



19 July, 2013

Dear Sir or Madam:

I. Introduction & Background on International Game Technology (IGT)

On behalf of International Game Technology (IGT), we welcome the introduction of the draft law to regulate the Dutch online gambling market. We thank you for the opportunity to participate in this consultation.

We respectfully present our comments and recommendations in accordance with the proposed amendments to the Dutch Betting and Gaming Act, the Dutch Betting and Gaming Tax Act and the accompanying explanatory notes (hereinafter collectively referred to as the 'draft law').

IGT is a global gaming company specializing in the design, development, manufacture, and marketing of casino games, gaming equipment and systems technology for land-based, interactive and social gaming markets.

In light of IGT's desire and commitment to pursuing the regulated online gambling market in the Netherlands, IGT applauds the introduction of this draft law. For the avoidance of doubt, IGT does not and has never served any real money remote gaming products into the Netherlands, either directly or via our customers.

IGT's support for authorizing online gambling can also be attributed to our investment in convergence and the ability to provide a multi-channel offering - land, online and mobile - to existing and new players. Offering scalable content, as well as connecting wallet management and loyalty programs will provide land-based operators the ability to provide a higher level of player experience and protection. At the same time, this will allow them to reach a wider audience and ultimately increase their revenue.

With global headquarter in Nevada, IGT is a publically traded company, listed on the New York Stock Exchange (NYSE: IGT).

With five offices throughout the European Union, including an office in the Netherlands, located in Hoofddorp, IGT employs a significant EU workforce. In the Netherlands specifically, IGT currently employs 75 people. Additional IGT EU offices are located within the United Kingdom, Gibraltar and Estonia.

Active in the online and mobile gaming business for over ten years, IGT continues to serve as a leading provider of Internet gaming technology to licensed online operators in legal and fully regulated markets across the globe.

IGT maintains active gaming licenses in more than 360 regulated jurisdictions globally, as well as online licenses in the UK, Belgium, Gibraltar and Alderney.

Currently, IGT supplies interactive products and services to tier one operators in the following regulated online markets: UK, Denmark, Belgium, Italy and regulated Canadian provinces.

In light of our commitment to furthering responsible gambling principles and the prevention of problem gambling, IGT endorses the core policies underlying the Dutch online gambling reform.

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Importantly, IGT supports the premise that legalizing and regulating the Dutch online market will enhance consumer protection measures and weaken the illegal online operators' presence. Furthermore, IGT applauds the Dutch Government's objective of channeling at least 75% of online gambling to regulated websites, following implementation of the draft law.

In summary, this submission will address the following:

- IGT's commitment to responsible gaming principles and problem gambling prevention;
- IGT's endorsement of the draft law's authorization of a full suite of online games;
- IGT's support for regulatory cooperation and praise for the draft law's recommendation that the Dutch Games of Chance Authority enter into cooperation agreements with regulators in other established online gaming jurisdictions including Gibraltar and Alderney;
- IGT's belief that regulatory cooperation is essential to fulfill the draft law's objectives including enhanced consumer protection and channeling players from illegal to regulated online gambling sites;
- IGT's belief that the applicable tax regime must take into account all of the costs of operating an online gaming site – this is vital to achieve the draft law's objectives.

Again, we welcome the introduction of the draft law and thank you for this opportunity and your consideration.

II. IGT Recognizes the Importance of Stringent Responsible Gambling Measures and the Prevention of Problem Gambling

IGT's Commitment

IGT recognizes that providing legally compliant gaming systems requires addressing the issues of problem gambling prevention and social responsibility.

As a leading manufacturer and supplier of gaming equipment for entertainment purposes, IGT believes that it is incumbent upon all stakeholders in the gaming industry to take a pro-active approach to problem gambling prevention and furthering responsible gambling principles.

IGT operates in accordance with a well established Corporate Social Responsibility Program (CSR), which serves as a cornerstone of its business philosophy. IGT's CSR program is focused on the needs of stakeholders, customers, employees, investors and business partners by demonstrating a positive impact on society.

Further information regarding IGT's CSR program can be obtained at IGT's dedicated page regarding Corporate Social Responsibility.¹

A critical component to CSR is IGT's commitment to Responsible Gaming principles, which is premised upon promoting responsible gaming by supporting education, research and treatment as well as promoting awareness and providing leadership in this critical area.

¹ Please see, <http://www.igt.com/company-information/about-igt/corporate-social-responsibility.aspx>



IGT is widely recognized as a world leader in responsible gaming and is the only gaming equipment manufacturer to dedicate a full time position to the implementation of its formal Responsible Gaming Policy and Program.

Recognizing the importance of working with the problem gambling community, IGT encourages employees to volunteer their time and support to help in the prevention and treatment of problem and underage gambling in their communities.

Funding for problem gambling awareness, research and treatment is also a key priority, and IGT is a major sponsor of numerous problem and responsible gaming conferences and events. IGT has also pledged over \$2M toward problem gambling research and provides financial support to numerous problem and responsible gaming organizations.

IGT believes that effective regulation of the online gambling market can aid in the prevention of problem gambling and further responsible gaming principles.

This is due in part to regulated sites' integrated technologies which are designed specifically to prevent problem gambling.

Regulated and licensed online gambling operators also contribute to funding for research, awareness, education and development of responsible gaming principles and prevention techniques. The regulation of the Dutch online market will increase funding for these critical causes.

IGT believes that regulating online gambling in the Netherlands will fulfill the objectives of the draft law, as regulation mitigates the rates of problem gambling related harms and associated societal costs.

Effective Player Verification

IGT endorses a player verification model in which full verification takes place during the initial deposit phase. Full player verification should not be mandatory during the initial registration process.

As acknowledged in the explanatory notes, IGT endorses the policy that players should be able to transact for a limited period of time while the verification process takes place. We agree that player verification should be completed before players are allowed to withdraw funds.

IGT's preferred player verification model is to require electronic verification and, if that fails, then manual verification. Our preferred model is illustrated below.

Electronic verification and use of a third party provider (Data Service Provider) to ensure the following:

- The player is of age;
- Verification of his/her residence;
- Location (IP map);
- Anti-Money Laundering Checks (PEP, Sanctions);



Manual verification is required if a player cannot be verified using a third party provider. This should consist of the following:

- Proof of residence (copy of utility bill)
- Proof of identification / age (copy of passport, driver's license or other government ID).

Informing the Player is Critical

IGT wholly supports the principle of ensuring that players can readily access critical information such as game features, pay-out rates, and duration of play as well as resources pertaining to responsible gaming principles.

With regard to the display of such critical information, IGT applauds the explanatory notes' recognition that certain remote devices may warrant presenting some of this critical information in a condensed fashion.

IGT welcomes the explanatory notes' stipulation that providing players with access to a web link is sufficient, instead of displaying the full text on a webpage.²

We respectfully request ongoing recognition of this issue and appreciate the acknowledgement that some player notifications may display differently on certain devices, such as mobile phones, due entirely to the more limited amount of display space on such devices. As technology evolves and devices continue to diminish in size, ongoing recognition of display limitations on some widely used devices is essential.

Additionally, IGT supports player choice with regard to how the player might choose to regulate their own play patterns. IGT prefers not to stipulate usage of specific controls to limit play.

IGT's preference is to offer a range of self-limiting controls that may be selected at the player's discretion to meet the aims of responsible gambling. If rigid controls are implemented, then the player may simply not use them. Alternatively, players may find ways to defeat the controls.

The player's particular use of self-limiting tools and controls should ideally be monitored by the operator to ensure the on-going regulatory aims are not entirely circumvented. Spending limits are typically seen as the most powerful control and one would suggest that this best serves the interest of the player.

Nonetheless, the legislation may wish to be less prescriptive on the implementation of controls, to allow the player and operator some discretion and consequently create a more effective model to meeting the ultimate aims of player protection.

Identifying At Risk Players and Fulfillment of Self-Exclusion Central Register

In principle, IGT supports the concept of a central self-exclusion register. IGT's support is tied to our commitment to ensuring that our games are played solely for entertainment and in a responsible manner.

IGT agrees that the central register must be controlled and administered by the Games of Chance Authority.

² Please see, Explanatory Notes, page 18.



In order to ensure that the benefits from a central self-exclusion are realized, IGT would suggest that players are required to register for mass exclusion directly with Gaming Authority. Players could still exclude directly with an operator, however, this exclusion would only apply to that operator.

This requirement will lead to more streamlined, efficient, coherent and straightforward administration of the self-exclusion central register.

With regard to the obligation that in certain circumstances, operators must either prohibit a player from registering³ or pro-actively intervene and request that the Gaming Authority place a player on the central exclusion list⁴, it is essential that either explicitly defined criteria are established to guide operators or a set of guidelines are established by which operators can define their controls. Operators could then seek approval from the Gaming Authority for such controls, to ensure they meet the requisite standards.

We advocate the approach outlined above, as high risk behavior is difficult to identify. For example, what appears high risk for one player could be seen as normal behavior for another player. If explicit definitions are created, they need to account for what the industry agrees are always signs of high risk behavior.

As noted in the section above, IGT supports the approach of player led controls, ensuring that the relevant tools are available to allow a player to limit or prohibit activity and that the operators' responsibility is to promote those tools to all players, especially players that are deemed high risk. Ultimately we believe that the player should be responsible for their activity and the operator should not be liable if that player chooses to ignore the available controls and advice.

Explicitly defined criteria and player risk factors are also essential to enable operators to accurately determine who should be prohibited from registering as well as who must be placed on the self-exclusion register.

While we acknowledge that explanatory notes' reference to trigger behaviors including "increasing gaming frequency"⁵ and "exceeding spending limits"⁶, we respectfully request more explicit clarity on player traits which require a licensee to pro-actively intervene and notify the Gambling Authority of a player's involuntary placement on the central register.

In summary, we respectfully request explicitly defined criteria regarding the following:

- Criteria for operators' obligation to prohibit a player from registering or logging in;
- Criteria for operators' obligation to pro-actively intervene in game play;
- Criteria for operators' obligation to close a player account;
- Criteria for operators' obligation to place an individual on the self-exclusion central register.

Without explicit and well defined criteria for licensees to adhere to, operators may deploy varying and inconsistent practices. This could lead to a fragmented and potentially incoherent market.

³ Please see, Betting and Gaming Act (with proposed amendments), Title VB, Part 4, Article 31(I).

⁴ Please see, Betting and Gaming Act (with proposed amendments), Title VB, Part 4 Articles 31(n) and 33(da).

⁵ Please see, Explanatory Notes, page 8.

⁶ *Ibid.*



Ultimately, such incoherence could jeopardize the desired consumer protection aims that are sought by the draft law.

Clearly defined requirements will lead to higher rates of compliance and maximize the desired consumer benefits from the central register.

III. IGT Applauds the Draft Law's Authorization of all Game Verticals

IGT applauds the draft law's authorization for a full suite of online games, including casino games and interactive gaming machine games.

Authorization of all interactive game verticals is essential to achieve the consumer protection objectives which lie at the heart of the draft law.

Importantly, IGT endorses the draft law's recognition that in order to channel players from illegal to regulated sites, it is critical to create a market in which legal games of chance are attractive enough that players are no longer enticed to play on illegal sites.

Undoubtedly, the most effective way to achieve this aim is through the authorization of all game verticals.

As acknowledged within the explanatory notes, without authorization for all game verticals, illegal online operators will continue to target Dutch players. Inevitably, this would place Dutch consumers at risk with games that are offered without the requisite responsible gambling features and protections.

Additionally, authorization for all games creates a more attractive regulated market, which will spur increased numbers of operators to pursue licenses. The effect of this will also further mitigate the illegal market, as fewer operators will be enticed to continue offering their games illegally.

Furthermore, the regulation of all interactive game verticals will lead to higher rate of return to the Government on online gambling taxes.

Looking ahead, in light of IGT's significant investment in technological development, IGT welcomes the recognition that the draft law must provide adequate flexibility to adapt to evolving technology. In particular, IGT welcomes the following acknowledgment, as stated in the explanatory notes accompanying the draft law:

*"In view of any future developments in the games of chance offer and the changes in consumer needs, the act will not include a limitation with regard to the types of games, but this will be specified in subordinate legislation. The proposed system thus offers the possibility to anticipate players' latest gaming needs quickly and adequately, so that they do not have to resort to the illegal offer. Innovation in the sector will also benefit from this."*⁷

Recognition of the importance of an adaptable framework will spur innovation as well as research and development initiatives, which will ultimately benefit consumers and fulfill the aims of the draft law.

⁷ Please see, Explanatory Notes, page 13.



IV. Regulatory and Licensing Framework

Regulatory Cooperation is Essential

IGT applauds the draft law's proposal to authorize the Dutch Gaming Authority to enter into cooperation agreements with regulators in other jurisdictions with well respected and regulated online gambling frameworks in place.⁸

Furthermore IGT applauds the acknowledgement within the explanatory notes that Alderney and Gibraltar are amongst the jurisdictions recognized as well regulated and which would be suited to enter into a cooperation agreement with the Dutch authorities.⁹

Swift enactment of such agreements will ensure that the aims of the draft law are fulfilled, particularly, with regard to timing for market opening.

Regulatory cooperation is particularly important for IGT as inconsistency amongst regulatory and technical requirements present significant practical challenges, which severely impact compliance costs.

IGT maintains active licenses in more than 360 jurisdictions. In order to maintain such an extensive portfolio of licenses, annually IGT spends tens of millions of dollars on compliance costs, licensing fees and applications.

Frequently, IGT technology is subjected to testing by the same testing authorities, acting on behalf of a different EU Member State. IGT bears all of the costs associated with and incurred by duplicative testing requirements, which, of course, produce the same results each time.

For IGT, the costs associated with testing the same games and technology in multiple jurisdictions is significant, and impacts our ability to re-invest in European markets.

Duplicative licensing and testing requirements mean highly-regulated software suppliers such as IGT face increased regulatory and compliance costs, lost business opportunities, as well as a competitive market disadvantage. This competitive disadvantage is particularly severe in comparison to those who choose to operate illegally, free from the significant costs associated with maintaining licenses in good standing.

Due to the high costs of testing, which is frequently repetitive across numerous jurisdictions, it is nearly impossible to market all of our games. This inhibits commercial opportunities and could detrimentally impact the draft law's channeling aims.

Costs associated with a market's requirements for local licensing and testing, especially when coupled with investment in local servers and data centers (discussed further below), weigh on decision makers of most legally-compliant operators, and may render a market un-viable for investment.

In this regard, cooperation among gaming regulatory agencies is critically important, especially with regards to uniform technical standards, as well as recognition on the testing of software performed on behalf of a regulatory agency in a given Member State.

⁸ Please see, Betting and Gaming Act (with proposed amendments), Title VB, Part 4 Article 34(m).

⁹ Please see, Explanatory Notes, page 88.



Undoubtedly, regulatory cooperation will further the objectives sought under the draft law, particularly with regard to enhanced consumer protection and channeling players from illegal to regulated sites.

Importantly, this also achieves the aim of proportionality, as it ensures compliance with the consumer protection safeguards, anti-money laundering aims, and problem gambling prevention without imposing unduly onerous requirements for suppliers to enter the market.

Technology & Server Location

In addition to the reasons stated above, IGT also endorses regulatory cooperation due to the importance of allowing game content to be served from an existing game server in a well regulated and licensed jurisdiction.

Authorization for remotely served games will fulfill the objectives of the draft law as it will ensure adherence to stringent consumer protection measures, while also providing consumers with tested and certified games from a secure environment.

This will also further the draft law's channeling aims, as it will provide consumers with a more extensive array of games from licensed operators. Additionally, this will also allow for a more timely market opening.

Additionally, in light of the significant cost of investing in a new server and data center, authorization to serve content from an existing server will provide for a more efficient entry to the regulated market.

It is important to note that the costs associated with installing and maintaining IGT servers are considerable and easily exceed one million Euros. Ongoing annual maintenance costs are also significant.

Consequently, as recognized in the explanatory notes, it is not economically feasible to install local servers in each EU Member State that implements an internet gaming framework.

Importantly though, from a technological perspective, it is not necessary for a local server to be installed locally to ensure that Regulators have access to the critical, real time data and analytics necessary to ensure the integrity of the gaming market as envisioned under the draft law.

While a 'safe server' requirement is certainly preferred over a full local server requirement, 'safe servers' are still a significant technological investment and also require costly annual maintenance.

Therefore, it should be noted that due to sophisticated technological capabilities, even without physical access to a 'safe server', Regulators can still be guaranteed access to the same real time data and analytics, even in the absence of a physical, 'safe server.'

This can be granted easily to Regulators since technology will permit operators and suppliers to grant external parties with access to all data. This access can be granted to Regulators regardless of where the physical data storage is located.

Importantly, there is absolutely no restriction to the type of information that Regulators can access even in the absence of a physical 'safe server.' Where concerns exist over data tampering, regulatory management controls and procedures can be required within any regulatory control standards.



Critically, this model ensures that regulatory oversight and integrity is not compromised, thereby enabling Regulators to maintain stringent regulatory models in accordance with the aims of the draft law.

Without such authorization, in light of the significant cost and resource investment, software suppliers may be restricted from pursuing the regulated Dutch online gambling market.

Software Suppliers' Unique Role

IGT appreciates that in order to attain the objectives sought under the draft law, it is essential to implement a robust licensing and regulatory framework along with stringent enforcement measures.

To achieve such aims, it is critical that the diversity of licensing types recognize the practicalities of how the industry operates. This will ensure a safe and level playing field for all participants.

As outlined above, this can be achieved by authorizing the Dutch Games of Chance Authority to enter into cooperation agreements with well respected online gambling jurisdictions known for integrity as well as stringent licensing and regulatory standards.

Licensing suppliers directly will not enhance consumer protection aims, as suppliers engage exclusively with the operator in a business to business capacity, and not directly with the consumers.

In addition, operators – and not suppliers – are responsible for meeting the license requirements regardless of whether they develop their own game content or use a third party supplier.

Typically, game content suppliers such as IGT do not have any influence on critical licensing issues including: the protection of player funds, player protection, verification and minor controls as well as anti-money laundering measures.

We should also note that if cooperation agreements are negotiated between the Dutch Gaming Authority and other well regulated gaming regulators, as authorized in the draft law, a separate Dutch licensing scheme for suppliers would be duplicative and lack any direct benefits in light of the licensee's existing obligations.

For these reasons, IGT believes that suppliers should be authorized to supply Dutch licensed operators with game software and content that has been tested and certified by a recognized jurisdiction that is subject to a cooperation agreement with the Dutch Games of Chance Authority. As recognized in the explanatory notes, IGT also supports recognition of respected jurisdictions with robust frameworks already in place, including Gibraltar and Alderney.

Differentiating Suppliers and Operators

In the event that it is ultimately determined that software suppliers must obtain licenses, it is critical to establish a licensing category which applies exclusively to suppliers.

This must be categorically different from licensing requirements applicable to operators.

It is imperative that a supplier licensing category recognize the difference between operators offering games to consumers and a business-to-business (B2B) supplier that supplies software and technology to support those games.



Differentiation is essential due to the notable differences between operators and suppliers, particularly with regard to suppliers' lack of direct consumer interaction and access to player data.

At a minimum, IGT believes that a supplier licensing category should include the following:

- Recognition of B2B licenses from other well respected and highly regulated online jurisdictions;
- Allow for a simplified application process for those holding licenses from one of these jurisdictions;
- Authorization for software and game content suppliers to serve game content from a well respected and regulated jurisdiction, as contemplated in the explanatory notes;¹⁰
- Allow servers to be located in one of the highly regulated online jurisdictions, as contemplated within the explanatory notes;
- Acceptance of applications and supporting documentation in either English or Dutch;
- Recognition of certifications of systems and games previously certified in one of the highly regulated online jurisdictions;

V. Taxation

IGT appreciates that generating tax revenue for the Dutch Government is an underlying policy factor for regulating the online gambling market. We also appreciate the acknowledgement within the explanatory notes that a more attractive online gambling tax rate will result in increased play on regulated sites, furthering the Government's channeling aims.

In contemplating the applicable tax regime, all of the costs of operating an online gaming site must be taken into account, including:

- Associated business taxes;
- License fees;
- Administrative and compliance costs in addition to the applicable tax rate on interactive operations;
- High player acquisition and retention costs, which are significant (cost does vary depending on number of operators active in a market).

We would also suggest that market entry costs including advertizing and marketing investment should also be considered, as these costs are significant.

In light of the tight margins in the online gambling sector, applicable tax regimes must be carefully designed to create a robust, competitive and attractive online market.

A prohibitively high tax, or an improperly structured tax regime, will prevent operators and suppliers from investing in the online market and may result in an uncompetitive product offering, compared to illegal operators.

This in turn will negatively impact the Government's receipt of tax revenue from online gaming, in addition to the Government's aims of channeling players from illegal to regulated sites.

¹⁰ Please see, Betting and Gaming Act (with proposed amendments), Title VB, Part 4 Article 34(m).



Although IGT acknowledges the concerns raised in the explanatory notes regarding bonuses and promotions, we believe that gross taxes must take into account free-bet and promotional spend. Interactive businesses rely on promotional spend to reward customers in a responsible manner.

Without allowance for some deduction, regulated operators will be less competitive as they will be forced to restrict promotional activity. At the very least, IGT would prefer that some deduction should be allowed for operators to remain competitive.

Additionally, when contemplating the appropriate rate, the substantial costs required to comply with the applicable regulatory and licensing framework must also be considered, including the additional 1.5 percent of GGR fee required to fund the Games of Chance Authority in addition to the contemplation of additional levies upon licensees.

As recognized in the applicable explanatory notes, the regulated market and licensing model needs to be attractive enough to encourage operators and suppliers to seek licenses. This is critical to achieve the desired objective of eradicating the illegal market.

If the applicable tax rate, when coupled with licensing and regulatory fees, are set unreasonably high, operators will be not be incentivized to obtain a license. This could jeopardize realization of the aims sought by the draft law.

For these reasons, IGT believes that the applicable tax rate for online gambling should not increase above the currently proposed rate of 20% on gross gaming revenue.

VI. Conclusion

In conclusion and on behalf of IGT, we applaud the Dutch Government's introduction of the draft law and are committed to investing in the regulated online gambling market. We thank you again for this opportunity to participate in this consultation.

We'd be delighted to assist with providing any further information or data regarding this subject matter.

Warm regards,

A handwritten signature in cursive script that reads "Crystian Terry".

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