

GAMINGLEGALNEWS



October 10, 2012 • Volume 5, Number 21

GAMINGLEGALNEWS EDITORIAL BOARD

Robert W. Stocker II, Gaming Law
517.487.4715 • rstocker@dickinsonwright.com

Dennis J. Whittlesey, Gaming Law/Indian Law
202.659.6928 • dwhittlesey@dickinsonwright.com

Michael D. Lipton, Q.C., Gaming Law
416.866.2929 • mdliptonqc@dickinsonwright.com

Peter H. Ellsworth, Gaming Law/Indian Law
517.487.4710 • pellsworth@dickinsonwright.com

Peter J. Kulick, Gaming Law/Taxation
517.487.4729 • pkulick@dickinsonwright.com

Kevin J. Weber, Gaming Law
416.367.0899 • kweber@dickinsonwright.com

GAMING WEB SITES OF INTEREST

www.indianz.com
www.pechanga.net
www.indiangaming.org
www.nigc.gov
www.michigan.gov/mgcb
www.gaminglawmasters.com
www.casinoenterprisemanagement.com
www.ggbmagazine.com

Disclaimer: Gaming Legal News is published by Dickinson Wright PLLC to inform our clients and friends of important developments in the fields of gaming law and federal Indian law. The content is informational only and does not constitute legal or professional advice. We encourage you to consult a Dickinson Wright attorney if you have specific questions or concerns relating to any of the topics covered in Gaming Legal News.

AWESOME STATISTICS. LIMITLESS POSSIBILITIES.

by Peter C. Pang

Here are some awesome statistics that few people realize when they think about China. We all know there are more than 1.3 billion people in China (another billion or so in India). But few realize that as of May 2012, according to mobithinking.com, China surpassed the 1 billion mark in mobile subscribers, the 400 million mark in mobile internet users, and the 150 million mark for 3G phone users. There are over 513 million broadband internet users, accounting for only 38% of the population. By comparison, the US has only 245 million internet users, with a penetration rate of nearly 78%. There are over 140,000 internet cafes/bars in China, with a total of over 14 million computers each logging over 11 hours of continuous usage per day, and the majority of the revenue from all these internet cafes comes from internet gaming. On average, China's internet users spend 18.3 hours per week on internet access, or 2.6 hours per day, according to China Internet Watch.

While gambling is still strictly prohibited on Mainland China (except for SAR Macau), according to the Center for China Lottery Studies in Beijing, in 2010 nearly US\$15 billion in underground gambling passed through the hands of avid gamblers, and roughly half of that involved using the internet or mobile devices in one form or another. This speaks volumes about the future of legal and regulated online gambling in China, as the demand is there and the potential for a successful launch is every online operator's dream. This dream, however, has to be tempered with the fact that changes in regulations to allow for online gaming in China will not happen overnight and everything in China is a step-by-step approach. However, this does not chill the prospect that nearly half a billion eager internet users can someday access an online platform to satisfy their gaming appetite, as not every Chinese Mainlander can make the trek to Macau regularly. The potential is limitless.

With the anticipated changing of the guards at the end of this year in senior Chinese government positions, including the Presidency, industry observers should expect to see shortly after the new administration is settled in place some loosening of rules governing high stakes lotteries, play for tokens, horse racing and various forms of bingo. Most would agree that the current games legally available in China fall short of gambling, but they are nevertheless still wildly successful. This is just the tip of the iceberg in terms of the gaming

market potential in China. While the Central Government in Beijing (Ministry of Finance) is cognizant of what gaming revenues can bring, it is not quite ready to open the doors to online gaming or even land-based casinos on the Mainland – at least not yet. But that day will come. In the interim, gaming operators should position themselves (some already have) by participating in various forms of high stakes online lottery with a local partner as a precursor to full-fledged gambling.

This is the “Chinese way” of testing the integrity of the foreign party’s online systems and their commitment to this sector. All industry observers will agree that when online gambling licenses are granted, the successful candidate will emerge from the current roster of participants of online lotteries with a proven platform and well-connected local partners. Those with ambitions to cash in on the world’s largest gambling market must begin by building a record of trust and integrity with the Chinese government now – as it is not a matter of if, but when, the market will open to operators. Those that wait until the public announcement will find it will be too little and too late. China rewards early birds.

Peter Pang is Of Counsel in Dickinson Wright’s Washington, D.C., office. He can be reached at 202.659.6933 or ppang@dickinsonwright.com. Mr. Pang has over a decade of experience advising the internet gaming and land-based gaming industry in the Asian market. Before joining Dickinson Wright, he was the legal adviser, chief lobbyist and general manager for bwin Digital Interactive Entertainment AG (before its 2011 merger with PartyGaming) in China for four years and was principally responsible for advising bwin on the Chinese regulatory environment for online gaming, as well as its overall investment strategy for entry into the Chinese market. Before Mr. Pang’s assignment with bwin, he represented several other lottery and gaming companies in China, including mobile gaming developer Pixiem, developer of the popular ESPN Downtown Dash, and Win Win Gaming, Inc., where he was principally responsible for obtaining one of the first licenses granted to a Western company for developing and distributing scratch-off lotteries with the Shanghai Welfare Lottery Commission. In his over ten years in the Asian gaming industry, Mr. Pang has first-hand insights on working with the Chinese Ministry of Sports (Sports Lottery), Ministry of Civil Affairs and Ministry of Finance (Welfare Lottery) and has worked with various provincial lottery centers on regulatory changes and responsible gaming programs. Mr. Pang is fluent in both Cantonese and Mandarin Chinese.