

# CAN YOU BANK ON IT?

Of the strategic decisions online gaming companies need to make, one that often proves more complex than initially anticipated, is the banking relationship. **Matt Burnham**, Head of Gaming Operations, Bellerive Stenham Trust Limited, looks at how managing this through a CSP can free iGaming companies up to focus on the strategy of running their business.

**There are a number** of critical factors for any online gaming business to consider when making strategic decisions – licensing, software and processors to name a few. One key element that often proves more complex than initially anticipated is the banking relationship.

It is all well and good building a strong player base and running a successful business, but there will be significant challenges if the banking relationship is not right. Recently, the trend has been for banks to move away from direct relationships with gaming companies and to look to an intermediary to manage the relationship for them in the form of a corporate service provider (CSP).

## Managing the relationship

Selection of the right CSP can be crucial, to leave the onerous back office tasks to them to allow you to focus on the strategy of running your business. You will need a CSP with a strong pedigree and track record in the gaming sector and one that understands the key elements and needs of your business to enable them to manage the banking relationship effectively. Factors to consider are:

- the location of the CSP;
- the level of regulation that they are subject to; and
- their understanding of the gaming sector.

Taking the Bailiwick of Guernsey (including Alderney) as an example, you find a highly regulated fiduciary sector coupled with an internationally renowned and respected gaming regulator, resulting in a small number of CSPs with niche skills and experience. This specialisation has allowed CSPs to form close-knit relationships with bankers both within the Bailiwick and globally.

## Compliance

A time consuming and often frustrating process for a gaming company can be in dealing with an external party's (be it a bank or a payment processor) requirements for compliance documentation. Customer due diligence (CDD) requirements for banking institutions can be a minefield, particularly where the bank in question does not understand the online gaming sector. The right CSP can manage this process for your business and ensure that information is communicated in a way that gives your banking partner confidence in the business that they are taking on. The same can be said for payment processors who will have similar requirements on CDD as banks.

It is often hard as an outsider to understand the psyche of the bank and to comprehend why certain decisions are taken by them. Your CSP should be able to provide assistance with this relationship as their regulatory requirements will be very similar to the banks. What sets a good CSP apart is the attitude of the management and their in-house compliance towards challenges that are set by banks and processors, where often the right mindset can present the optimal solution to an obstacle.

## Political influences

The current global political climate may have strong influence on banks' attitudes to risk, and we may see many of them take a far more risk-averse approach until things settle down. Ongoing uncertainty around Brexit and a volatile political climate within the USA does not encourage banks to consider high risk business in the short term - so it is generally advised to nurture current relationships, no matter how onerous some

of the requirements may appear. Your CSP should be spearheading this relationship and encouraging enhanced CDD checks to be completed as a way of future-proofing the relationship. "Transparency" is a term that is bandied around on a regular basis and this applies not only to ownership of the business, but to providing a clear narrative and rationale of how and why the accounts are operated.

Bankers' paranoia around online gaming may be reduced by a change of attitude in the USA towards the sector, particularly as certain prominent US politicians are strong supporters. It will be a long-drawn-out process however to encourage banks to be more open to gaming business, and they may well perceive the risks too high for the rewards available to them.

## Regulatory factors

We have seen increased regulation in recent years with large European markets such as the UK, Spain and Italy all bringing in their own regulatory framework. Whilst this might appear onerous, Alderney as a premier gaming jurisdiction has adapted very well, with CSPs working hard to embed the new requirements into their operations, ensuring "business as usual" for clients.

## Concluding thoughts

There is no definitive answer other than to select your CSP carefully, particularly one that can add true value through its experience of managing key back office relationships with the minimum of disruption to your core business.

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