

Testimony of Nicholas Menas
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Joint Hearing of the Senate Community, Economic & Recreational
Development Committee & House Gaming Oversight Committee.
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Good morning and thank you, Chairman Scavello, Chairman Petri, Senator Farnese and Representative Harkins and members of both committees for inviting me to be part of today's hearing.

First and foremost, let me say "thank you" to you and your colleagues for being true leaders in the national discussion on iGaming; for your diligence in researching the issue so thoroughly; and for conducting hearings like this one today.

The bottom line is this: Regulated online gaming, in cooperation with our partners on the land-based casino side, is the unquestioned future of the industry. With each passing day, more and more Americans are consuming their news, conducting their financial transactions, running their businesses, and communicating with their friends and families through their smart phones and tablets.

This isn't a trend, nor a fad, it is the future.

Given that reality, it is now the responsibility of companies like Amaya and duly elected state legislators like yourselves to establish a safe and regulated online environment for our consumers and constituents, respectively, in which to play.

Together, we can significantly reduce the predatory actions of overseas black market operators, and protect minors, problem gamblers and innocent citizens here in America. Together, we can generate hundreds of millions of dollars in revenue to help balance budgets without raising taxes. Together, we can help to produce high-skill, good-paying jobs for residents and aid local economies.

Together, we can do the right thing.

As the largest publicly-traded online gaming company in the world, Amaya has been licensed in over 100 gaming jurisdictions globally, including across the river in New Jersey, where online gaming is widely considered the biggest economic driver behind Atlantic City achieving its first year-over-year annual revenue gain in a decade.

In fact, Atlantic City just experienced a 32% increase in online gaming revenue as compared to last year according to the NJ Division of Gaming Enforcement. They are on track to generate over \$250 million this year, with conservative projections by the respected Innovation Group approaching \$300 million by the year 2019.

Amaya has been granted licenses both in land-based and interactive gaming. We are highly respected by international regulators for our collaboration through rigorous regulatory processes and for the implementation of safeguards that protect consumers.

As Mr. Pappas of the Poker Players Alliance testified to earlier, when states fail to establish a legal and regulated environment for online gaming, it does little to prevent that state's residents from gambling online. Thousands still do it every day. But currently they are risking their hard-earned money on sites that brazenly lie to them about state law, that are completely void of consumer protections, and that operate largely outside the reach of law enforcement.

Action by these two committees, passage by both houses, and a signature by Governor Wolf will change that troubling dynamic and provide Pennsylvania consumers with the protections they need and deserve.

Given the number of highly-qualified and informative people who testified before me today, the remainder of my remarks will focus on just three key issues that I know have been the subject of great discussion among you, your respective staffs, and other stakeholders in Harrisburg and across the Commonwealth.

Geolocation. The myth of cannibalization. And the importance of player security.

First, geolocation, which is the proven and tested technology that ensures only players within the geographic borders of Pennsylvania will be able to legally participate in a regulated online gaming platform in the state.

Amaya uses GeoComply, which is the market-leader in geolocation for the betting and gaming sector. This technology allows for geolocation using Wi-Fi, GPS and Cellular triangulation of users' physical location.

Geolocation is performed every time a player logs in to their account. The check is also performed when a user joins a Real Money game; and these checks are repeated periodically during game play.

Plus a dedicated Security Team investigates alerts to identify and block people located outside legal boundaries who are attempting to play online.

Recently, the representative of an organization opposed to our efforts in Pennsylvania sought to mislead you and your colleagues regarding Amaya's geolocation track record in New Jersey.

Worse, this representative launched their unprovoked attack against Amaya despite a longstanding and deeply troubling track record of violations and fines incurred by his own client, which were meted out by the Pennsylvania Gaming Control Board.

Allow me to set the record straight.

Statistics provided by the New Jersey Division of Gaming Enforcement reveal that Amaya had a grand total of two (2) geolocation failures out of approximately one-hundred and ninety-million (190,000,000) geolocation hits.

You heard that correctly. Two geolocation failures out of 190 million geolocation hits. That puts our success rate at 99.999999 percent. Moreover, a total of only \$415 was deposited and played by people outside of New Jersey before the geolocation flaw was discovered and quickly resolved.

For those who point to this as proof that geolocation is *not* working, I would argue it is exactly the opposite. The infinitesimal failure rate coupled with such a rapid response and resolution is proof that the system *is* working exactly as it should.

Second, cannibalization.

As testified previously, again by Mr. Pappas of the Poker Players Alliance, online cannibalization of land-based casinos is a myth that has been consistently debunked.

Not just by online gaming advocates like me and Mr. Pappas, but by independent research analysts, respected casino executives representing a broad cross section of properties currently operating within Pennsylvania, and most recently by virtue of the growing revenue numbers emanating from Atlantic City that irrefutably demonstrate online gaming is helping, not hurting, land-based casinos.

I know how important the future of the gaming industry is to Pennsylvania, and how proud this state is of its success in this space. And justifiably so.

That said – and I know many of you acutely realize this fact – failure to legalize and regulate online gaming in the Commonwealth is not only a short-term mistake, but with New Jersey and Delaware already up and running, and states like New York, California, Michigan and Massachusetts exploring it closely, failure to act could have severe long-term consequences for Pennsylvania's gaming industry.

Lastly, player security.

While there are people in this room who were on different sides of last year's Presidential election, one lesson we can all learn from it is that in the era of Wikileaks, cyber security is incredibly important; and the ability of company's like

Amaya, along with law enforcement and professional regulators in each state, to safeguard consumers is of the utmost importance.

Internally, we like to say that digital is traceable.

Our online poker operations are 10 times larger than our next competitor. As a measure of our scale, our customer base of 95 million is larger than the population of New Jersey, New York, Pennsylvania and California combined. Also, on a daily basis, we process more online transactions than the London Stock Exchange.

Through our online gaming platform, we are able to create a unique digital fingerprint for each player, which enables us to deploy robust technologies to provide a safe and competitive experience for consumers.

As a result of our advanced technologies and digital platform, we are able to safely and securely undertake the following core operational protocols:

Segregation of player funds from operating funds. Amaya segregates player funds from operational funds and ensures stringent controls that meet the demands of our compliance, audit and security departments and our regulators.

Anti-money laundering (AML) protections. All of our real money players are screened and continually monitored to ensure that they do not appear on an international sanction/terrorist list or have any criminal or negative associations. Proprietary software monitors player profiles and behavior, and highlights suspicious transactions for investigation by highly skilled and experienced staff of more than 200.

Age verification and Know Your Customer. Opening a real money account requires biographical information including full name, date of birth, address, email, gender and, pending the jurisdiction, a social security number and phone number.

Protection of the vulnerable. Amaya exceeds regulatory expectations through well-established policies of self-exclusion, cooling-off periods, and table and deposit limits help players to self-regulate.

Gaming integrity. Our anti-cheating software monitors individual player behavior to analyze game statistics, track play behavior, monitor mouse movements and sniff out locally-installed prohibited software.

Anyone who claims they are incapable of being hacked is begging to get tested. But what I can tell you is that Amaya is supremely confident in our professional staff and technological capabilities when it comes to keep our customers and their money safe.

In closing, let me again thank all of you for the seriousness and diligence with which you have vetted and considered online gaming. I am confident that legal and regulated online gaming in Pennsylvania will dramatically enhance online consumer protections, generate hundreds of millions of dollars in much-needed revenue in the next several years, boost the fortunes of your already successful gaming industry, and have a positive effect on economic growth and job creation within the Commonwealth.

Amaya and our representatives in the state stand ready to work with the Governor, the State Legislature and all other stakeholders to ensure online gaming in Pennsylvania is a success on every level. Thank you again.