

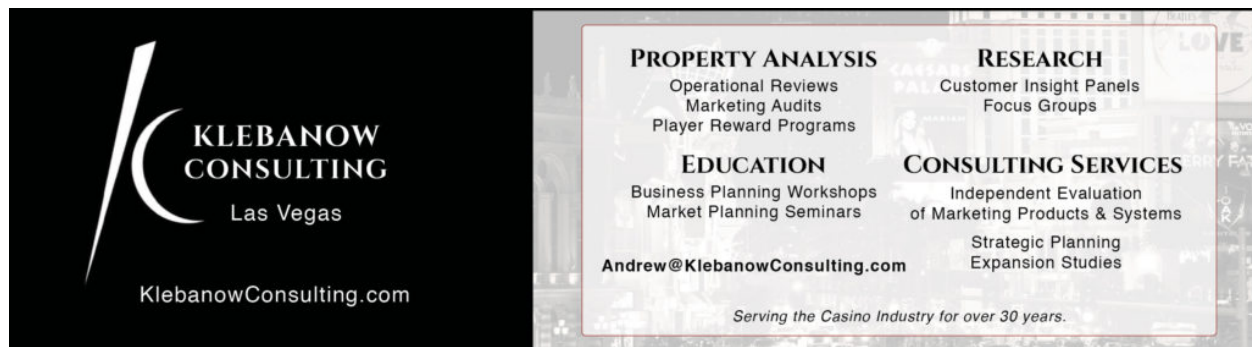
Is proxy gambling ready for a comeback?

By Andrew Klebanow, Klebanow Consulting

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In May 2016, Macau's gaming regulatory body, known as the DICJ, banned the use of mobile phones by players sitting at gaming tables in the city's casinos. The ban's intent was to put an end to proxy gambling, a form of wagering that allows punters to enjoy casino gaming without actually being present in the casino. Prior to that ban, it was estimated that proxy gambling accounted for nearly 10% of Macau's VIP gaming revenue, at a time when total VIP gaming revenue made up approximately 60% of total wagering volume. In other words, proxy gambling was not an insignificant source of gaming revenue and taxes.

Given the dramatic events that have occurred over the past 90 days, including the closure of Macau's casinos for two weeks in February, the shutdown of virtually all casinos in North America, as well as a dramatic diminution in wagering volume in casinos in Asia that have remained open, one must ask, can proxy gambling serve as a viable alternative to the various forms of wagering available today, including both online and in bricks-and-mortar casinos?



The image shows the Klebanow Consulting logo on the left, featuring a stylized 'K' and the text 'KLEBANOW CONSULTING Las Vegas KlebanowConsulting.com'. To the right is a menu of services:

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It is important to understand how proxy gambling evolved and how it differs from other forms of online wagering. This is a form of gambling whereby a “proxy” places a bet at a table game for a gambler who is not in the casino. That gambler may be in another jurisdiction and communicates how he would like his bets placed to his proxy via mobile phone. While the gambler might live in a country where gambling is prohibited, the game takes place in a casino in a jurisdiction where gambling is legal, and the bet is made by a proxy in that legal gaming venue.

The concept of proxy gambling, like all forms of mobile wagering, has evolved over time. In its earliest iteration, a gambler who was unable to travel to a casino would send a trusted agent instead. That proxy sat down at a table game, received betting instructions on his mobile phone, and placed those bets. As each hand was completed, the proxy communicated the outcome of the wager. This form of wagering normally took place in VIP gaming rooms operated by third-party junket promoters, who profited from the commissions made on rolling chip volume, just as they would from VIP players who were physically present in the gaming room.

To ensure the accuracy of the wagers and to better serve their customers who were unable to travel to their casinos, junket promoters eventually added video-streaming capabilities to their junket rooms outside of Macau. A customer in another country could turn on his television,

access the junket promoter's website, get an overview of the gaming floor, direct the proxy to the table of his choosing, and observe his bets being made in real time, along with each game's outcome. In time, junket promoters allowed their own employees to serve as proxies; they diligently carried out the player's instructions, while being observed through a live streaming-video feed.

The decision to end proxy gambling in Macau was driven in large part because players could gamble with a certain degree of anonymity. While it could be argued that junket promoters knew who their customers were, the DICJ wanted to maintain a high degree of regulatory oversight and might have believed that proxy gaming did not strictly adhere to know-your-customer and anti-money-laundering regulations. Thus, the decision was made to ban mobile phones at table games and, with it, proxy gambling.

Despite Macau's decision, proxy gambling continues to grow in other jurisdictions. The concept has been embraced by operators seeking to accommodate customers who cannot travel to a casino. It can be found in VIP rooms in the Philippines, Vietnam, and Cambodia. According to Shaun McCamley, Managing Partner of Euro-Asia Consulting and an expert in the proxy-gaming sphere, setting up a robust proxy gaming platform is not a particularly expensive endeavor, especially when compared to live-dealer and online-wagering systems or fully digital platforms.

Also important to understand is how proxy gambling differs from other forms of online wagering. While proxies employ certain digital communications and technologies, the game and the wager take place in a licensed casino and, as such, does not violate the laws of other nations. The same cannot be said for other forms of online wagering prevalent in Asia, particularly live dealer/online.

Live dealer/online is another rapidly growing industry. Primarily centered in the Philippines, live dealer/online eliminates the trepidation that many Asians have over purely digital forms of online gambling. Live dealer/online systems broadcast live table games via the Internet. Players residing in other countries must first establish accounts. Once enrolled, they can log onto a casino's website, select from any number of tables, and place wagers. The problem is that, while the game may be taking place in a jurisdiction where gambling is legal, the wager can be made by an individual residing in a country where gambling may be illegal. This is certainly the case when these games are accessed by residents of the People's Republic of China.

The pandemic has had an immediate and chilling effect on gaming jurisdictions throughout the world and it will take these markets time to recover once the threat of the virus is abated. There may also be long-term effects on the gaming industry in which many high-worth gamers are reluctant to travel to casinos and would prefer to gamble from the comfort, and relative safety, of their own homes. If casino operators can satisfy the concerns of regulators regarding who their customers are and anti-money regulations, proxy gambling may be ready for a comeback — and not a moment too soon.

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