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eSports – an expanding industry

As the Isle of Man eGaming Summit draws closer¹, one topic sure to be of interest and discussion is eSports.

eGaming in the Isle of Man

The primary legislation effecting the eGaming sector in the Isle of Man is the Online Gambling Regulation Act 2001 (OGRA), Electronic Transactions Act 2000, and the Computer Security Act 1992. These are supplemented by various regulations and amending enactments, and there is also a Gambling Supervision Act 2010.

The Isle of Man Gambling Supervision Commission (GSC) regulates the sector with three key principles:

1. Ensuring that gambling is conducted in a fair and open way
2. Protecting children and other vulnerable persons from being harmed or exploited by gambling
3. Preventing gambling from being a source of crime or disorder, or being used to support crime

and where these key principles are not compromised:

1. Ensuring that gambling products promoted by operators in the Island can compete effectively throughout the world
2. Facilitating competition and the provision of modern products and services.

There are currently some 41 registered companies with online gambling licences in the Isle of Man and eGaming, as a whole, is now responsible for the employment of more than 1,000 people in the Isle of Man as well as providing around 20 per cent of the Island's GDP.

eSports

The English Premier League (the "EPL") football season kicked off last month drawing on millions of viewers worldwide. A new multi billion pound broadcasting deal has enabled football clubs to invest heavily in terms of recruiting new players. The world record fee of

¹ September 8 2016

£89.25million² paid by Manchester United to acquire the services of Paul Pogba from Juventus is a prime example of the financial strength that football clubs in the EPL now have as result of this new deal. However, there is another less conventional, form of the sport that is increasing in popularity known as eSports.

eSports is the competitive playing of video games for cash rewards and other prizes. There are various leagues set up globally in which professional sports teams compete for vast amounts of prize money, in addition to various amateur leagues as well.

The basic structure of the professional eSports industry includes:

1. teams (many of which are real life brands)
2. publishers
3. events and
4. leagues.

Teams are represented by professional video game competitors (known as pro gamers) that compete in various events worldwide. Many of the elite football clubs in Europe including Manchester City, PSV Eindhoven and Valencia³, are now represented in worldwide leagues by pro gamers, who receive a considerable salary in return for their gaming expertise.

In essence, eSports has been in existence for some time now, although it has recently become more popular due to technological advancements in internet speeds and improvements in streaming platforms with YouTube and Amazon joining the industry (the latter having recently bought Twitch.tv, a live streaming platform, for \$970m). According to recent data, the final of the 2015 League of Legends World Championship event, held at the Mercedes-Benz Arena in Berlin, drew in 36 million unique viewers that streamed the event over the internet⁴.

Asia is currently leading the way in terms of audience figures, however, Western markets are due to catch up once more popular brands become engaged in eSports⁵. Major brands have already exploited the commercial value and global reach of eSports and sponsorship deals with leading multinational companies including, Red Bull, Intel and Samsung, are becoming more prevalent in the industry as it progresses.

Regulatory and legal issues of eSports

eSports is similar to conventional sports in terms of players' contracts, sponsorship and licensing agreements. There are also broadcasting agreements to consider when it comes to streaming events over the internet.

² <http://www.transfermarkt.co.uk/paul-pogba/profil/spieler/122153>

³ Other teams include Sporting Lisbon FC Schalke Wolfsburg PSV Eindhoven Besiktas Baskonia Santos FC Volga

⁴ Robson, M. (2016). Is 2016 the year of eSports? [Online] www.yogonet.com. Available at:

<http://www.yogonet.com/international/node/38043>

⁵ Ibid

As eSports continue to evolve, regulatory and legal issues will also need to be addressed in order to keep pace with the demands of the industry including:

1. players' contractual rights
2. integrity issues such as match fixing and in-game cheating
3. possible salary caps, and salary transparency
4. the distribution of commercial sponsorship and broadcasting monies amongst eSports teams and video gamers
5. disciplinary matters
6. the creation of robust governance and regulatory frameworks (a functioning governing body, or set of regional governing bodies)
7. use of sports enhancing drugs/doping (specifically in relation substances which help players stay responsive and alert for longer periods)
8. a 'fit and proper' test in relation to individuals managing eSports teams.

Why register in the Isle of Man?

The Department of Economic Development is responsible for promoting eGaming in the Island and states that the main reasons for it being an attractive jurisdiction for eGaming business is as follows:

1. Reputable and Respected, UK White List accreditation⁶ a history of stability and security, Tier 1 regulated Island
2. Clear and simple tax regime, no Capital Gains Tax, low betting and gaming duty⁷, and low personal taxation
3. The availability of government grants of up to 40per cent for:
 - Relocation
 - Manufacturing / IT sector buildings and offices
 - Hardware & software
 - Marketing & consultancy
 - Quality & environmental standards
 - Annual Government funding of up to 50per cent can be available for training
 - Grants can be applied for on an annual basis
4. World-class telecoms infrastructure including: two self-healing rings serving the Isle of Man; 1.2 terra bits capacity 0.02per cent utilisation; anti-DDOS attack technology
5. Excellent air and sea links to the UK and Ireland
6. Totally self-sufficient power infrastructure, supported by sub-sea gas and electricity supplies.

In addition, the Isle of Man's strong reputation for player protection⁸, sound anti money laundering regulations and world-class telecommunications infrastructure means it has solid

⁶ The Island continues to be a part of the UK Government's White List which allows operators based in the Isle of Man to advertise their products to markets in the UK and to have UK based players.

⁷ The Isle of Man has attractive rates of online gambling duty. Duty is banded according to gross gaming yield – i.e. the total amount of all bets made less the value of all winnings. Online Gambling duty is as follows:

1. for gross gaming yield not exceeding £20 million per annum 1.5per cent
2. for gross gaming yield of more than £20 million per annum, but not exceeding £40 million per annum 0.5per cent
3. for gross gaming yield exceeding £40 million per annum 0.1per cent

foundations in place to attract eSports companies now and in the future. It will be interesting to see how this industry develops over the course of the next few years and the impact that it will have on the eGaming sector in the Isle of Man.

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⁸ The value of a registered player's account with an Isle of Man licensed operator is protected at all times by a licenced condition. This means that if an operator goes into liquidation, 100% of the player's funds can be repatriated to the player