

iGAMING BUSINESS NORTH AMERICA

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ROCKET MAN

THOMAS WINTER ON
GOLDEN NUGGET'S
METEORIC RISE TO THE TOP
OF THE NJ IGAMING MARKET

PLUS:

Who's winning SEO in Las Vegas?

iGNA Awards round-up

Is state regulation of fantasy
sports on the horizon?



BUILDING ON THE MOMENTUM

Transactions move at the speed of data, and so does the payments industry, writes **Joe Pappano** of Vantiv Gaming Solutions.

In the past two years, we've built a solid foundation for exponential growth – a process that protects the integrity of the transaction with layers of security and a better understanding of player behavior. This foundation allows us, as an industry, to shift towards innovation, accommodating the next-generation, educating the financial industry and promoting a movement towards cashless gaming for universally beneficial industry opportunities.

The infrastructure we put in place has worked. Regardless of expected revenues, the infrastructure and protections – age verification, geo location, KYC, AML – are all part of the successful and compliant process to fund an account as established and created by the various gaming control boards. Charge backs and overall fraud are well below industry standards and innovations in data protection maintain the security of sensitive consumer information.

Gaming continues to evolve with the convergence of gaming and non-gaming entertainment offerings and amenities as the next generation of players demand a seamless consumer experience, especially with the evolution of electronic gaming devices that will incorporate new content, skill based games, etc. that will inevitably integrate into a form of payment acceptance. This new player also drives the dramatic change we've seen in shared content, tying online back to mobile and brick-and-mortar gaming.

The rapid evolution of the industry renders omni-commerce increasingly important. While the gaming industry as a whole has wanted to highlight iGaming independently, focusing on what its emergence means for the brick-and-mortar casino and treating iGaming as a separate entity, we are driving

payment acceptance across platforms. We need to discuss iGaming in connection with mobile, kiosk and brick-and-mortar, treating the industry holistically and creating multiple points of interaction to ensure a seamless and effective player transaction across multiple experiences.

The evidence of change and evolution are clear. New gaming MCCs offer better clarity in transaction types and there is a positive trend in acceptance. For example we've seen initially an increase of 15 to 20 percent in VISA approvals, though it should be noted this is still a small sampling of data.

A handful of the top financial institutions that have historically rejected regulated gaming transactions are now accepting them as the overall appetite in the industry remains positive. However, collectively as an industry we need to continue to educate the financial institutions on the layers of security so they better understand the associated risks, necessary overall governance and oversight as it relates to controls, regulatory compliance and ensuring the internal policies and procedures are in place to accommodate these transactions.

Now is the time for us to collaborate to continue to move the industry forward and capitalize on the positive momentum we have built. More and more players are finding new ways to fund their gaming accounts and embracing new technology such as cashless gaming. Players are more comfortable adopting payment instruments and processes that are more aligned with how they transact every day in both traditional retail and e-commerce settings.

As demand rises for the usage of prepaid cards and cashless gaming, jurisdictions and gaming regulators will have to continue

to evolve to enable acceptance of these payment types. With prepaid cards now able to be tied to a player's loyalty account, the operator gets a new level of reporting and insight into players' behaviors and preferences for more targeted and effective marketing efforts, plus increased card usage, higher spending levels and more operational efficiencies by eliminating the high expense of cash. And for the player it creates a more seamless experience giving them the ability to spend their funds and take advantage of incentives in all aspects of both gaming and non-gaming activities.

We see the movement of the industry and the continuing convergence of gaming and payments. We are dedicated to protecting the integrity of the transaction and better understanding the player behaviors and how to create the best player experience possible.

As demand continues to increase for cross platform integration, the blurring of channels between digital gaming and real-money gaming, fantasy sports and sports books, will require us as an industry to work together. We must explore alternative types of payments that can easily and conveniently bridge the gap, such as cashless gaming and prepaid accounts, while insuring every transaction is completely secure with various security solutions including point-to-point encryption, tokenization, EMV acceptance and various fraud monitoring services to protect both operators and players.

By making the experience consistent and pleasurable for the player, they will continue to expand their usage in all of the gaming markets.

Joe Pappano is Senior Vice President and Managing Director, Vantiv Gaming Solutions.



SAFEGUARDING DATA IN THE DIGITAL AGE

Security has never been a higher priority at executive level, and operators now have access to products that can reduce or transfer data-related risks, writes **James Zerfas** of Vantiv Gaming Solutions.

You've read the headlines - throughout the last decade there has been widespread news about major merchant data breaches and the harmful results.

Previously security was solely considered a technical problem, but in the last two years it has also become an executive issue that must be prioritized. It has never been more important to stay one step ahead of a data breach.

Now operators have access to security products such as point-to-point encryption and tokenization, to reduce or transfer the risk associated with data in merchants' unique environments.

The No. 1 priority

Security should be first on everyone's mind - whether a consumer or operator. But despite their best intentions, operators or merchants sometimes aren't sure how to tackle the security problem.

One solution available is the ability to tokenize a payment card, so that a non-sensitive surrogate value can be used across digital and brick-and-mortar channels instead of the original card number. An example is an omni-token product, which means that a unique token is generated for a specific merchant and specific card number.

Tokens can then be used for any subsequent transaction that would normally require a card number. From a security perspective, the consumer using this product is helping reduce the number of places where that primary account number hits and lives on a system. The token is an arbitrary, but unique value that can be used for tracking back end analytics without the same risk

associated with the original card number. This token technology helps reduce and/or transfer risk, helps with the scope of PCI compliance, and also ties back to the analytics, which is really at the heart of the consumer experience.

Payment providers must provide services that help address the risk associated with cardholder data. The company does so by addressing four critical focus areas: fraud, compliance, data security and financial impact.

Four focus areas for reducing risk

Security boils down to the concept of risk. When a merchant accepts a card value, there are a number of different risks involved.

The first focus area that should be prioritized to help reduce risk is fraud. When someone wants to use their card, the first security concern is determining whether it's a lost stolen or counterfeit card. If a company allows someone to use a fraudulent card and they leave with goods/services, the company loses revenue and a good sense of service.

Secondly, to reduce risk, compliance must be a priority. The Payment Card Industry Security Standards Council (PCI SSC) requires that every merchant that accepts cardholder value complies with the PCI Data Security Standard (DSS). It is critical to stay up-to-speed on these specific standards.

Thirdly, data security is critical in reducing risk. It's been proven that PCI compliance is not enough to prevent all breach attempts. A payments partner looks at ways to protect the data directly, to the extent that if the criminal were to breach your systems, they only access non-sensitive data or completely encrypted

data. Ultimately, criminals cannot use this encrypted data to create any fraudulent transactions or do any harm.

And fourth, it's important to assess the prospective financial impact of a security breach. If all three of the aforementioned areas fail, what would the financial impact to you as an operator? You need a proactive approach to analyze what can be done to reduce the impact, whether it's via an identity program or with insurance underwriters.

Security in a data-driven landscape

One size does not fit all in terms of security in our modern world. When a security team goes into an environment, they can find out the nuances of what works and what doesn't. The implementation phase is where security is truly tailored.

There are many different avenues in which companies ultimately enter into gaming including the Internet, tablet/phone-based and structured gaming such as lotteries. And, there is a certain amount of legacy in the industry, where at one point credit card data was not mainstream. Thus, a lot of legacy systems were not built to protect cardholder data.

That's the biggest challenge out there - security is not necessarily built into a legacy infrastructure or model. But now is the time to leave the past and focus on security for our present and future advances.

James Zerfas is Vice President of Merchant Security and Risk Products, Vantiv Gaming Solutions. With more than a decade of payment security experience, James has led the implementation of cutting edge security solutions for merchants ranging in size from one location to thousands.



MERCHANT CATEGORY CODES UPDATE

Vantiv Gaming Solutions is committed to keeping our partners educated on the constant changes in electronic payments acceptance. As part of this commitment, below is an overview of recent network changes by the card associations, including MasterCard Worldwide and VISA USA, that will impact your payments processing.

Effective April 17, 2015 MasterCard and Visa are adding a new set of gaming-related Merchant Category Codes (MCCs). These new MCCs will be available across multiple gaming verticals within the United States. The addition of these new codes will bring an added level of visibility and further validate the legality of the transaction for issuers.

New Categories

MCC	Descriptor – Digital Gaming
5815	Digital Goods – Media, Books, Movies, Music
5816	Digital Goods – Games
5817	Digital Goods – Applications (Excludes Games)
5818	Digital Goods – Large Digital Goods Merchants
MCC	Descriptor – Digital Gaming
7800	Government-Owned Lotteries
7801	Government-Licensed Online Casinos (online Gambling)
7802	Government-Licensed Horse/Dog Racing

Updated Categories

MCC	Descriptor
7995	Betting: Lottery Tickets, Casino Gambling Chips, Off-Track Betting, and Wagers at Race Tracks

Detail of the new Gaming MCC codes:

- **5815 Digital Goods – Media, Books, Movies, Music:** Merchants classified under this MCC sell media that is delivered in electronic format. Media includes book, movies and music. Physical versions of these goods should be placed in MCC 5732, 5192 and/or 5735.
- **5816 Digital Goods – Games:** Merchants classified under this MCC sell games that are delivered in electronic format. Physical versions of these goods should be placed

in MCC 7993. Excludes Games of Chance (Gambling)

- **5817 Digital Goods – Applications (Excludes Games):** Merchants classified under this MCC sell applications (excludes games: see 5914) that are delivered in electronic format. Software, if delivered in electronic format, may also be classified under this category. Physical versions of these goods should be placed in MCC 5734 and 5045.
- **5818 Digital Goods – Large Digital Goods Merchant:** Merchants classified under this MCC are large merchants that sell digital goods (i.e., goods delivered via electronic format) with a minimum threshold of 25 million transactions annually. Use of this MCC is limited to merchants who satisfy the criteria as designated by Visa (e.g., exceeds minimum threshold of digital goods transactions submitted annually).
- **7800 Government – Owned Lotteries:** This category is reserved for merchants that are government-owned lotteries. Merchants in this category allow the use of bank cards for the sale of lottery tickets through various points of interaction (card present, kiosk, subscription, etc.).
- **7801 Government – Online Licensed Casinos (online gambling):** This new MCC is reserved for merchants who are government-licensed entities and/or regulated by applicable legislation while conducting commerce online. This MCC will take the place of 7995 (Visa) and 9754 (MasterCard) for all regulated online casino transactions (casino and poker).

- **7802 Government – Licensed Horse/ Dog Racing:** Merchants classified under this new MCC operate horse and dog racing operations that are licensed by a government entity. These merchants allow for the use of bank cards in placing on or off-track wagers. This new MCC will take the place of 7995 (Visa) and 9754 (MasterCard) for merchants who operate within this defined market.

Note: All three of the new MCCs (7800, 7801, and 7802) are only allowed for merchants based within the United States. In addition, merchants classified under each of the new codes will require special registration with the networks.

Detail of the Updated Gaming MCC code:

- **7995 Betting: Lottery Tickets, Casino Gambling Chips, Off-Track Betting, and Wagers at Race Tracks:** Merchants classified under this MCC operate gaming or betting establishments that may or may not be associated with hotels, restaurants, riverboats, and resorts. These merchants allow customers to use their bank cards to purchase gaming chips and lottery tickets, and to place wagers. These transactions must be classified under MCC 7995. Other transactions associated with the establishment, such as the purchase of food, lodging, passage, etc., must be classified under an appropriate, separate merchant category code for that type of business.

US merchants that do not qualify for classification in MCC 7800 - Government-Owned Lotteries, 7801 - Government-Licensed On-Line Casinos (On-Line Gambling), 7802 - Government-Licensed Horse/Dog Racing, must be assigned MCC 7995. Merchants classified under MCC 7995 are considered High Risk, and special registration may be required.

NEW MMCS FOR IGAMING ARE JUST THE START

The new Merchant Category Codes (MCCs) for government-owned lotteries, government-licensed casinos and horse and dog racing have introduced a new level of clarity, but there is still work to be done, writes **TJ Sharkey** of Vantiv Gaming Solutions.

A wave of positive change has come to the world of Internet gaming. For years, card issuers utilized unique Merchant Category Codes (MCCs) to identify Internet gaming related transactions, to enable financial institutions to protect themselves from unwanted regulatory scrutiny.

From the perspective of regulatory risk, the banks are responsible for the authorization of any transaction within the card system. Before, the easiest route for the financial institutions to take was to basically block any online gaming transactions.

With the new MCCs, related to government-owned lotteries, government-licensed casinos and horse and dog racing, there is now an all-new level of clarity.

MasterCard, Visa, American Express and Discover, for one of the very first times, agreed on the new MCCs, which were unveiled for legal Internet gaming transactions in the U.S. on April 17.

The new codes provide the financial institutions the ability to see the transaction in a much clearer fashion, so that they can make better authorization decisions as they now have the ability to strategize authorization per specific vertical:

- 7800 – this code is reserved for merchants that are classified under the MCC for government-owned lotteries. Cards are now allowed for the purchase of lottery tickets or recurring lottery subscriptions online and in retail locations.
- 7801 – this code is reserved for

government-licensed casinos. These merchants are licensed by government entities or sanctioned and regulated by applicable legislation.

- 7802 – this code is reserved for government-licensed horse and dog racing. Similar to 7801, these entities are licensed by a government entity and/or sanctioned and regulated by applicable legislations.

Aside from a new state legalizing iGaming or laws changing at the federal level, this change is probably one of the biggest events to happen in the US Internet gaming space.

There will also be significant movement in the lottery states. There are quite a few states watching what other states do today. A lot of the states that were concerned about authorization levels are now watching what is happening across state lines.

Perhaps the strongest illustration of the positive momentum is the dramatic increase in Visa approval rates of these transactions. This has been achieved by constant education which is now evolving from bulletins into meaningful discussions. Working together as the Network and the Acquirer, Visa and Vantiv Gaming Solutions have taken an active role in helping the top financial institutions understand how geolocation works, the depth of KYC and the rest of the security process that has been built. And their appetite as Issuers is clearly growing.

The new MCCs are certainly a step in the right direction, but there is still work to be

done. As the lead payment processor in the Internet gaming space, we listened to our clients and carefully monitored authorization levels. Since the mid-April launch, to date in reviewing the early data, signs are pointing in a positive direction.

We spent a significant amount of time educating the marketplace on how to build the foundation for accepting these transactions and establishing a level of consistency. Now, the new MCCs have arrived and it's time to educate the marketplace on what they mean.

At the end of the day, Americans want to pay with their debit and credit cards. Having the new MCCs will alleviate some of the pain points related to player deposits. Operators will begin focusing on the marketing and what their games offer, instead of devoting time trying to figure out how to get their player through the deposit process. Then, the hope is that the operators will see a reduction in cost for acquisition, allowing them the ability to focus on what they do best—offering the best games that their players are looking to play.

Networks, acquirers, processors, operators and players will all continue to benefit from this positive momentum we have built together. And together we will keep growing our industry and help drive us all to the next level of success.

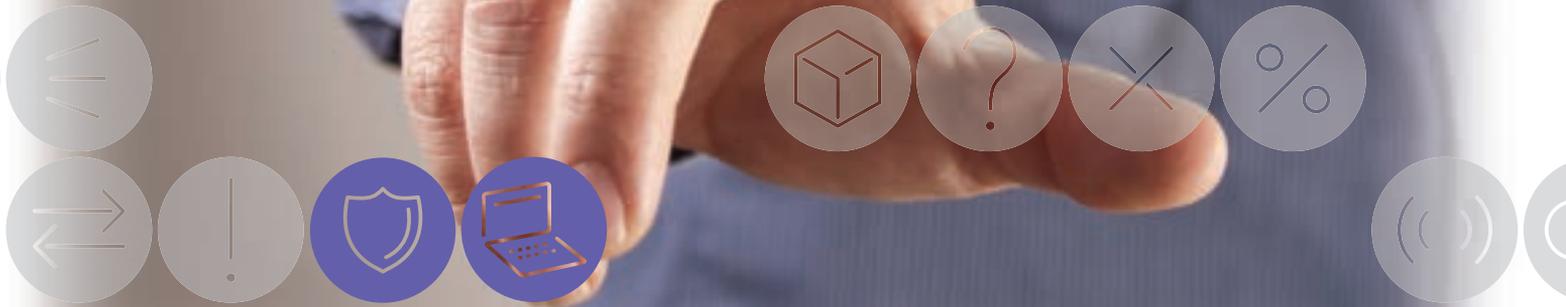
TJ Sharkey is Vice President of Operations and Business Development of Vantiv Gaming Solutions. He joined in 2013 with extensive experience in the payments industry after holding senior positions with Secure Trading and MasterCard.



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