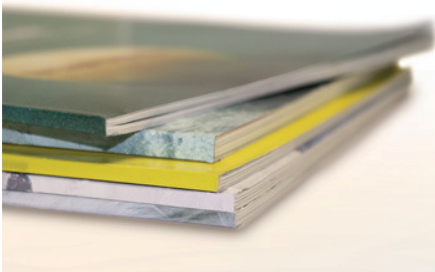


E-Gaming Reforms

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BY FRANCIS KATAMBA

Jersey has recently taken a major step towards the modernisation of its gambling laws by formally approving the establishment of a regulatory and licensing regime for e-gaming in the Island.

This historic decision follows a 40-9 vote this spring in favour of introducing the new regulatory regime by its legislature, the States of Jersey. Persuasive arguments were raised on both sides of the debate, but ultimately the prevailing view was that the economic benefits (it is hoped) will be ushered in by these reforms outweighed other concerns. A detailed report on the policy issues that were considered in order to arrive at this conclusion entitled, **Establishment of a Regulatory and Licensing Regime for E-Gaming for Jersey** on 9 March 2010 (the “Ministerial Report on E-gaming”) has been published.

Ministerial Policy on Gambling

The principle concerns on e-gaming were set out in October last year by the Minister for Economic Development:

- (a) regulation of the gambling industry in Jersey should meet widely accepted international norms and, in particular, appropriate measures should be put in place to prevent money laundering, fraud and other criminal activities;

- (b) regulation of the gambling industry ensures that gambling is conducted transparently and is fair to the consumers it serves;

- (c) regulation of the gambling industry should be particularly sensitive to protecting the needs of young and vulnerable people within Jersey.

Social Concerns over the E-Gaming Regime

Critics of the e-gaming reforms fear that by encouraging greater levels of gambling within the Island, there is an increased risk of addiction and the associated social problems this brings. Advocates of reform believe that, as the widespread use of the internet and other modern technologies mean that the practice of e-gaming is already taking place on the Island, and must be properly regulated. The reformers argue that failure to recognise this reality and introduce a proper e-gaming regulatory regime denies Jersey residents the levels of protection that are the norm elsewhere in Europe.

Economic Value of E-Commerce

One area where it is expected that the reforms will be very beneficial is in the area of e-commerce. The value of e-commerce in the United Kingdom was estimated by the Office of National Statistics to account for around one tenth of all UK non-financial sector business in 2008. Specific figures in respect of e-gaming are not provided in this statistical survey but sums are thought to be in the billions.

The Ministerial Report on e-gaming highlights the benefits of e-gaming in the creation of an efficient e-commerce sector as a whole. Unfavourable comparisons of the current state of affairs were made between Jersey and other jurisdictions where e-gaming is already encouraged, such as Guernsey and the Isle of Man. In these jurisdictions, the introduction of e-gaming is believed to have contributed greatly to the development of a cheaper and faster broadband infrastructure. It has also brought jobs and other benefits to the economy.

The poorer broadband infrastructure in Jersey not only inhibits Jersey's competitiveness in the e-commerce sector. It also affects the wider business community (who may also use the internet and other digital media) and the quality of Island life generally. For Jersey to fully embrace the digital age, the States (of Jersey) are firmly of the view that active steps need to be taken to address this failing. It is expected that by encouraging e-gaming, investment in broadband and other digital infrastructure will follow.

Economic Diversification

More specifically, it is hoped that e-gaming will, as a stand-alone industry, generate significant sources of

income. This objective is particularly attractive to the States in keeping with its stated proposals to bring greater economic diversification. In terms of promoting Jersey's e-gaming industry internationally, the need for a proper licensing and regulatory regime is driven by the need to conform to widely accepted international standards. One concern raised in the Ministerial Report on E-gaming was that, without the proposed reforms, the UK and other EU jurisdictions may in future penalise jurisdictions, such as Jersey, which do not have satisfactory standards of regulation in place.

The Future Impact of the Reforms

Guernsey and the Isle of Man, which have already introduced a regulatory regime for e-gaming have seen a positive impact on their economies, both from the perspective of new revenue streams and the improved infrastructure that followed. It is hoped that the reforms will have a similar impact in Jersey, without attracting less desirable negative social consequences. The desire is that e-gaming will herald, "high impact but low footprint" industries which will allow the diversification of the Islands economy to occur sustainably.

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