



Pay to play



IT IS COMPANIES SUCH AS SPORTINGBET THAT ARE DRIVING THE DEVELOPMENT OF PREPAYMENT VEHICLES, WHILE RETAILERS ARE PIONEERING THE ACCEPTANCE OF THE CHINA UNIONPAY PAYMENT CARD IN THE UK, AS **GRAHAM BUCK** REPORTS.

Founded by Mark Blandford, who was initially a traditional bookmaker, Sportingbet is a pioneer of online sports betting. Thirteen years after its formation and a decade on from making its stock market debut on AIM, the company has more than 2.5 million registered customers all around the world, who collectively place over one million bets daily on casino, poker, sports matches and virtual games.

Now licensed in Guernsey, the company has developed an international presence. Its one serious setback to growth came five years ago when the US passed an anti-online gambling law. Along with many of its rivals, Sportingbet swiftly disposed of its US sports betting and casino businesses, selling them to a group of private investors for \$1.

Fiona Crisp became the company's treasury consultant three years ago and quickly took responsibility for its payments operation. She points out that sports betting, which accounts for around 70% of the company's revenues, is a 24/7 business. Customers can watch a live match and bet on the outcome as there is always a sporting event taking place somewhere in the world. Around two in three of the sports bets placed are on the final score of soccer matches. The remaining 30% of Sportingbet's income comes from online poker, casino and other games. Much of this revenue is in euros, and the company is particularly active in East European countries such as the Czech Republic and Poland.

"Relatively few customers opt for bank credit, and in a number of countries many of them don't own a credit card," says Crisp. "As we're not allowed to accept cash and don't have a physical presence in these regions we do nearly everything online.

"Many businesses with an online presence offer credit card payment, but little else. Sportingbet provides customers with a variety of card payment options, including prepayment. So they can go into a

shop, buy a prepaid card and use it to bet in the same way that you'd once buy a telephone card to make calls."

Another prepayment option the company accepts for online sports betting is the e-wallet, which is set up on the customer's behalf with a payments service provider to make money transfers online. Customers pay through a provider, such as NETeller or Moneybookers, which in turn passes on payment to Sportingbet.

"E-wallets are used by a significant number of people who enjoy online gaming," says Crisp. "They are popular with customers who prefer not to pass on their personal details to a betting company. There are also those who may wish to keep their gaming activities private from a spouse or partner."

Other prepayment options include Ukash, which enables the customer to pay or send money via the internet using a voucher purchased for cash. So there is no requirement for them to have a bank account or credit card. Ukash is also popular with individuals reluctant to divulge any financial information, or who wish to cap their online spending as the value of the voucher cannot be exceeded.

Telepay is a further option for customers keen to protect their privacy – a payment system accessible by landline or mobile phone. Users again pay cash to purchase a voucher or specific number that can be used for placing bets online.

Customers of Sportingbet's online gaming facilities enter their personal details and pay upfront before they start playing. The amount of personal information required, in addition to basic name and address details, depends on the service they wish to use and the amount they aim to spend. Minimum deposit levels are based on a combination of customer feedback, limits imposed by the payment method being used, normal market practice and the cost of settlement, which may be a set payment per transaction or an overall percentage. Crisp adds that the company uses sophisticated systems both to protect against fraud and for its staff training.





"Unlike the banks, we're a 24/7 operation and our customers can be online at any time – in fact, Saturday evening is typically our busiest period," she says. "So we can't carry out close of day processing regularly, as they do, which was quite a culture shock when I first joined the business."

She believes that with online payment methods and systems changing rapidly, banks are lagging behind developments and have failed to invest in new systems. While caution is understandable – online gaming is a relatively new industry, some legal and regulatory uncertainties persist, and banks need to protect their assets and reputation – banks' current payment options are too restrictive.

So banks are failing to provide their customers with the range of services required for playing online. Methods and systems are changing rapidly.

"Banks close their account at the end of each working day,

but that's not something that we can do as a 24/7 operation. They will probably retort that their clients only want to use either a debit card or a credit card," says Crisp. "Certainly four in five of our customers are probably happy to use those payment methods, but it's the remaining one in five who we need to cater for.

"And customers are looking for something that's immediate. Although you can make a bank wire payment, many people remain distrustful of the internet and are reluctant to divulge their credit card or debit card details online. So new networks will keep springing up, simply because, provided the user has an account somewhere, they are very easy to set up."

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The rise and rise of China UnionPay

IN THE WORLD OF PAYMENT CARDS, THE CHINA UNIONPAY CARD IS A BIG BEAST – AND ONE THAT THE UK BANKS SHOULD DO MORE TO ACKNOWLEDGE, ACCORDING TO SOME RETAILERS.

UnionPay was launched almost a decade ago, in 2002, after the concept had been developed for several years on a unified Chinese bank card network. It secured the approval of the central People's Bank of China (PBOC) and founder members were the Industrial and Commercial Bank of China, the Agricultural Bank of China, the Bank of China and the China Construction Bank. It is the only interbank network in mainland China, linking the ATMs of 14 major banks and many smaller ones. It also offers an electronic funds transfer at point of sale (EFTPOS) network.

UnionPay's growth has been impressive. To date, around 2.5 billion cards have been issued in 21 countries and regions. More than 1.1 billion of those cards have been issued by more than 70 issuers outside mainland China. Since the company began developing its overseas acceptance network in 2004 it has extended to 110 countries and regions in every continent.

However, it has not yet enjoyed the same growth in Britain, which according to estimates is home to a Chinese community of around 500,000 individuals. "We believe some of them already hold UnionPay cards issued by non-British issuers, says a spokesperson for the UnionPay UK office. "UnionPay hasn't licensed any bank in the UK to issue the card yet, although we expect a potential pilot issuance before the end of 2011."

The cards can be used in around 64,000 cash machines in the UK that are members of the LINK system. Since June 2010, UnionPay cards have also been accepted for payments at Selfridges, Harrods and other UK retailers to cater for cardholders visiting Britain from China and South-East Asia. The pace of growth is likely to accelerate ahead of the 2012 London Olympic Games.

"Two major British acquirers, WorldPay [formerly, RBS WorldPay] and HSBC Merchant Services, already participate in the UnionPay scheme and are now offering UnionPay

card acquiring services to merchants," says the UK office. "We are working closely with our acquiring partners to expand UnionPay acceptance coverage in the UK, so as to provide more convenient payment services for our cardholders. We would expect a steady growth in the number of both merchants and terminals throughout this year, and it is our target to cover as many as possible of those merchants who will be frequently visited by tourists in London and the UK when the Olympics takes place."

One well-known fashion retailer expresses surprise that the UK banks have not been more proactive in return. "With all of the big noise surrounding China, it's amazing that they don't all routinely offer a service for processing UnionPay card transactions," says a spokesman. "So many Chinese have a UnionPay card, but only a fairly small proportion are double-badged to include Mastercard or Visa. So we're pushing the banks hard on this issue."

American Express is one bank that appears to recognise the potential of UnionPay. The two have had an agreement in China for several years that enables Amex cards to run on the UnionPay network. Last November they signed a memorandum of understanding to develop co-operation between the two companies within and outside of China.

Relations with Visa seem less cordial, though. A squabble over royalty payments saw Visa announce in June 2010 that it would stop banks using UnionPay's payment system to settle international transactions for double-badged Visa and UnionPay credit cards. Visa argued that it was merely enforcing existing regulations that require global transactions to be processed through the VisaNet system.

UnionPay responded that Visa did not have the right to take such action and that Visa was unjustified in expecting royalties to be paid when double-badged credit cards were used to settle domestic transactions. More than one year on, the dispute appears no nearer resolution.