odds feed for some or all sports and still others have all sportsbetting managed externally (e.g. online casinos adding sports). Depending upon the scale and level of outsourcing, these components can range from 2% to 25% of attributable revenue (including streaming – often the most expensive single component due to the cost of service provision and the IP involved).

Hosting
When online gambling was a niche offshore enterprise, hosting was a specialist service if not done in-house. While this has continued in some aspects, many online gambling companies are now hosted by big providers such as Amazon (especially with the advent of Cloud solutions).

Payments and fraud
In the early period of offshore online gambling many banks were distrustful of online gambling transactions, especially if operators accepted bets from US customers (as most did prior to 2006). Equally, there was a small but very active cohort of 'customers' who systematically attempted to defraud online gambling operators, for example by claiming that credit cards had been stolen or cancelling depositing transactions on losing sessions (but immediately withdrawing any winnings). Further, and still to this day, some players want to keep all gambling money in just one place to limit data being given to operators and reduce risk (and 'e-wallet', now just wallet), while some jurisdictions have specialist alternative payment methods which need integrating (e.g. Ideal in the Netherlands). These additional drivers have kept a degree of payments specialisation in domestically regulated markets even though payment processing has become more mainstream (some banks remain cautious, however). Some operators run their own payments infrastructure, others outsource it to specialist companies. Typically payments and fraud costs between 4 and 10% of online revenue, with the higher figure denoting more 'specialist' services.

Customer support
Customer support can comprise email, telephone and/or live chat functions and it can be labour intensive. Consequently, there has been a tendency for smaller operators to outsource this and also for customer support centres to be located in cheap labour locations (e.g. Philippines, India, former CIS). While certain elements of customer support are gambling-specific and important to be bespoke (e.g. VIP management), much is relatively commoditised. Outsourced customer support therefore tends to be in the low single digit percentages of revenue as a cost to the operator.

Marketing and affiliate management
Marketing is a key driver of online gambling, especially in terms of market share. Most operators are effectively marketing companies and keep all major marketing activity in-house (though still using creative agencies etc). However, it is possible even to outsource some or all elements of marketing, from direct marketing to affiliate management. These agencies are often linked to platform providers, though some are separate. Their business model is usually to take a cut of a marketing budget for managing it. Marketing budgets tend to range from 20% up to over 50% of revenue for early stage operators, though the average tends to be 30%, with larger companies spending less as a percentage.

Affiliates

Affiliates ought to be considered as a separate element of B2B provision and some jurisdictions have considered licensing them separately (eg, UK). Affiliates are primarily a source of customers and as such can be seen as a component of marketing rather than B2B infrastructure. They are typically paid either a rate for customers the operator acquires through their sites or as an ongoing revenue share from customers operators acquire. Affiliates can often be from very small websites specialising in generating traffic for specific products (eg, “how to play blackjack” and/or specific regions, eg, “how to play blackjack” in Dutch). There are literally tens of thousands of these small sites, some operated independently and some managed by larger organisations (eg, the listed companies Catena Media or XL Media). The risks that this business model provides is primarily that the very breadth of service providers and content is hard to manage, meaning issues such as inappropriate messaging (“you are guaranteed to win money on this site”) or inappropriate content (eg, advertising where under-age people are the primary users) are very hard to control. For this reason, some operators (eg, Sky Bet, withing Flutter Group) have chosen to stop marketing through affiliates (with some exceptions, see below) while some affiliates have requested a licensing or registration model (eg, the affiliate trade group RAiG: Responsible Affiliates in Gambling). However, given the breadth of affiliate businesses, this is a complex area which would require considerable regulatory investment to manage. Similar to Remote Gaming Servers, the vast majority of these smaller affilates do not have access to player data and rely upon the player tracking capabilities of the operators to which they are contracted to provide their fees or revenue shares for customers generated. We come back to this distinction below.

At the other end of the scale, some affiliates are large businesses which produce rich media content and/or have members services (such as subscriptions). These affiliate businesses tend to have the scale, domestic presence and organisational structure to want to behave responsibly (eg, Sky Bet, which has stopped working with many affiliates owns Oddschecker, which is a betting odds comparison site that operates an affiliate business model). Some of these affiliates have access to the customer data and the line between affiliate and turnkey / white label (see below) can be blurred at this point (the gambling industry is fragmented and entrepreneurial: it has few settled definitions).

Indeed, some affiliates are crucial to the operations management of a business and therefore can present high levels of operational outsourcing and therefore broader compliance risk – especially where affiliates are effectively ‘country managers’ for an operator. A recent example of this is the UK tax investigation of GVC due to the historical operations of Sportingbet in Turkey, one of its acquired businesses. GVC has advised investors that the investigation is principally focussed on a third-party payments provider and that there is no direct link with the operations of GVC. Regardless of the facts of the case, the key point here from licensing and regulatory standpoint is that the more layers of outsourcing that take place, the greater the risk that wrong doing might not be spotted and that the licence holder might reasonably argue that it had no way of knowing about the wrongdoing.

It should be noted that Turkey does not have a commercial licensing regime and therefore a simple burden of responsibility on the ultimate licensee does not apply. However, in navigating the complexity of outsourcing, a useful distinction from a regulatory perspective can be that B2B providers that can access customer data can be considerably more sensitive from a regulatory perspective than those that cannot.

Turnkey / white label services
When all of these services are bundled together to provide a customer with a complete solution (leaving them with very little to do directly) this is typically referred to as a 'white label' or 'turnkey' solution. From a licensing perspective, the licence can sit with the service provider as the B2C operator (leaving the customer unlicensed effectively as a non-gambling partner; it can sit with the customer as the B2C operator; or it can be captured in both B2C and B2B licensing where the distinction exists. Given the potential complexity, this business model is described and analysed in detail in Section III.

Compliance
The role of compliance is key within each component, we highlight the important touch points and the extent to which it can be delivered by software vs. people; outsourced vs. in-house.

- **Platform**: contains key sensitive player, game and financial data which needs to be secure and protected; data contained in platform also needs to be interrogated for KYC, AML and safer gambling purposes, this can be done by internal software, human interaction and also third party software (e.g. Playtech's BetBuddy)
- **Gaming Content**: is typically tested by third party testing labs for fairness and integrity; increasingly games content is also under scrutiny for responsible gaming features (e.g. staking limits, speed of play) but these have not yet typically been codified
- **Sports Content**: has an important role in integrity, which is usually the responsibility of the operator, but with monitoring solutions often provided by sports data and sportsbook suppliers
- **Payments and Fraud**: is a key element of KYC and AML and is typically a combination of monitoring software built into the platform/payments system combined with human teams, these can be outsourced (especially for turnkey) but are typically in-house
- **Customer Support**: is a key element of KYC and safer gambling, third party monitoring systems are increasingly becoming available to assist with this but it is still broadly a nascent industry (ex. Playtech's acquisition of BetBuddy)
- **Marketing and Affiliate management**: marketing management are increasingly building monitoring tools to ensure that marketing agencies and affiliates (especially) are compliant and appropriate (e.g. not exploiting Covid-19 issues currently), though again this is relatively nascent technology

We discuss the responsibilities and issues for compliance within turnkey / white label structures in Section III below. As a general perspective, while the compliance capabilities of larger companies have developed rapidly in recent years due to increased scrutiny, these tend to be in-house software tools and human intervention processes. It is important to note that none of these roles is licensed in its own right and therefore ultimate compliance responsibility sits with the licence holder (albeit as discussed above, who the licence holder is can vary by licensing model). A robust licensing and regulatory regime would ensure that operators have systems and processes in place to ensure compliance and avoid the risk of responsibilities falling between the cracks of an organisational or technical structure (we discuss the contractual element of this below).

The market for outsourced compliance functionality is still small, but both logic and Playtech's acquisition of BetBuddy in 2017 (which provides social responsibility monitoring integrated into Playtech's platform as well as staff training) suggests that this could grow.

B2B contracting risks

In some respects whether a licensee outsources or has capabilities in-house, or whether a specific B2B licence exists is a question of the nature of control rather than whether a licensing environment has control: ultimate responsibility sits with the licence holder in all cases. Indeed, this point can be used to argue against B2B licences because there is a risk that responsibility is split.

While it is beyond the scope of this paper to discuss the merits of specific B2B licensing, it is worth consideringthe general risk to the outsourced business model, regardless of the nature of infrastructure or services being outsourced.

The key issue is whether regulatory compliance is captured operationally. For example, it might be perfectly clear from a licensing perspective that the ultimate responsibility sits with the licensee. That licensee may choose to outsource content to third parties. Those third parties may not be fully aware of all of the licensing obligations which fall on them and are principally focused on providing the commercial requirements that the operator has. If the operator does not ensure all the specific relevant compliance requirements are covered in the B2B relationship, then this opens up risk. From a 'blame' perspective, this is irrelevant: it is the licensee's fault. However, from the perspective of increasing the likelihood of compliance failings, outsourcing is clearly an issue.

There is no hard and fast way to resolve this. However, the greater the level of dialogue between regulator and licensees on this point, the greater the likelihood that the licensees will ensure that service providers are effectively scrutinised.

Another issue is where an operator has effective scrutiny and appropriate contracts, but the outsourced provider nevertheless causes a compliance breech. Again, in an environment where the licensee is ultimately responsible, this may or may not be seen as a mitigating factor by the authorities from the perspective of how to deal with the licensee. A more material question is whether the relevant authorities have any ability do deal with the service provider if it is not licensed. This question would be particularly important if the service provider was important so several licensees and was also a 'repeat offender'. There is an extent to which this should police itself (licensed operators would not want to carry the risk of compliance breeches within their supply chain once discovered), but this could be seen as both a 'post facto' solution and a difficult one to enforce.

Some jurisdictions require some key contracts to be made available to the regulator (most importantly in this context Denmark white labels). Some jurisdictions also require some B2B providers to be registered even if not licensed (e.g. platforms in Italy). These are examples of how jurisdictions try to overcome the limits of authority over B2B providers. Where direct licensing is not in place, increasing visibility is normally a good thing from a compliance perspective (especially in allowing regulators to 'join the dots'). In order for the visibility not to become onerous on the licensee or swamp the regulator with low value, low risk data, a key trigger could be whether the B2B provider has access to personal player data.

II: review of key service providers

We identify twenty one key service providers which we believe captures over 95% of the outsourced B2B value chain in Europe (excluding content-only providers). These providers range from businesses with over €500m of annual B2B gambling revenues to four with less than €10m: scale and capabilities therefore vary as much as operators. All but one of these providers has a platform and so can provide key infrastructure services; 12 can provide turnkey services to white labels.

While the betting and gaming B2B value chain can be reasonably easily broken out into its constituent parts, as described in part one, the B2B supply chain of companies is somewhat more complex as most provide multiple services. The chart summarises the scale and service provision of the key B2B operators, which are then explained in more detail below.

B2B Group	Digital B2B revenue (€m)	Landbased services into NL	Betting	Gaming	Platform	Gaming content	Gaming content management	Sports Content	Payments and Fraud	Customer Suport	Marketing and affiliate management	Turnkey Services
Playtech	550											
SportRadar	500											
Scientific Games	250											
NetEnt	200											
Kambi	90											
SBTech	90											
Genius Sports	80											
Soft Construct	80											
EveryMatrix	80											
Aspire Global	80											
SkillOnNet	60											
GiG	50											
Gauselmann	40											
IGT	30											
888 Holdings	25											
Novomatic	10											
ProgressPlay	8											
White Hat Gaming	8											
FSB Technology	5											
TGP Europe	5											

Source: Regulus Partners (red = RP estimate)

The above table and following commentary have been assembled from publicly available data from service provider websites and financial accounts; digital B2B revenue in red is a Regulus Partners estimate based upon the scale of the provider relative to peers that have publicly available source data (in black).

We have focussed on B2B providers that also provide a platform or 'bet engine' (Kambi) to enable operations, there is also a large number of content-only providers (e.g. Microgaming) which need operators with their own platform or third party platform providers to enter the value chain. There is also a 'long tail' of providers, though we believe that we have captured over 95% of the platform-led and/or critical services value chain (Europe, ex in-house) in the providers captured.

Playtech (€550m online B2B revenue)

Playtech is one of the largest and most diversified gambling businesses globally (B2B revenue €550m). It offers all of the components discussed either separately or as a turnkey solution (see next section). Although its strongest product range is online casino it also offers betting, poker and bingo. It provides some form of software or service to substantially all online operators. Playtech signed a deal with Holland Casino anticipating the Netherlands market opening.

Playtech is currently licensed:

- **B2B – Point of Consumption (B2B)**: UK, Romania, New Jersey application pending
- **B2C – Point of Consumption (B2C)**: Italy, UK, Spain, Austria
- **Point of Supply hub licences (POS)**: Isle of Man, Philippines, Malta, Gibraltar, Alderney

SportRadar (c. €500m online B2B revenue)
SportRadar provides both official (with sport contracts) and unofficial (without sport contracts) betting data as well as odds, managed trading services for some clients and virtual sports. It recently acquired a platform, allowing it to become a more full service operator. SportRadar provides at least data to nearly every betting operator globally while its managed services with platform means that it can be the sole betting provider to some clients, effectively on a turnkey basis.

SportRadar is currently licensed:
- **B2B**: UK and Belgium (virtuals)
- **B2C**: none currently
- **POS**: none currently

Scientific Games (€250m online B2B revenue)
Scientific Games is one of the largest gambling B2B providers globally, though most of its business is in landbased (mostly machines) and lottery (mostly scratch cards). Since it acquired NYX, it has become an important platform and content provider across betting and gaming. After the US sports betting market opened up State-by-State in 2018 SG has been investing more in content and services, meaning it can offer turnkey services, though this is currently primarily a US focus. Scientific Games already provides online betting, platform and instant games to the Nederlandse Loterij as well as landbased content to Holland Casino. Online its content is ubiquitous.

Scientific Games (digital) is currently licensed:
- **B2B**: most US states with online, UK, Romania, Belgium
- **B2C**: none currently
- **POS**: Malta, Gibraltar

NetEnt (€200m online B2B revenue)
NetEnt is primarily an online gaming content provider and its product is ubiquitous across European operators. NetEnt also offers hosting, player management and marketing tools, therefore making it a core service provider for some operators.

NetEnt is currently licensed:
- **B2B**: NJ and PA in US, Belgium, Spain, Romania, UK
- **B2C**: none
- **POS**: Malta, Alderney, Gibraltar

Kambi (€90m online B2B revenue)
Kambi was originally the in-house sportsbook of Kindred, which is still Kambi's major client. Kambi provides 'turnkey' sports betting services to those operators which do not have a betting capability of their own. Kambi provides a fully managed solution but requires a platform to integrate into, meaning that Kambi cannot launch a client from scratch and so provide white labels. As well as Kindred, key European clients are 888, Cherry and LeoVegas.

Kambi is currently licensed:
- **B2B**: UK, Romania, Spain, also US presence
- **B2C**: none
- **POS**: Malta, Alderney

SBTech (€90m online B2B revenue)
SBTech is primarily a sportsbook provider but it also supplies games management, payments and customer-support, meaning that it can be a fully managed solution excluding marketing. Key European clients are 10bet, Netbet, Bet.pt, Cherry, Veikkaus, Betway (for some elements of sportsbook).

SBTech is currently licensed:

- **B2B**: UK, Romania, also US presence
- **B2C**: none
- **POS**: Malta

Genius Sports (€80m online B2B revenue)
Genius Sports is primarily a sports data and odds provider, focussed on 'official' data (partnerships with sports), but it also has betting trading and a platform capability (built for OPAP, the Greek monopoly) and marketing services. These elements are not currently combined to provide turnkey services, but Genius is a key supplier of sports content (e.g. the licensed provider of English soccer). Genius has a broad range of tier one and two betting clients.

Genius Sports is currently licensed:

- **B2B**: none
- **B2C**: none
- **POS**: none

Soft Construct (c. €80m online B2B revenue)
Soft Construct operates Betconstruct, which is a full service gambling solutions provider as well as a betting data and odds business. The group's main operating base is Armenia. Soft Construct can and does provide white label functions. Key European clients include Vbet, STS (PL), Betsson, Circus (BE), Olybet (EE), Topsport (LT)

Soft Construct is currently licensed:

- **B2B**: UK (virtual, live casino), Romania, Western Cape ZA,
- **B2C**: UK,
- **POS**: Malta, Alderney

EveryMatrix (€80m online B2B revenue)
EveryMatrix is a full service gambling solutions provider which also provides betting odds feeds. It has a broad client base for specific solutions and can also provide white label. Its UK white label business was suspended by the Gambling Commission in 2019 (see Section V for details), after which it also stopped its Danish white label businesses and moved to being a B2B supplier only (i.e. where its customers have licences in domestically regulated markets).

EveryMatrix is currently licensed:

- **B2B**: UK, Romania, Spain
- **B2C**: none (see description)
- **POS**: Malta, Alderney

Aspire Global (€80m online B2B revenue)
Aspire Global is both a B2C operator and a B2B white label solutions provider, supplying all the components necessary for 'turnkey' services for both betting and casino (platform, content, payments, marketing, customer support). Aspire supports over 60 gambling brands across Europe.

Aspire Global is currently licensed:

- **B2B**: UK, Belgium
- **B2C**: UK, Denmark, Portugal, Ireland, Sweden
- **POS**: Malta

SkillOnNet (€60m online B2B revenue)
SkillOnNet is both a B2C operator and a B2B white label solutions provider, supplying all the components necessary for 'turnkey' services for casino gaming (platform, content, payments, marketing, customer support). Aspire supports over 30 gambling brands across Europe.

SkillOnNet is currently licensed:

- **B2B**: none
- **B2C**: UK, Denmark, Schleswig Holstein, Sweden
- **POS**: Malta

GiG (€50m online B2B revenue)
GiG was a B2C and B2B business until it sold its B2C business to Betsson earlier this year. It is now focussed on B2B operations, which includes platform, content, sportsbook, payments and customer support. GiG is therefore able to offer turnkey or white label services. (including frontend development). However, in a reflection of the changes made to the platform model and the squeezed margins that it has caused, GiG now offers a fixed fee platform, and is phasing out white label revenue share. GiG's main client is now Betsson, it also supports SKYCITY (NZ), which is expanding online in Europe.

GiG is currently licensed:

- **B2B**: UK
- **B2C**: none
- **POS**: Malta

Gauselmann (€40m online B2B revenue)
From a digital perspective Gauselmann is primarily a content provider (slots), but it has recently bought Bede, giving it platform capabilities also, which might become significant. Gauselmann is also a B2C operator and while its digital footprint is small it is strong in arcades (B2B and B2C). Gauselmann operates arcades in the Netherlands under the Merkur brand and so is likely to become a remote operator. Most Tier one and two operators have Gauselmann digital content, while the Bede platform supports parts of Rank Group and LeoVegas in Europe.

Gauselmann (digital) is currently licensed:

- **B2B**: UK, Spain
- **B2C**: UK
- **POS**: Malta, Alderney, Gibraltar

IGT (c. €30m online B2B revenue)
IGT is a major global content provider which combines a US-based gaming machine business, a US-based lottery business and a major Italian operator (Lottomatica), though its online presence is relatively small and largely US-focussed (post PASPA). It provides mostly gaming content but it also has a platform and sportsbetting capability. Most tier one and two clients take IGT gaming content but its penetration as a key provider in Europe is very limited (outside internally in Italy).

IGT (digital) is currently licensed:

- **B2B**: across US, UK, Romania, Spain, Belgium
- **B2C**: none
- **POS**: Malta, Alderney, Gibraltar

888 Holdings (c. €25m online B2B revenue)
888 is largely a B2C operator; its B2B operations are focussed on bingo-led (i.e. including a large slots element) B2B and white label under the Dragonfish operating brand. This market has come under pressure from the drivers discussed in Section I and also specific UK issues around taxing the player bonuses that were often used as the key means of customer acquisition in a relatively undifferentiated offer. This organic shrinkage has been further increased by 888 buying back some of its B2B customers to run them in-house. 888's white label approach (with over 100 brands) has also caused regulatory issues (see Sections III and IV).

888(Dragonfish B2B) is currently licensed:

- **B2B**: NV, NJ and DE in US, UK, Romania, Spain
- **B2C**: UK
- **POS**: Malta, Gibraltar

Novomatic (c. €10m online B2B revenue)
Novomatic is a leading European omnichannel B2B and B2C operator; it operates casinos, slots and betting across Europe. The small online B2B element sits behind a €5.0bn revenue business (fully consolidated), c. €110m of which is online B2C operations. Through its subsidiary Greentube, Novomatic is able to offer white label solutions, Novomatic's digital content (mostly slots) is also available across many tier one and two online gambling businesses as well as its own brands. In terms of current domestic exposure, Novomatic is a major slots operator in the Netherlands with 22 arcades and c. 5,500 machines (c. 50% single site) deployed through both B2C (€80m revenue) and B2B (€13m revenue) operations; the group also has domestic content studios and production (Eurocoin Gaming – including Interactive, Elam Group). Given the scale of the commercial B2C footprint in the Netherlands (8x the size of its B2B footprint in NL), it would be logical for Novomatic to focus on its B2C operations in a domestically licensed online environment across its domestic brands (Admiral, Funtastic, Five Stars, SuperGame) rather than providing white label solutions, in our view; Novomatic content is still likely to be available to key clients on a B2B basis.

Novomatic (digital) is currently licensed:

- **B2B**: UK, Romania, Belgium
- **B2C**: UK, Spain, Romania, Schleswig-Holstein
- **POS**: Malta, Alderney, Gibraltar

ProgressPlay (€8m online B2B revenue)
ProgressPlay is a B2B casino and betting provider that specialises in turnkey or white label solutions. The group offers all required elements including allowing third party brands to use its licence, meaning that in many jurisdictions the business model would be treated as an operator (as with most white labels – see Section III). Progressplay powers over 50 brands.

ProgressPlay is currently licensed:

- **B2B**: none
- **B2C**: UK, Ireland
- **POS**: Malta

White Hat Gaming (€8m online B2B revenue)
White Hat Gaming is a B2B casino and betting (through Kambi) provider that specialises in turnkey or white label solutions as well as platform solutions for existing operators. The group offers all required elements including being the licensee (as above), meaning that in many jurisdictions the business model would be treated as an operator (see Section III). White Hat Gaming powers over 30 brands.

White Hat Gaming is currently licensed:

- **B2B**: none
- **B2C**: UK, Sweden
- **POS**: Malta

FSB Technology (c. €5m online B2B revenue)
FBB Technology is a B2B betting and gaming management platform provider that provides turnkey or white label solutions as well as platform solutions for existing operations. The group offers all required elements including licensing, with UK white label solutions the subject of regulatory issues (see Section III and V below). As well as the international casino operator Genting and a range of smaller white label brands, the group also allows UK market access to brands which do not wish to go through full UK licensing (e.g. Dafabet, 138.com) by putting those brands onto its betting system – while a different user experience to the core offer of these Asia-facing bookmakers, the primary purpose is to be able to advertise the brand in internationally relevant English soccer rather than focussing on monetising the UK market directly (e.g. Dafabet sponsors Norwich City, Fulham and Celtic; 138.com has historically sponsored Watford and Newcastle United).

FSB Technology is currently licensed:

- **B2B**: UK
- **B2C**: UK
- **POS**: none

TGP Europe (c. €5m online B2B revenue)
TGP Europe offers white label solutions to betting-led brands that tend to be Asian, in a similar manner to FSB (e.g. 12bet, SportPesa, Fun88 – all of which have had high profile soccer sponsorships)

TGP Europe is currently licensed:

- **B2B**: UK
- **B2C**: UK
- **POS**: Isle of Man

III: white label

While there is no settled definition of white label solutions there are a number of clear types. We identify: non-gambling brands that wish to access gambling revenue without any inhouse operations; small marketing businesses without the desire for any infrastructure; businesses that want brand exposure to a jurisdiction without direct operational and/or regulatory exposure, and; formerly (or informally) connected business (e.g. a marketing business and infrastructure business). Each of these different motivations comes with different licensing risks.

A gambling white label can have several different meanings, but they broadly all coalesce around the concept of a gambling brand which has all of its operations and services provided by a single provider which is in fact the *de facto* operator even though the relationship might be considered B2B from a commercial standpoint (i.e. the B2C customer is the owner of the brand even though it contains few or no gambling operations). Cabot and Pindell define a white label in the following terms:

"A white label product or service is a product or service produced by one company (the producer) that other companies (the marketers) rebrand (or "skin") to make it appear as if they made it. Companies that provide white label services are Hosted Service Providers (called an xSP). These "turnkey" solutions are in essence a combination of Internet functions including gaming and non-gaming applications (Software as a Service), infrastructure, customer service, player hosts, web design and maintenance, regulatory oversight, security, monitoring, storage, and hosting email. Typically, the casino customer can brand the site through providing the art and audio for the site and are responsible for marketing the site. xSPs can provide different degrees of customization or permit the customer to assume responsibility for some aspects of the site. xSPs benefit from economies of scale and operate on a business to business model, delivering the same software and services to several casino customers, who may not have the economic incentive or expertise to operate their own Internet gaming service. Smaller casinos can also take advantage of the liquidity that a larger network can provide to its customers. When offering community based games, like poker, this assures the player has a variety of available games, limits, and, when offering house banked games, a wider array of games."[1]

This is a useful definition, but still leaves open questions such as how the entities are licensed (which can vary by jurisdiction, see Section IV) and which entity owns the customer (which can vary by contract and/or licensing requirement).

However, the key point from an operational and regulatory standpoint is that while there may be many different brands that are customer-facing, the key operations that the end-user customer is dealing with is controlled and operated by the B2B business rather than the B2C business. This creates a different set of operational and regulatory risks to the standard operating model which are explored in this section. It also potentially creates more than one licensing option (with the brands and/or the white label becoming licensed); in most jurisdictions the provider gets a B2C licence.

First, we identify four broad types of white label business:

- **Brand-led**: businesses which do not wish to be gambling operators but want to exploit their brand in the gambling sector (e.g. media companies, sports companies etc)
- **Marketing-led:** (small) businesses that do not have the wherewithal or risk appetite to enter into complex multi-contract arrangements and/or to become fully licensed operators
- **Exposure**: Businesses that want brand leverage in a jurisdiction but do not want to be licensed
- **Affiliated**: businesses formerly/informally attached by ownership to a supplier, separated to assist with diversification, B2B independence and/or risk management

Each of these types has a very different operating model and risk profile and so should be considered separately.

[1] https://gamingpress.unlv.edu/regulating_internet_gaming.html

Brand-led white labels
Gambling is a specialist service with a unique set of risks and operating requirements most clearly expressed by the fact that it is specifically regulated in practically every jurisdiction globally. The fact of this, combined with the increased scrutiny and operating intrusion that being a gambling operator tends to bring puts many mainstream consumer businesses off becoming licensed gambling operators. Indeed, globally the overlap of ownership between general consumer entertainment businesses and licensed gambling businesses is very low (Sega is one of the few exceptions but in Japan pachinko is not seen or regulated entirely as gambling; Sky was another example before spinning of Sky Betting and Gaming in part because it became too big within the context of a media-focused group). However, a number of brands / consumer operations lend themselves to gambling in terms of customer reach and a number of businesses wish to exploit this as a revenue opportunity. A white label, where a business is licensed and manages all the gambling operations (either as a Joint Venture or just with a commercial arrangement effectively paying for use of the consumer brand), solves this problem.

Examples of consumer companies that have adopted this approach include:

- Virgin in UK (with Gamesys – not listed as a B2B provider as it is the B2C licensee of brands)
- Sun Bingo in UK (with Playtech)
- Fox Bet in US (with The Stars Group, now part of Flutter)
- Marca in Spain (with Playtech as a turnkey provider with Marca holding the licence)

In the Netherlands is it possible that domestic media and/or consumer-facing technology companies might consider a similar model to take advantage of the opportunities of domestic regulation.

We consider this the lowest risk form of white label for three reasons:

- While the underlying operator may not be all that visible to the consumer it would be clear from a licensing perspective and so regulatory transparency is high
- The media partner is likely to be a business of scale with plenty to lose from poor execution or malpractice, creating a brand management need to ensure high standards of compliance
- The focus is on one brand (or tightly managed portfolio of brands), meaning the business is relatively easy to keep track of and does not proliferate customer access points (unlike some models – see below)

However, the participation of mass market (or even specialist) brands opens up gambling to a broader audience and this does raise some issues that are worth considering from a regulatory standpoint:

- In order to avoid confusion, especially in terms of complaints, Terms &Conditions should make it clear the name of the entity that is licenced and/or that the customer is transacting with
- Given that the brand-led operator is the key local stakeholder but the white label provider is the key gambling stakeholder, regulators should have clear access to both and clear visibility that compliance and best practice is being effectively delivered (rather than falling between the cracks of the two organisations)
- Any sensitivities caused by the brand being directly associated with gambling (e.g. pornography, appeal to minors) have a means to be considered from a regulatory perspective

Marketing-led white labels

While a large proportion of customers might only have one account (c. 50% in the UK), the most active users often have more than 5 or even 10 accounts (c. 10% of users in the UK). Moreover, these customers typically seek bonuses and offers and are not particularly loyal or brand-sensitive. Therefore there is a logic to having a large number of brands as part of a customer acquisition funnel, especially if data gained from customer engagement with one brand could be used to tailor promotions to another (now made harder by GDPR given that customer is needed). While some operators simply created multiple 'skins' of a product wholly owned by themselves, others took a White Label approach which allowed small marketing and affiliate teams to proliferate websites on behalf of the service provider (or operated both of these models simultaneously). Using the White Label model, the service provider might commercially consider itself a B2B business (all of the corporate websites below are presented as B2B), but since it undertakes the customer transactions it is in most jurisdictions treated as the operator (B2C), with the website owners considered as marketing companies (and not therefore licensed).

Examples of marketing-led white label businesses are:

- Aspire Global, with c. 60 brands, almost all of which are White Label
- SkillOnNet, with c. 35 brands, 6 of which are White Label
- 888's Dragonfish, with c. 130 brands, c. 70 of which are White Label
- ProgressPlay, with c. 130 white label brands
- Jumpman Gaming, with c. 180 brands, c. 150 of which are White Label
- Nektan, with c. 130 brands, c. 100 of which are White Label

In the UK alone there are 1,200 active registered brands, fully 50% of which are White Labels caused in large part by the proliferation driven by this model. However, there are increasing pressures on this model which is causing significant retrenchment, these include:

- Regulatory requirements driving greater levels of control and coordination than the White Label model lends itself to (Section V for examples)
- Limits on bonuses or taxing bonuses (GGR vs. NGR), which significantly impairs the ability of operators to use bonuses to attract customers (and/or move them between brands) and so increases the value of 'real' brands
- Growing mass market participation, which tends to shift towards recognised brands vs. multiple accounts

Consequently a number of white label businesses have converted into being wholly-owned (e.g. GVC's bingo business, 888 acquiring white labels) while others have closed down in regulated markets to focus on Point of Supply (not domestically regulated) markets only (e.g. Global Gaming's Viral Interactive).

We see three key regulatory risks with the marketing-led white label model:

- A proliferation of brands that seem separate can confuse customers into believing they are gambling with different operators (e.g. after a bad experience) meaning T&Cs need to be clear
- Managing lots of small marketing companies can be challenging and open up compliance gaps
- If the culture of the business is B2B it may not fully recognise its responsibilities as an operator even if it is clear that the entity must apply for an operator licence (as proposed in NL)

Exposure-led white labels

Online gambling has always been a cross-border business in terms of both customers and supply chain, driven by the nature of the internet and a large measure of regulatory avoidance (offering online gambling into jurisdictions where the channel is not formally licensed and/or measures to prevent offshore unlicensed gambling are absent, unclear or not enforced). The offshore nature of the online gambling industry has created key hubs such as Malta, Gibraltar, Alderney, Isle of Man and the Philippines and managing this from a regulatory perspective is now well understood if not always entirely effective.

However, there is another element to the globalised nature of the supply chain that is often overlooked from a regulatory perspective: sports. In part this is an integrity issue: organisers of match fixing and fraudulent gambling are rarely in the jurisdiction of the sport or the licensing jurisdiction of the gambling entity (creating a complex legal framework); again, this is increasingly well understood if difficult to solve. Another issue is the global nature of the appeal of some sports, with the English Premier League being the most high profile example of a global interest in a 'domestic' product. Because of this global interest, a large number of non-domestic brands are keen to use the reach of sport in countries other than where the sport takes place. However, in an increasing number of domestically regulated jurisdictions there is a requirement to be licensed in order to advertise domestically in the country.

The most obvious solution to this is for the operator to become licensed. This is not always an attractive proposition since it would involve at least a degree of operational scrutiny into the overall group which may not be welcome for various reasons, it may also require levels of technical adjustment and corporate investment that would be uneconomic relative to the amount of revenue that could be expected from revenue from the jurisdiction. The solution to these problems is to white label the brand so that the brand is licensed in the jurisdiction where the sport (or other event such as esports) takes place. The brand can then be prominently displayed and even though domestic consumers will access a product which is not the core product (but that of the white label provider), all other traffic will find the '.com' site operated by the brand owner.

The UK is the main source of this form of White Label due to Asian (and briefly African) interest in the English Premier League, the key examples are:

- FSB, with 7 brands, 6 of which are White Label
- TGP Europe, with 12 brands, 11 of which are White Label

Risk in the Netherlands is not as great as the UK as domestic sports leagues have less of an international reach, though the potential nevertheless exists (e.g. Eredivisie, cycling, esports).

We identify three key risks from this model from a regulatory perspective which are also exampled in Section V:

- The ultimate beneficiary of the brand exposure is not licensed, meaning 'strategic' regulatory oversite is weak (albeit domestic customers should be blocked from accessing these sites)
- The white label provider is primarily there to facilitate marketing, meaning that its focus on operational/regulatory systems and controls might not be adequate
- Public / political exposure to brands clearly not designed for domestic consumption could add to a feeling of 'too much advertising' and insufficient controls

Using the white label model like the affiliate model

In the early days of online gambling, vertical integration was a much more common business structure than it is today; i.e. the operator would own its own technology platform and often produce most of its own content. In some cases this structure has continues, for example 888 Holdings, Party Gaming (within GVC) or Stars Group. Some challenger companies have also used vertical integration as a means of ensuring differentiation (e.g. LeoVegas). However, most companies have adopted greater levels of outsourcing to improve efficiency and/or add new products.

The other side of this process is that some vertically integrated businesses were either historically only informally constructed as such (e.g through common ownership) or formally separated (e.g. Gamesys selling Jackpotjoy to Intertain). This creates operators that are (or were) very close to B2B companies (e.g. shared ownership, pooled operations), although more mature businesses are now clearly independent operators in their own right (e.g. Universal Entertainment – Playtech; Bayton, Apollo, Digimedia, Betway, Broadway – Microgaming).

Many of these businesses are not therefore white labels in the strictest sense (although Jackpotjoy was – it was never independently licensed, but has now re-merged with Gamesys to recreate one entity). However, the close relationship with B2B providers does make them different to completely independent operators, especially if those B2B providers are also present in the market providing independent operators with critical services. Consequently some of these white labels (i.e. the brands that are run by the white label provider with separate entities even where there is common ownership, not the white label provider) bear many similarities to the 'affiliate' business model and the line between the two can be blurred, as discussed above.

These differences are not necessarily negative from a regulatory standpoint but the potential for issues, but we would flag two hypothetical abuses that should be given regulatory consideration in terms of the regulator understanding whether UBOs also have an interest in the supply-chain and ensuring that this is declared, also ensuring if possible that key B2B providers do not also provide services to the black market (more complex in an environment where B2B is not directly regulated, but monitoring and intelligence will go a long way, especially since it is in the interests of independent operators to help police any issues)

- A B2B provider might pass on customer information gained from independent operators to its affiliated operator to achieve a competitive advantage for its (potentially informally) related company (this would clearly be illegal beyond the specifics of gambling regulation but would arise from an abuse of a licensed position)
- One affiliated operator might become licensed in a jurisdiction with strict regulations specifically to gain customer data to monetise in the black market by passing on data to an unlicensed affiliated operator via a common B2B connection (again, there is clearly criminal behaviour already covered in black market operations, but this would also be facilitated by abusing a licensed position)

IV: non-state lottery

Non-state lotteries often comprise a form of white label gambling, where a supplier provides the infrastructure and often pools players/prizes of a number of charities. Since the charities (or other good causes) have neither the wherewithal nor the appetite to be gambling operators, this has created a business opportunity made more significant by online distribution. This creates risks in terms of the potential exploitation of charitable giving and adequate harm prevention regulation.

A number of jurisdictions allow non-state (typically charity) lotteries to offer online products (e.g. NL, UK, SE, DK). From an operational standpoint, charities are similar to consumer companies discussed above: their primary business is not gambling, they typically have strong brand values to protect and the 'commercialisation' (or revenue raising) element of gambling is deliberately marginal. Nevertheless, for a number of charities and good causes, the gambling-related income provided by charity lotteries is an important income stream. Because charities are not gambling companies and many would not want to be (or could not be) licensed as such, there is a B2B market which often effectively follows the white label model: a turnkey provider uses the charity brand to market lottery products and pays a fee (often a regulated proportion of stakes) to the charity. This works for the charity as it encourages income beyond donations, but it also allows a type of gambling business to use charities as a conduit to customers.

Historically, charitable lotteries were seen as likely to be small physical activities akin to tombola or raffles held at charitable events and much legislation (especially if predating c. 2010) is crafted with this model in mind. However, the ability to link charities with online systems, access customers digitally and advertise across TV and other media has meant that charity lotteries – or more specifically their white label service providers – can become big businesses (e.g. Peoples Postcode Lottery Group operates in 5 countries including its home market of Netherlands, generates €950m in net revenue, €750m to good causes across c. 1,000 charities, and €200m in lottery management income).

Where properly regulated, this business relationship creates a 'win-win-win': the charity gets more revenue, customers are incentivised to support good causes, and a responsible service provider can support both charities and its own operations management. However, there are a number of broad regulatory issues worth flagging, which address the extent to which lotteries can be considered different to gambling and where a regulator might want to treat them the same as other gambling:

- If returns to charities are not effectively regulated, then this can cause the perception (or reality) that charity brands (who may be willing to take any level of payment an which may not be particularly commercially aware, especially if small or new) are being exploited for commercial gain by the white label provider (especially sensitive given gambling)
- If the product offered is not effectively regulated (especially scratch cards and instants) then customers believing they are engaging in something safe and with a positive ethical element could in fact be exposed to harder forms of gambling with attendant gambling-related harms (as well as significant risk in terms of reputation for the charity and/or regulatory oversight); this might also create 'unfair' competition with state lotteries and/or commercial gambling
- Even where product is regulated, the potential for harm exists to some extent in nearly all products, meaning that white label providers (or charities with internal capability) have a responsibility to vulnerable customers that might not be covered by old or specialist legislation (especially if it did not envisage a mass-advertised online product). NB, given that scratch cards and instants cannot currently be offered outside the state lottery in NL, the risks in points two and three are small domestically, in our view

V: evidence from other markets

We examine five jurisdictions (Sweden, Denmark, UK, Spain, Italy), providing an overview of their approach to B2B, whether and how the white label market has developed, reported regulatory issues and specific market considerations. While each market is different, the examples suggest that B2C licensing can adequately cover white label providers (and does in most markets), though white label providers do seem to represent a higher risk group of operators than 'standard' B2C models.

We consider four domestically regulated markets from a B2B licensing and white label perspective to provide examples and evidence:

- Sweden
- Denmark
- UK
- Spain
- Italy

Significantly, only the UK explicitly licences B2B operations, meaning the proposed Netherlands approach is closer to the other four examples. However, even in the UK, white label providers are licenced as B2C operators since this most closely resembles their function, especially where multiple small and/or international brands are using the B2C license of the white label provider to avoid the direct cost and/or scrutiny of a domestic licence.

From a regulatory perspective, issues have been most clear in the UK. These can be summarised as:

- Self-exclusion breaches due to the multiplicity of brands (ie, one B2C licence means self exclusion applies to all brands under that licence, even if they are white labels with different ownership)
- Compliance issues around inappropriate marketing and customer interaction
- The Gambling Commission has also had to issue a general 'guidance note' reminding White Label providers that responsibility sits with them

While sanctions have been less prevalent in other markets it is worth noting that:

- While the overall rate of sanction in Sweden for various reasons is 32%, three out of four white label providers have been sanctioned (75%, albeit a small sample)
- Viral Interactive (FinnPlay) closed down its white label supply in the UK and Sweden citing "an ever-tightening regulatory framework"[2]

It is logical, therefore to draw the following two conclusions from the international comparisons detailed below:

1. White Label providers can be adequately regulated by treating them as B2C operators
2. White label providers would seem to represent a higher risk group of operators than 'standard' B2C (see Section III for underlying reasons and below for examples)

[2] https://finnplay.com/viral-interactive-exits-white-label-business-in-regulated-markets.html

Sweden

Sweden domestically regulated commercial online gambling in 2018, with the licensing regime being in force since 2019. Currently there are 66 active online licensees in Sweden controlled by 48 group companies. Of these licensees three are Swedish (including the two monopolies, Svenska Spel and ATG) while 58 (88%) are domiciled in Malta. There are 196 active URLs registered, meaning the average number of brands per group entity is four. However, this is a misleading average: 44 licensees (68%) trade with only one brand while four have more than 10 and two have more than 20 brands.[3]

B2B licensing regime

Sweden does not licence B2B suppliers, although games must be certified by an authorised testing house[4] and systems must meet technical standards specifications[5].

White Label market

Since Sweden's gambling law requires a licence for organising betting and gaming but does not clarify specifically how this should be defined it could be argued that either the white label brand or the white label provider could be licensed. The law covers this on a section on outsourcing, where outsourcing is explicitly allowed but responsibilities, inspection and audit must be clear and the player-related operations must still sit with the licensee.[6] The latter point effectively means that if a white label partner is handling player data and player transactions then it must be the licence holder. Since in most circumstances this is how a white label agreement is designed, B2B white label providers are all licensed as operators in Sweden and there are no cases so far of a brand being licensed which does not have operational capability (i.e. the white label brand holders are not licensed). Examples of these providers licensed as operators in Sweden are:

- Aspire Global: 13 brands, including brands owned by the operator - marketing-led
- Bethard Group: 14 brands, including brands owned by the operator - marketing-led
- SkillOnNet: 22 brands, including brands owned by the operator - marketing-led
- White Hat Gaming: 33 brands, including brands owned by the operator - marketing-led

Reported regulatory issues

So far there have been no regulatory abuses reported that relate to B2B or white label issues, though one white label operator has exited the market due to commercial pressures (Viral Interactive) and this has shared group ownership with a licensee which lost its licence due to compliance failings (SafeEnt). Of the 66 licensees in Sweden (including the above two), 22 have been sanctioned (32%); for the four White Label operators, the figure is 75%, suggesting weaker compliance on a small sample (albeit it would be dangerous to draw too many conclusions from this as each case is different).

Specific market considerations

Sweden limits bonuses to one customer sign-on bonus per licensee. This has encouraged some groups (Cherry, Betsson) to have multiple group licences (6 for Cherry, 6 for Betsson, including 2 acquired from GiG). Some groups have multiple licences due to group structure and/or M&A.

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[3] https://www.spelinspektionen.se/licensansokan/bolag-med-spellicens/#online
[4] https://www.spelinspektionen.se/en/press-contact/notes-archive/briefing-6-november-about-technical-requirements-for-certification-of-gaming-operations/
[5] https://www.spelinspektionen.se/globalassets/dokument/lagar--villkor/foreskrifter/nya-foreskrifter-2018-2019/lifs-2018-8-foreskrifter-och-allmanna-rad-om-tekniska-krav-samt-ackreditering-av-organ-for-den-som-ska-kontrollera-prova-och-certifiera-spelverksamhet.pdf
[6] https://www.riksdagen.se/sv/dokument-lagar/dokument/svensk-forfattningssamling/spellag-20181138_sfs-2018-1138

Denmark

Denmark domestically regulated commercial online gambling in 2011, with the licensing regime being in force since 2012. Currently there are 33 active online licensees in Denmark controlled by 31 group companies. Of these licensees nine are Danish (including monopoly, Danske Spil) while 23 (70%) are domiciled in Malta. There are 94 active URLs registered, meaning the average number of brands per group entity is three. However, this is a misleading average: 20 licensees (61%) trade with only one brand while two have more than 10 and one has more than 20 brands.[7]

B2B licensing regime

Denmark does not licence B2B suppliers, although games must be certified,[8] only gaming machines with cash prizes are required to be approved by a test house.[9]

White Label market

Denmark's gambling law requires a licence for organising betting and gaming but does not clarify specifically how this should be defined it could be argued that either the white label brand or the white label provider could be licensed. The Act requires regulatory visibility on contracts between white label provider licensees and their white labels, effectively providing additional scrutiny on the relationship between the licensed operator (acting as a B2B, with a B2C licence) and the unlicensed brand owners.[10] Similarly to Sweden, therefore, because most white label agreements are designed for the small marketing companies to avoid licensing in favour of the provider, it is the provider which is licensed. Again similarly to Sweden, there are no instances in Denmark of a small marketing company (or any other white label) being licensed instead of or as well as the provider. Examples of these providers licensed as operators in Denmark are:

- Aspire Global: 16 brands, including inhouse - marketing-led
- SkillOnNet: 32 brands, including inhouse - marketing-led

Reported regulatory issues

So far there have been no regulatory abuses reported that relate to B2B or white label issues. It should be noted that Denmark runs a permissive regime where it has been stated that "sanctions and injunctions should continue to be the exception"[11]. However, EveryMatrix terminated Danish white label services after its licence suspension in the UK (see below).[12]

Specific market considerations

Because Denmark opened early there are a greater number of local businesses in the market than Sweden. Further, because it has been taxing bonuses for a long time, the multi-brand model had not become as established in markets with no tax (e.g. Sweden until 2019) or no tax on bonuses (e.g. UK until H2 2017). Due to the lack of any material regulatory distortions, there is only one group with multiple licenses and that is due to fairly recent M&A (William Hill's acquisition of Mr Green).

[7] https://www.spillemyndigheden.dk/en/licence-holders
[8] https://www.spillemyndigheden.dk/en/information/newsletter-43
[9] https://www.spillemyndigheden.dk/en/news/approval-test-houses
[10] https://www.spillemyndigheden.dk/uploads/2019-01/Act%20on%20Gambling.pdf
[11] https://www.spillemyndigheden.dk/uploads/2019-05/SPM%20%C3%85rsberetning%202018_GB.pdf
[12] https://sbcnews.co.uk/europe/2019/12/06/everymatrix-terminates-danish-white-label-services/

UK

The UK (specifically GB) domestically regulated commercial online gambling in 2014, with the licensing regime being in force since November 2014. Currently there are 190 active online licensees in GB controlled by 160 group companies. Of these licensees 78 are domestic (41%) while 62 (33%) are domiciled in Malta; Alderney and Gibraltar are the other two material jurisdictions. There are 1,190 active URLs registered, meaning the average number of brands per group entity is six. However, this is a misleading average: 105 licensees (55%) trade with only one brand while 18 have more than 10 and ten have more than 20 brands, four have over 100 each. GB also breaks down white label vs. own brands: of the 190 active licensees, 29 offer white label which average 20 brands each – including all four 100+ brands; the total number of white label brands is 600, or 50% of the total.[13]

B2B licensing regime

B2B software providers are specifically licensed in the UK. From a white label perspective, however, most providers do so through a B2C licence since they are effectively the B2C operator of a third-party brand. In this context, the onus of compliance and scrutiny is with the B2C licensed white label provider, with no formal specific scrutiny of the brands that are being licensed currently in place. However, the Gambling Commission is alive to the different business model and has issued guidance on how B2C licensees that offer third party brands should conduct themselves (see below).

White Label market

All the white label providers in the UK market are licensed as operators and none of the white label brands are licensed. Key providers are:

- Gamesys: c. 8 white label brands – brand-led (bingo and casino)
- 888: c. 70 white label brands – marketing-led (bingo-led)
- Aspire Global: c. 60 white label brands – marketing-led (casino)
- Jumpman Gaming: c. 150 white label brands – marketing-led (casino)
- Nektan: c. 100 white-label brands – marketing-led (casino)
- ProgressPlay: c. 120 white label brands – marketing-led (casino)
- TGP Europe: 11 white label brands – exposure-led (betting-led)
- FSB Technology: 6 white label brands – exposure-led (betting-led)

Reported regulatory issues

There have been three key regulatory sanctions involving white labels which highlight risk. The first was 888, which failed to ensure that self-exclusion worked across brands.[14] The second was FSB, which is being reviewed by the regulator after compliance issues with two of its white label customers (1xbet allegedly offering bets on children's sport and advertising on illegal websites; blackbet, allegedly in breach of licence conditions).[15] EveryMatrix has stopped white labels and surrendered its B2C licence after the regulator suspended its licence due to compliance failings around customer interaction.[16] The regulator has also need to 'remind' white label providers of their obligations.[17]

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[13] https://secure.gamblingcommission.gov.uk/PublicRegister

[14] https://www.gamblingcommission.gov.uk/news-action-and-statistics/News/gambling-firm-888-to-pay-over-78million-for-failing-vulnerable-customers

[15] https://www.gamblingcommission.gov.uk/news-action-and-statistics/news/2019/Review-into-FSB-Technology-UK-Limited.aspx

[16] https://www.gamblingcommission.gov.uk/news-action-and-statistics/news/2019/Suspension-of-operating-licence-EveryMatrix-Software-Limited.aspx

[17] https://www.gamblingcommission.gov.uk/for-gambling-businesses/Compliance/Sector-specific-compliance/Remote-and-software/White-label-gambling-websites.aspx

Specific market considerations (UK)

The UK market has had two elements which have increased the volumes of white labels relative to other markets. First, the lack of tax on bonuses (GGR) until August 2017 encouraged a bonus-led multi-brand approach. Second, access to UK sports (especially the global EPL) needs 'brands' to be licensed.

Spain

Spain domestically regulated commercial online gambling in 2011. Currently there are 49 active online licensees in Spain controlled by 47 group companies. Of these licensees 26 are Spanish (including the lottery, SELAE) or Spanish domiciled (7 Spanish licensee companies have non-Spanish group holding companies), while 13 (27%) are domiciled in Malta. There are 56 active URLs registered, meaning the average number of brands per group entity is 1.2. Multi-brand licensing is not a business model deployed in Spain, with two brands being the largest any licensee has – this is a commercial rather than regulatory choice.[18] Thirteen licences are not yet active. (NB, excludes licences for contests only)

B2B licensing regime

Spain does not specifically licence B2B providers though they must be registered and software must be tested, a requirement upon which operator licences are contingent.[19] Notwithstanding the lack of formal requirement a number of B2B providers have licences which are effectively operator licenses without B2C operations (e.g. IGT, Microgaming, Playtech, Kambi, NetEnt, Skywind); this is peculiar to Spain and likely reflects is early adoption of domestic licensing (when everybody wanted one as a mark of compliance and earnings quality) as well as assisting Spain's approach to operator licensing (i.e. suppliers went through the licensing process to make licensing easier for their operator customers given the need to demonstrate compliant B2B providers). Several of these B2B licensees is also capable of providing key operational elements of the supply chain (see Section I).

White Label market

There is no white label market in Spain in the context of the marketing-led multi-brand strategy or for exposure. There is a brand-led turnkey between the sports publication Marca and Playtech. Here the media company's brand is used and the licence is owned by Unidad Editorial, the parent of the Marca brand. Playtech therefore provides white label solutions within this structure with the media company holding the licence. Arguably therefore this is a turnkey relationship where Marca has the licence and owns the customer (i.e. the licence is with the brand that customers see, not the B2B provider, following a more normal operating model) .[20] As noted above, Playtech is licensed separately in Spain.

Reported regulatory issues

There have been no reported regulatory issues from a B2B perspective, likely in part due to the lack of white label markets and regulatory examination of the supply chain even without licensing.

Specific market considerations

Spain was an early adopter of domestic licensing and taxed at the GGR level (i.e. including bonuses) at 25% until June 2019 (when the tax rate was cut by 5ppts). This has encouraged a large number of operators to domicile local operations in Spain (before Malta became as established a hub) and has also discouraged the bonus-led multi-brand approach. Spain also requires only .es websites, with the '.com' suffix deemed illegal; this also militates against the white label model since most white label sites are not localised in any way in order to maximise economies of scale.

[18] https://www.ordenacionjuego.es/en/operadores/buscar
[19] https://www.ordenacionjuego.es/en/act-02-control-actividad-juego#homologacion
[20] https://www.marcaapuestas.es/aviso-legal

Italy

Italy has domestically regulated commercial online gambling from 2006, in a phased opening of products. Currently there are 66 active online licensees in Italy controlled by 58 group companies. Of these licensees 36 are domestic Italian businesses (including Snai and Lottomatica – both now part of global groups), six are Italian subsidiaries of international groups, while 20 (30%) are domiciled in Malta. There are 300 active URLs registered, meaning the average number of brands per group entity is 5.2. However, this is a misleading total since 26 licensees (39%) have only one brand, while 11 have over 5, 8 have over 10 and 3 have over 20. Ten groups have more than one licence, with M&A being the main reason for this.[21]

B2B licensing regime

Italy's B2B licensing regime for online is unique. Suppliers are not required to be licensed but must now be officially registered (a 'light' version of licensing).[22] However, there is a requirement for gambling platforms to be linked directly to the regulator to provide real-time data. Historically this was done through specific licensed 'concession holders', but even now it creates a material integration burden. Because of this there are a number of Italian B2B specialists that provide a full turnkey service in the manner discussed in Section I, such as Microgame, Pixelo and Active Games. These providers are behind the licensed operators that have chosen to have large numbers of 'skin' brands.

White Label market

There is a form of White Label market in Italy driven by the B2B regime described above. The B2B providers supply turnkey solutions that means a large number of Italian websites follow an identical layout, with identical product, customer support etc – only the colours and logos are different. However, these operators are themselves licensed. Because of the clearly high level of control the turnkey provider has, this may cause gaps in compliance as the operator is solely responsible but arguably not entirely in control (even the 'about us' section of the website is often indenti-kit). However, the regulator's visibility on platforms and transactions is likely to mitigate this risk.

Reported regulatory issues

There have been no reported regulatory issues from a B2B perspective, likely in part due to platforms being linked to the regulator. However, the Italian government has been more focussed on tax / black market compliance than other regulatory issues until recently (e.g. policing the advertising ban).

Specific market considerations

Italy was an early mover to domestic legislation in part because of the number of unauthorised 'domestic' betting companies using the 'punti remoti' business model (albeit with servers offshore – often Malta). This, combined with a large commercial gaming sector, has meant that there is a much bigger domestic remote licensee market (in terms of the number of licensees) than many other markets. The dominance of local and retail betting has also reduced the influence of offshore online-specialist companies compared to other markets. Controversially, 1xbet was also able to be the 'International presenting parter' (i.e. ex Italy) of Serie A despite not being licensed in Italy – this deal was subsequently cancelled due to the protests of domestic operators[23] (and would have been superseded by the advertising ban).

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[21] https://www.adm.gov.it/portale/monopoli/giochi/gioco_distanza/gioco_dist_concessionari?pager=1

[22] https://www.gazzettaufficiale.it/eli/id/2019/10/26/19G00134/sg

[23] https://calvinayre.com/2017/11/15/business/italy-serie-a-football-suspend-1xbet-sponsorship/

Appendix: glossary

Affiliate: a business which attracts relevant (gambling) traffic and has a commercial relationship with licensees to benefit from converting that traffic into customers – a form of marketing; some attiliates can be specialist in 'lead generation' (e.g. gambling site reviews) others simply have rich content (e.g. sports magazine)

AML: Anti Money Laundering (covered by EU directives)

B2B: Business to Business – typically not directly dealing with customer communications or customer data, but this is not always the case (explained throughout the document)

B2C: Business to Customer – the company which is dealing directly with the customer, typically also the licence holder but not in some 'white label' conditions (explained throughout the document)

Betting Engine: a relatively sophisticated component of gambling technology which processes bets

Brand: in gambling 'brand' does not always mean a name with strong consumer resonance, it may simply mean what a given site is called; there are therefore many 'brands' which very few people have heard of and which do not necessarily promote the values associated with strong brand management

Content: the product which allows people to gamble or enriches their experience; usually provided by multiple third parties (slots and casino games, betting odds, live streaming of sport, commentary etc)

GDPR: General Data Protection Regulation (covered by EU law)

KYC: Know Your Customer (covered by EU directives for AML requirements; sometimes further enhanced for the purposes of gambling regulation)

Live: in gaming a casino product which is streamed from a studio in real-time; in betting content or betting product which is provided in real time while a match is taking place

Managed Trading Services: a third party which provides not only betting odds but also risk management (handling customer liabilities though not necessarily directly customer money)

Platform: the piece of software that contains at least player and game data and allows all the other components to integrate and communicate with each other (NB, there is no settled definition)

Point of Consumption: a licensing regime based where the customer is (the operator may or may not be located here depending upon licensing requirements and/or corporate structure)

Point of Supply: a licensing regime based where the operator is located but not where the customer is

Offshore: a shorthand for Point of Supply regimes (NB, Point of Supply refers explicitly to licensing, some offshore entities are not licensed at all and as such are very often illegal)

Turnkey: a service provider which offers all the components to become a gambling operator in one solution (these are often licensed as B2C operators – explained throughout the document)

UBOs: Ultimate Beneficial Owner (typically of a licensee)

Virtuals: games of chance based upon sports which can give the appearance of betting

White label: a 'brand' (see above) which is the customer of a white label provider

White label provider: see turnkey, typically (but not always) also including licensing

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