

**Testimony of Light & Wonder**  
Maryland Senate Budget & Taxation Committee  
Senate Bill 340 Internet Gaming Authorization  
January 29<sup>th</sup>, 2025

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Light & Wonder provides game content and technology to casinos in 500 jurisdictions on six continents around the globe, including Maryland where every casino in the state is our customer. In fact, almost every legal casino in the world is our customer. We are based in Las Vegas, with over 6000 employees on six continents.

The company also provide services to the online casino sector globally, including every legal market in the United States.

This gives us broad access to data and information on both the US and global brick-and-mortar casino and online casino markets.

Our testimony today is informational, we take no position on your decision to authorize online gaming but hope that we can be a useful resource to this body.

**Online Gaming is Already Ubiquitous in Maryland**

- Studies indicate that there is approximately \$6.3 billion of illegal online casino gaming taking place in Maryland today. This data is derived from the American Gaming Association report “Sizing the Illegal Gaming and Unregulated Gaming Markets in the U.S.”, November 2022.

Online casinos are here in the state, and they are here in a big way. Most players have no idea these are not legal games – they look and play similarly to those offered in legal markets.

Most, but not all, of the operators are offshore companies which use Maryland residents as an atm to suck money out of the state, untaxed and with no protections for players. In addition, there are well documented connections between illegal online gaming and money laundering for human trafficking, drug trafficking and organized crime. See attached article, *“Making a Fortune from Illegal Gaming”* [“linked to operators involved in human trafficking, money laundering and cyber slavery compounds.”]

**Online Gaming Produces Significant Tax Revenue**

Today seven states have legal online casino gaming in the United States: New Jersey, Pennsylvania, Michigan, Delaware, Rhode Island, Connecticut, and West Virginia. This year, those states will see about \$8 billion in gross gaming revenue, and over \$2 billion in tax revenue.

Some land-based casinos have raised concerns about the impact of online casino gaming on brick-and-mortar casino revenues. They argue that net tax revenue must take into account and ameliorate any impact of mobile gaming on land-based operations. The legislature should review these concerns and consider all available data from the experience of the existing iGaming states, three of which border Maryland.

#### iGaming Revenue Review

	Nov. iGaming Revenue (\$m)	TTM iGaming Revenue (\$m)	TTM Rev./Adult (\$)	TTM Tax Revenue (\$m)
NJ	214	2,340	337	409
DE	6.2	56	72	28
PA	200.5	2,123	209	927
WV	24.1	235	165	35
MI	226	2,379	303	604
CT	48.9	528	186	81
Total	\$719.7m	\$7.660bn	\$212 (avg.)	\$2.084bn

Note that the revenue from online casino gaming outstrips that of sports betting revenue. Sports betting will produce 13 billion dollars of gross revenue this year – from 36 states, while iGaming will produce 8 billion from 7 states.

A study by VIXIO Regulatory Intelligence projects \$1 billion in gross online casino revenue for Maryland, equating to at least \$177 million in tax revenue. That assumes a 17.5% tax rate, the same as New Jersey. The report notes that these are conservative numbers. A copy of this report is appended to this testimony.

#### **Enforcement is Necessary to Combat a Pervasive Illegal Market**

We commend the leadership of the Maryland Lottery & Gaming Commission and the Attorney General who have taken a firm approach in combatting illegal online casinos, issuing cease and desist orders to offshore companies to protect Maryland residents.

A particular threat is the explosive growth of so called “sweepstakes casinos” and sportsbooks which purport to be legal contests but are in fact offering online gambling without a license. These are not mom and pop shops. One company alone spent \$400 million marketing in the us last year and offers the ability to pay for gambling with a Mastercard. The legislature did not authorize this activity, but it is happening today throughout the state. Attached, for example, is a website pulled up this week listing “legal” online casinos in Maryland.

We urge the legislature to support the Gaming Commission and Attorney General in their efforts to fight illegal online gambling. Specifically, we urge you to consider a provision which would ban anyone found operating in illegal markets or offering sweepstakes games in violation of the states gaming laws, from receiving a gaming license now or in the future. This would be a strong deterrent to those who peddle sweepstakes casinos or operate in illegal markets.

For more information on this issue, see the attached Washington Post story on sweepstakes casinos.

Whatever position the legislature might take regarding the authorization of online casino gaming, we can all agree on strong enforcement against the tidal wave of illegal online casinos inundating the state.

END

# U.S. iGaming State Tax Revenue Potential

## August 2024



VIXIO

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WONDER™

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### About This Report

This report, produced on behalf of Light & Wonder, provides independent forecasts for the potential tax revenue that state governments could conservatively expect to earn if internet gaming, or iGaming, were legal in each state that currently has either legal land-based casino gaming or online sports betting, or both. It is an update to an initial report produced by Vixio and published by Light & Wonder in 2022, reflecting more recent revenue figures reported by state governments as well as alternative assumptions regarding the tax rates that future iGaming states might seek to apply.

iGaming is defined as the offering of virtual casino-style games, including slots and table games such as blackjack and roulette, made available via digital platforms through players' own devices. It does not include online or mobile sports betting, which involves wagers on real-life sporting events. State tax revenue forecasts included in this report therefore reflect iGaming only, and do not include additional tax revenue that could be derived from mobile sports betting.

## Notable Numbers

### \$66.66bn

Total size of the U.S. commercial gaming industry, including land-based casinos, iGaming and sports betting, by gross revenue in 2023, according to the American Gaming Association.

### \$47.86bn

Potential size of the U.S. iGaming market by annual revenue if iGaming were legalized in all 44 states that currently have legal land-based commercial or tribal casinos or mobile sports betting.

### \$1.61bn

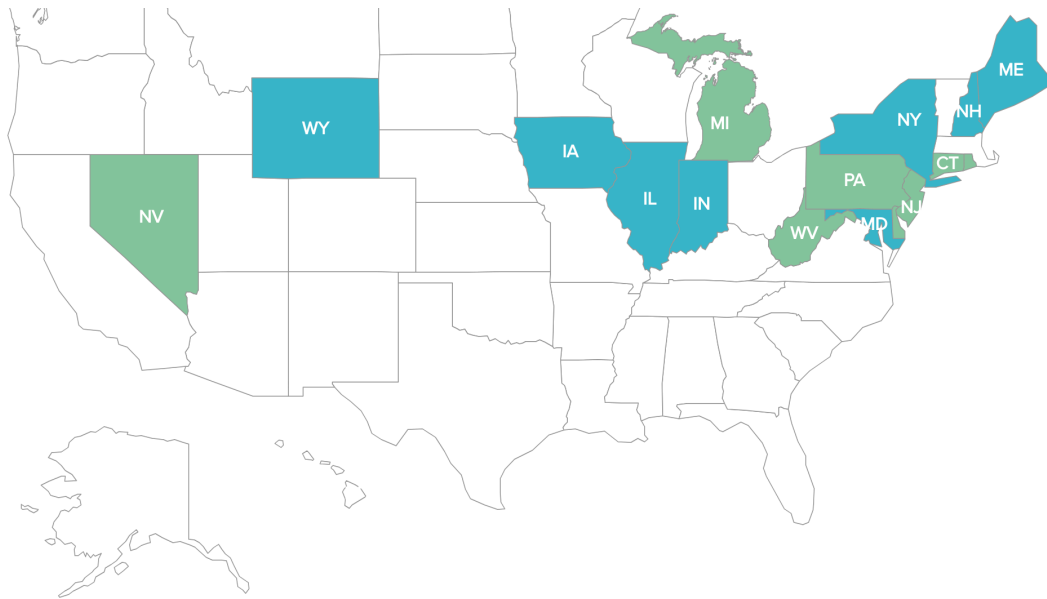
Direct gaming tax revenue generated by legal iGaming for state and tribal governments in 2023 in the six states where online casino games were legal.

### \$14.98bn

Estimated annual tax revenue that could be generated by legal iGaming if legalized in all 44 states with legal land-based casinos or mobile sports betting, assuming a comparable effective tax rate to the state of Pennsylvania.



## U.S. iGaming Market Map



● iGaming Authorized ● Considered Legislation 2023/24

## U.S. iGaming Tax Revenue Potential

State and local governments could conservatively generate approximately **\$9bn to \$15bn** in annual tax revenue from legal internet gaming, or iGaming, if iGaming were permitted in each of the states that presently allows land-based casino gaming or mobile sports betting.

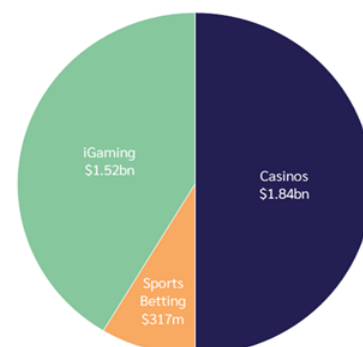
iGaming involves the operation of casino-style games, including slots, blackjack and roulette, offered via digital platforms through players' own devices. It is distinct from sports betting, which involves betting on real-world sporting events.

At present, legal iGaming is restricted to just seven states: Connecticut, Delaware, Michigan, New Jersey, Rhode Island, Pennsylvania and West Virginia. Nevada permits online poker as a limited form of iGaming, but not the casino-style games that are also available in the other states. Online casinos in the six states with fully legal iGaming markets at the end of 2023 generated total annual tax revenue of

approximately \$1.61bn, according to the American Gaming Association. The vast majority was derived from the three largest regulated iGaming markets: Michigan, New Jersey and Pennsylvania.

By comparison, legal sports betting generated approximately \$2.06bn in tax revenue in 2023, but that was from a much higher total of 29 states where commercial sports wagering was taxed and regulated.

**NJ, PA, MI: Commercial Gaming Tax Revenue Split - 2023**

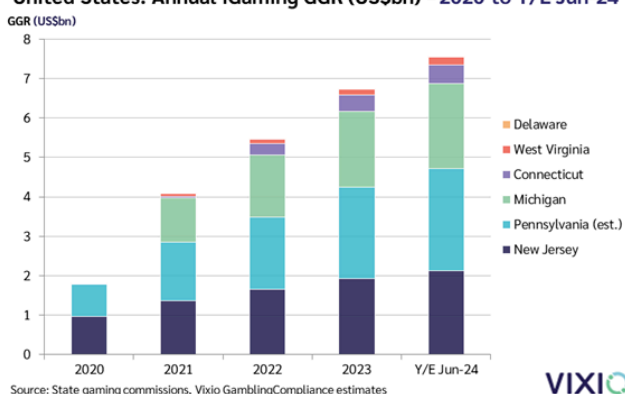


Source: AGA, Vixio Gambling Compliance estimates

VIXIO

Internet gaming was first launched in New Jersey and Delaware in late 2013. Pennsylvania's iGaming market launched six years later, followed by West Virginia in 2020, Michigan and Connecticut in 2021, and Rhode Island in early 2024. Legislation to authorize iGaming has recently been introduced for consideration in several states, including Illinois, Maryland and New York. However, state legislatures have generally proven to be more reluctant to authorize iGaming compared to sports wagering, which has expanded rapidly across the United States since a landmark U.S. Supreme Court ruling in May 2018.

**United States: Annual iGaming GGR (US\$bn) - 2020 to Y/E Jun-24**



The projected iGaming tax revenues for state governments ranging from \$8.96bn to \$14.98bn assumes that each state with legal land-based commercial casinos, so-called Class III tribal gaming or mobile sports betting would generate average revenue per adult in line with the five established iGaming markets of Connecticut, Michigan, New Jersey, Pennsylvania and West Virginia.

As outlined in the Methodology section of this report, this revenue forecast is likely to be conservative since it reflects the average revenue per adult as reported across the five states for the twelve-month period through June 2024, and it does not account for continued future growth in iGaming revenue in those states. Further, average revenue per adult varies materially across the five established states, with the larger markets of Michigan, New Jersey and Pennsylvania generally producing greater revenue per capita, particularly as compared to less populous West Virginia. It is likely that larger, wealthier states that may authorize iGaming in the future would

similarly over-perform compared to the blended average revenue per adult figure used for the purposes of this report.

For the 37 states, with the exception of Nevada, that have yet to legalize iGaming, it is assumed that state governments would choose to tax iGaming at an equivalent rate to one of the three largest established iGaming markets.

New Jersey taxes iGaming revenue at a headline effective rate of 17.5 percent. In Michigan, a graduated rate of 20-28 percent applies depending on revenue thresholds, with operators paying an overall effective tax of 25 percent on their revenue in 2023. iGaming revenue in Pennsylvania is taxed at headline rates of 54 percent for slot-style games and 16 percent for interactive table games. Accounting for certain deductions permissible under Pennsylvania regulations, the state's iGaming operators were estimated to pay an effective tax of around 33 percent of total gross revenue for 2023.

Ultimately, the policymakers of each state would determine their state's specific tax rate for iGaming based on local public policy factors that include the current gaming tax rates paid by incumbent land-based casinos or sports betting operators, state budgetary needs and other matters. The tax rates for Michigan, New Jersey and Pennsylvania were used for this report, however, because each of the three states' iGaming markets have proven to be successful from a revenue generation perspective to the extent that all three are among the largest regulated markets for iGaming globally.

It should be noted that the forecasted tax revenue for each state reflects an iGaming market that has reached a point of maturity, potentially in the second or third year of full operations, or later. Still, past precedent from Michigan demonstrates that a state's regulated iGaming market could also quickly ramp up to a point of relative maturity and come to generate significant tax dollars within just a few months if accompanied by suitable marketing and product investment on the part of operators, including through the promotion of iGaming offerings to sports bettors.

## U.S. iGaming Tax Forecasts - 2024

	Adult Population (m)	iGaming GGR Potential (US\$m)	iGaming Tax Revenue Potential - NJ Tax Rate* (US\$m)	iGaming Tax Revenue Potential - MI Tax Rate* (US\$m)	iGaming Tax Revenue Potential - PA Tax Rate* (US\$m)
Arizona	5.78	1,237	216.5	309.3	408.2
Arkansas	2.33	499.3	87.4	124.8	164.8
California	30.58	6,550	1,146	1,637	2,161
Colorado	4.56	976.3	171	244.1	322.2
Connecticut**	2.84	680	122	122	122
Delaware**	0.78	51	26	26	26
DC	0.58	124.9	21.9	31.2	41.2
Florida	17.48	3,745	655.3	936.2	1,236
Idaho	1.38	294.7	51.6	73.7	97.3
Illinois	9.81	2,101	367.7	525.3	693.4
Indiana	5.19	1,111	194.5	277.8	366.8
Iowa	2.44	522.2	91.4	130.6	172.3
Kansas	2.22	474.9	83.1	118.7	156.7
Kentucky	3.48	746.1	130.6	186.5	246.2
Louisiana	3.56	763.4	133.6	190.9	251.9
Maine	1.10	236	41.3	59	77.9
Maryland	4.72	1,011	177	252.9	333.8
Massachusetts	5.55	1,189	208.1	297.3	392.5
Michigan**	7.84	2,390	595	595	595
Minnesota	4.36	933.1	163.3	233.3	307.9
Mississippi	2.27	487	85.3	121.8	160.7
Missouri	4.78	1,024	179.2	256	337.9
Montana	0.86	182.3	31.9	45.6	60.1
Nebraska	1.46	313.3	54.8	78.3	103.4
Nevada***	2.44	522.8	35	35	35
New Hampshire	1.11	238.4	41.7	59.6	78.7
New Jersey**	6.95	2,301	400	400	400
New Mexico	1.64	350	61.2	87.5	115.5

New York	15.35	3,288	575.3	821.9	1,085
North Carolina	8.29	1,777	310.9	444.2	586.3
North Dakota	0.58	125	21.9	31.3	41.3
Ohio	9.12	1,954	342	488.6	645
Oklahoma	3.03	648.4	113.5	162.1	214
Oregon	3.38	724.2	126.7	181	239
Pennsylvania**	10.16	2,801	930	930	930
Rhode Island	0.86	52	25	25	25
South Dakota	0.67	144.4	25.3	36.1	47.7
Tennessee	5.37	1,151	201.4	287.8	379.8
Vermont	0.52	112	19.7	28.1	37.1
Virginia	6.72	1,440	252.1	360.1	475.3
Washington	6.03	1,291	226	322.8	426.1
West Virginia**	1.43	218	33	33	33
Wisconsin	4.57	979.8	171.5	244.9	323.3
Wyoming	0.45	96.2	16.8	24.1	31.8
<b>TOTAL</b>	<b>210.6m</b>	<b>\$47.86bn</b>	<b>\$8.96bn</b>	<b>\$11.88bn</b>	<b>\$14.98bn</b>

\*NJ tax rate of 17.5% of reported GGR from iGaming. MI tax rate of 25% of GGR based on 2023 tax revenue derived from reported GGR. PA tax rate of 33% based on reported tax revenue derived from Vixio's estimated gross iGaming revenue of \$2.26bn for 2023.

\*\*Existing iGaming states reflect Vixio forecasts for 2024 instead of projected revenues based on average revenue per adult. Tax revenue forecasts for established iGaming markets also apply the actual or estimated effective tax rates in each state. For RI, Vixio's forecasted revenue for 2027 is used due to the immaturity of the market.

\*\*\*Nevada tax revenue total assumes application of 6.75% tax rate as applied to all forms of gaming in the state, including interactive gaming (currently limited under state regulations to poker games).

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## Methodology

Internet gaming tax revenue forecasts for all 37 states, beyond the seven established iGaming states of Connecticut, Delaware, Michigan, New Jersey, Rhode Island, Pennsylvania and West Virginia, that have either existing land-based commercial or tribal (Class III) casino industries, or legal mobile sports betting operations, were arrived at first by estimating the iGaming revenue potential for each state.

This was achieved by applying the average trailing 12-month (TTM) iGaming gross revenue per adult from Connecticut, Michigan, New Jersey, Pennsylvania and West Virginia to the equivalent adult population of each potential iGaming state. Official revenue statistics reported by state regulatory agencies in the five iGaming states were used to calculate TTM gross revenue for the 12-month period ending June 30, 2024, while U.S. Census Bureau data for 2020 was used to total the number of adults in each state. The TTM average revenue per adult from the five establishing iGaming states was \$214.2 reflecting significant variances between New Jersey (\$306 per adult) and West Virginia (\$134), with Connecticut (\$167) Michigan (\$272) and Pennsylvania (\$192) in the middle. Notably, it is likely that Pennsylvania's gross revenue per adult figure was materially higher than the \$192 derived from official revenue figures reported by the Pennsylvania Gaming Control Board, which reflect net internet gaming revenues following the deduction of bonuses and other promotions. For the purposes of arriving at an average revenue per adult figure across existing iGaming states, Delaware was discounted as it materially underperforms other iGaming states from a revenue perspective (at just \$41 per adult), whereas Rhode Island was not included as its iGaming market is less than 12 months old, having launched in March 2024..

To calculate iGaming revenue forecasts for each of the 37 potential states, the \$214.2 average revenue

per adult was applied to the total number of adults aged over 18 in each state, as reported by the U.S. Census Bureau based on the 2020 United States Census.

For established iGaming states, Vixio's forecasted revenue totals for 2024, based on current market performance, were used. In the case of Rhode Island, revenue and projected tax revenue was calculated based on Vixio's forecasts for the third full-year of the state's iGaming market.

In order to forecast potential iGaming tax revenue for each state based on its projected revenue, three separate tax rates were applied based on the estimated effective rates applied to iGaming gross revenue in New Jersey, Michigan and Pennsylvania in 2023. As noted elsewhere in this report, states would ultimately have to make their own policy determinations as to the specific tax rate or rates they would seek to apply to iGaming revenue, including whether to apply taxation on gross basis or a net basis that allows for deduction of certain promotional expenses. For existing iGaming states, the applicable current iGaming tax rates were used to forecast for tax revenue for the calendar year of 2024. In Nevada, the state's 6.75 percent headline gaming tax rate was used, since that rate has historically been applied to all forms of gaming, including interactive gaming as defined under Nevada's gaming statutes.

Applying the tax rates of 17.5 percent (equivalent to New Jersey), 25 percent (Michigan) and 33 percent (Pennsylvania) to the forecasted potential iGaming revenue for each of the 37 potential iGaming states results in potential total tax revenue of \$8.96bn, \$11.88bn and \$14.98bn under each of those three tax policy scenarios.



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## About Vixio GamblingCompliance

Vixio is a Regulatory Technology (RegTech) platform created to remove the risk of non-compliance in the gambling and payments industries and is the leading provider of independent legal, regulatory and business intelligence to the global gaming industry. The Vixio GamblingCompliance product offers a suite of dynamic interactive tools to allow industry stakeholders to instantly analyse and compare regulatory compliance requirements and market data across more than 180 global jurisdictions.

Find out more at [vixio.com/gamblingcompliance](https://vixio.com/gamblingcompliance).

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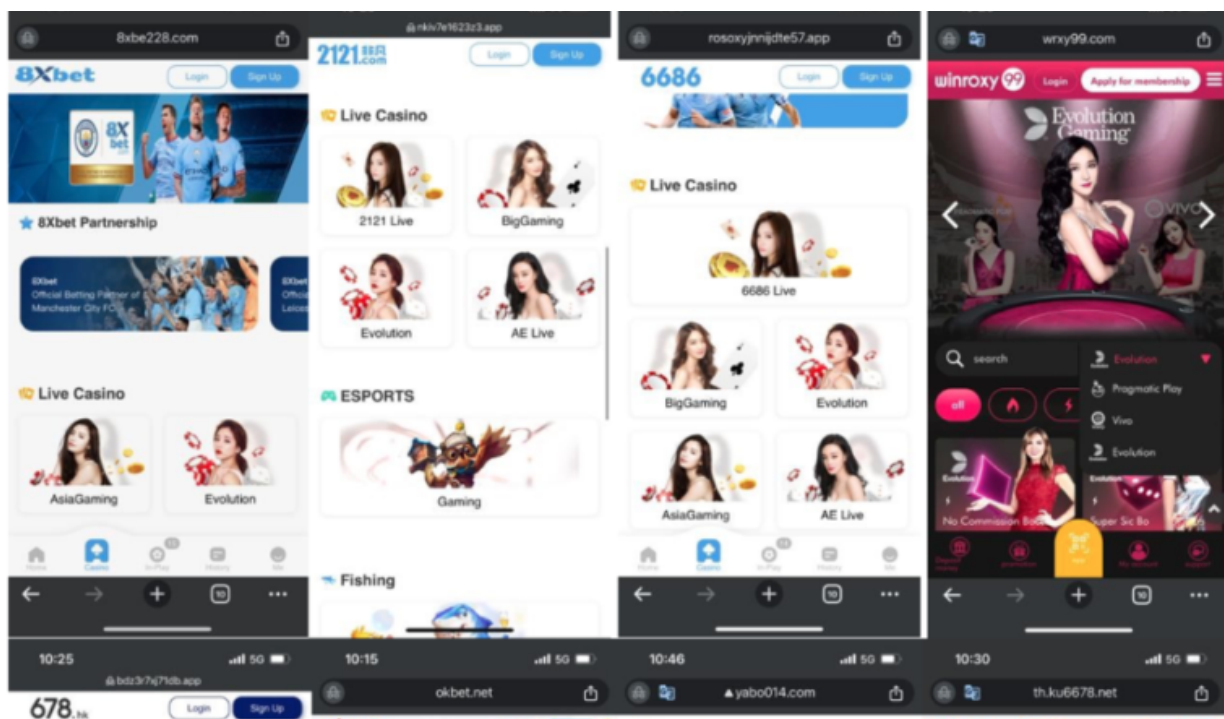
## Disclaimer

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#### Features

2 December, 2024

## Making a fortune from illegal gambling

The Norwegian sovereign wealth fund has made several hundred million dollars on shares in the Swedish gambling technology provider Evolution. The company provides casino games to Asian markets where betting is illegal and linked to operators involved in human trafficking, money laundering and cyber slavery compounds.

*By Philippe Auclair and Lars Johnsen*

Early in 2018 Norwegian political circles debated the sovereign wealth fund's investment in companies involved in gambling. The sovereign wealth fund – Norges Bank Investment Management (NBIM) – is a division of the country's central bank, Norges Bank, acting on behalf of the Department of Finance to invest and manage the country's huge income from the petroleum industry. In local parlance, the NBIM is simply known as "the oil fund".

As 2017 turned into 2018, the NBIM's investment portfolio was valued at 8 488 billion Norwegian kroner – 768 billion US dollars using the exchange rate of the time. The total value of NBIM today is [19 700 billion kroner](#) – 1 790 billion dollars – and rising every split second.

The backdrop of the debate set in motion by Labour and Christian People's Party (CPP) members of the Committee for Culture and Families was foreign betting companies' targeting potential Norwegian customers. The state-owned Norsk

Tipping has a monopoly on betting in the country. Other brands are banned from operating and banned from advertising. To lure Norwegian punters the ad ban is easily circumvented by advertising on television channels broadcasting from abroad or on websites hosted beyond Norway's borders.

Among other betting-related requests for policy changes, Labour and the CPP wanted the Conservative-led coalition government to explore the possibilities of NBIM ending all its investment in the gaming and gambling industry.

At the time, the NBIM's investment into gaming and gambling companies totaled 26 billion kroner – about 3,25 billion dollars. One of these companies was the Swedish gambling technology provider Evolution Gaming. [In 2017 NBIM owned](#) 0.19 percent of the company, valued at 43 million Norwegian kroner, roughly 3,9 million dollars.

In the spring of 2018 the Norwegian Parliament passed several bills aimed at restricting Norwegians' access to foreign betting operators and safeguarding Norsk Tipping's betting monopoly into law. Despite the requests from the opposition in parliament, a ban on NBIM's investment in gambling was not on the table. NBIM thus increased its stake in Evolution to 1.48 percent of the company. This share was valued at 265 million kroner as of 31 December 2018.

Today, NBIM owns 49 billion kroner worth of shares in betting-related ventures. [It owns 2.3 percent of Evolution](#), valued at 5.4 billion kroner or 507 million dollars.

Despite no ban on investing in gambling companies, NBIM is bound by strict guidelines.

- “Companies may be excluded or placed under observation if there is an unacceptable risk that the company contributes to or is responsible for
  - “serious or systematic human rights violations”
  - gross corruption or other serious financial crime
  - “other particularly serious violations of fundamental ethical norms”

Yet its investment in Evolution continues, a company whose links with illegal Asian-facing websites makes it complicit in all of the above according to documents in Josimar's possession.



*Nicolai Tangen, CEO of Norges Bank Investment Management (NBIM)*

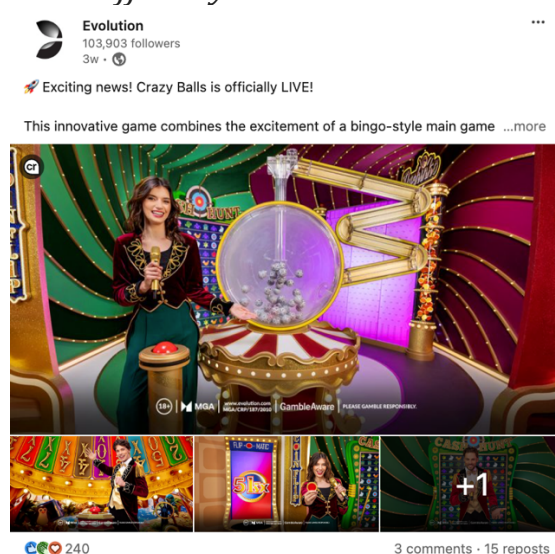
## Meet EVO

*“Our EVolutioneers in Portugal recently enjoyed an after-work gathering with an incredible view of Lisbon’s beautiful autumn scenery. 🍁 It was a wonderful opportunity to strengthen our team spirit and appreciate the season together.”*

*“Recently, Evolution hosted inspiring Female Empowerment Events across some of our studios, highlighting our commitment to a workforce with at least 50% female representation.” ✨*

Evolution’s [LinkedIn page](#) is full of posts showing happy employees – the EVolutioneers – enjoying social and professional events at the company’s studios scattered around the world. And, not least, posts celebrating their latest gambling products.

*“Excitng news! Crazy Balls is officially LIVE!”*



Evolution offers digital versions of the slot machine, classic casino games such as roulette and black jack, and game shows through a live broadcast, as if the players were part of a TV show.

According to the company's website, Evolution's vision is to be "the world leading provider of online casino", and boasts of a culture where they "thrive on pushing limits and doing what hasn't been done. We believe in a culture of openness, respect, creativity, integrity, credibility and care for others, regardless if it is in relation to our customers, external stakeholders, surrounding communities or fellow EVolutioneers."

The company was founded in 2006, headquartered in Malta, with the parent company based in Stockholm. Evolution went public in 2015, is listed on the Stockholm Stock Exchange, and is today the market leader in business-to-business online casino games. It leases its games to betting companies in return for a commission generated by the gambling operator.

Punters do not log on to Evolution's website to play games, but on other gambling sites offering Evolution games. Evolution's commission is usually 10 to 12 percent. Gamblers log on to a gambling site they have an account with; if they lose 100 dollars at the Evolution blackjack table, the Swedish company will rake in between 10 and 12 dollars.

Evolution lists some of the international gambling market's biggest brands as partners.

Their website does not list, however, the partners and clients in countries where gambling is illegal, partners and clients involved in human rights violations, corruption and crime. Our investigation reveals, with statements from employees and executives, that Evolution is fully aware of the kind of actors they team up with in Asia – ventures contributing to [Evolution's 2023 total operating revenue of 1,8 billion euro and 1 billion euro in profit](#).

## **The Asian Mystery**

The first, obvious question when looking at Evolution's [latest financial report](#) is: "how is it possible that a gaming services provider would derive most of its revenue from a region where online gambling is illegal?"

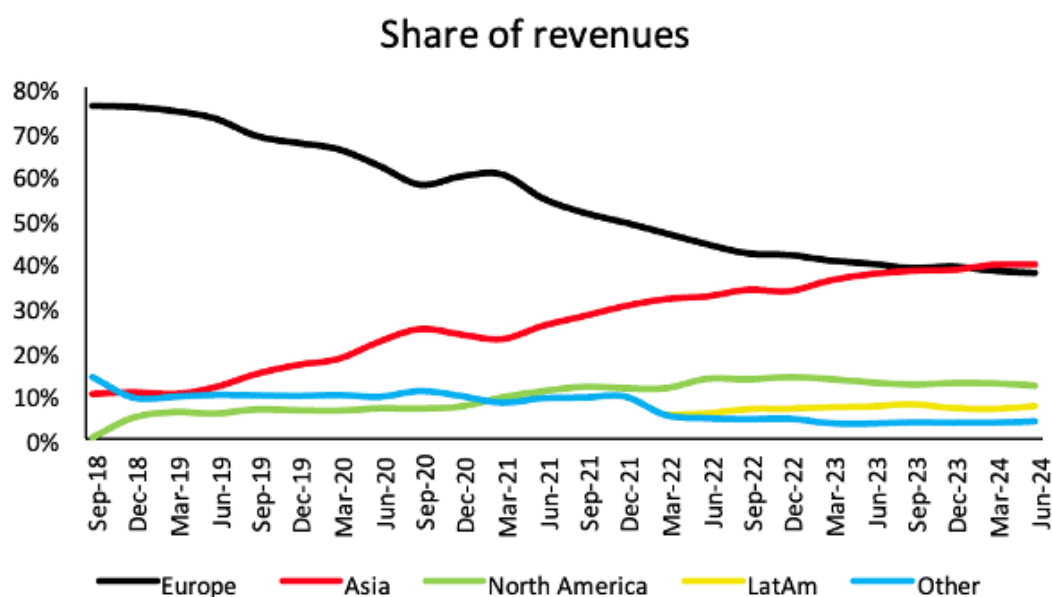


Yet it is Asia which contributes the largest amount of money to Evolution's balance sheet: a total of 782.2 million euro over the last year or 39 percent of their global revenue.

*Net revenues per geographical region*

Group, EUR million	Jul-Sep 2023	Oct-Dec 2023	Jan-Mar 2024	Apr-Jun 2024	Jul-Sep 2024
Europe	175.1	185.8	191.0	191.3	194.9
Asia	172.1	181.7	197.6	200.7	202.2
North America	54.7	59.1	62.1	60.2	64.8
LatAm	34.4	32.1	33.0	36.6	37.4
Other	16.3	16.6	17.8	19.6	20.2
Net revenues	452.6	475.3	501.5	508.4	519.4
Share of regulated markets	40%	40%	39%	39%	39%
Revenue, regulated markets	179.9	189.6	195.4	199.4	204.4

Moreover, whilst Europe was by far Evolution's biggest market six years ago, and Asia only contributed a tenth of their income, the roles have been reversed in spectacular fashion since. Asia now is the main driver of Evolution's business.



But who are those Asian clients? What is true is that Evolution Gaming products are featured on virtually every single of the dozens and dozens of illegal Asian-facing operator Josimar has been looking into for three years now, including the brands linked to the [‘Vigorish Viper’](#) baowang (\*) which was identified and exposed by US cyber security firm Infoblox.

The names will be familiar to our readers, such as 8Xbet (partner of Manchester City), BK8 (Burnley), BJ88 (Bournemouth), DEBET (Wolves) FUN88 (Newcastle United), Yabo (the mothership of the Vigorish Viper galaxy) and dozens of others.

When Yabo was presented as Manchester United's betting partner, the "signing ceremony" featured United legends Bryan Robson, Wes Brown and Andy Cole, as well as Yabo 'CEO' Dean Hawkes. The person posing as CEO Dean Hawkes was in fact not Dean Hawkes or CEO of Yabo, but a male model hired to play the part of CEO. It's close to being standard business practice for Asian gambling partners of European football clubs to hire models to pose as the gambling companies' representatives in such "signing ceremonies" – in order to hide the true identities of CEO and owners.



Every single of these operators is illegal, according to [the definition of the Macolin Convention](#), as all of them target players in jurisdictions where they are not just unlicensed (\*), and considered to be involved in a criminal activity.

## GAMING PROVIDERS PARTNERSHIP

All Slots Sportbooks Casino

JILI

SAI

AMBER

Microgaming

PRAGMATIC CASINO

PRAGMATIC PLAY

Spadegaming

1x2

3P

Evolution

Red

W

SABA SPORTS

bj88

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狂喜中心

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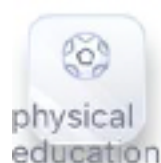
Withdraw  
money



discount



Sign in



physical  
education



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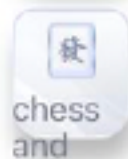
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亚星真人



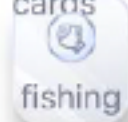
chess  
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fishing



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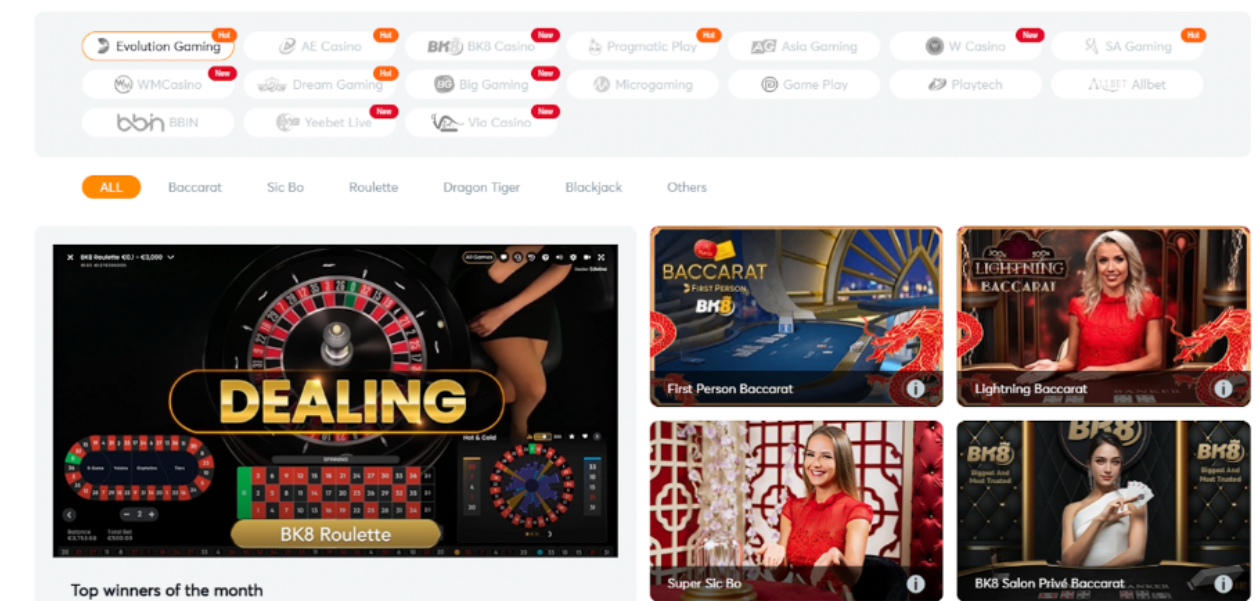
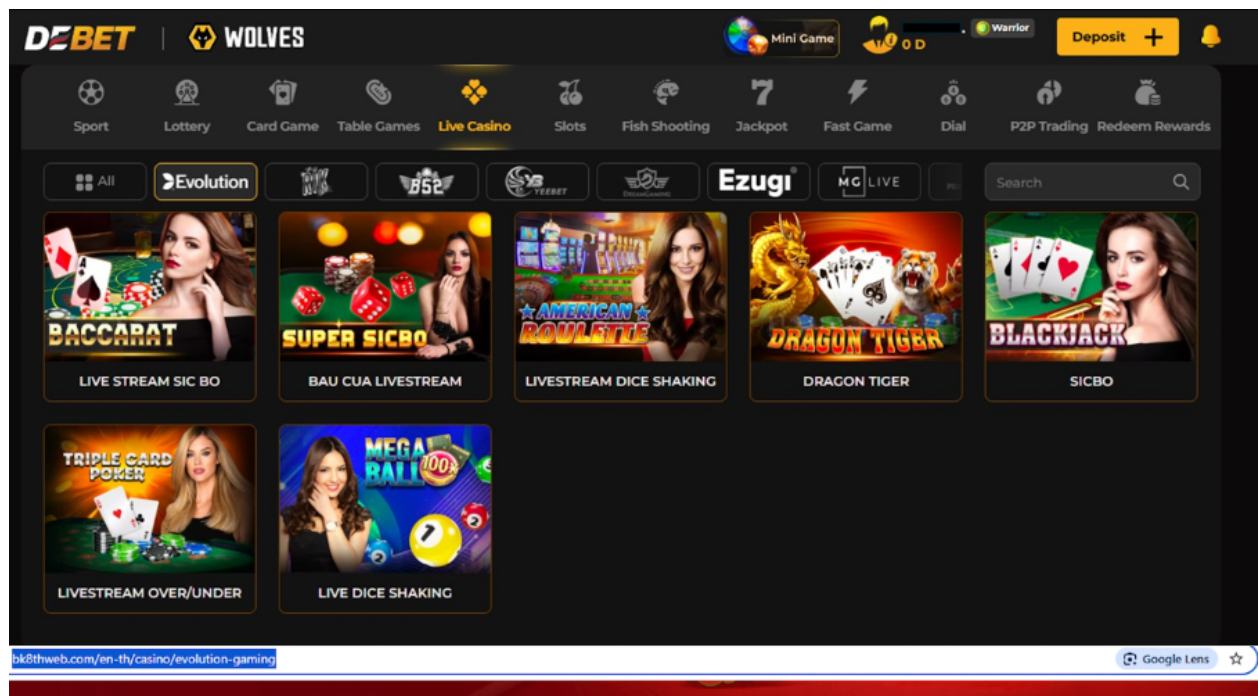


APP



mine





The question then becomes: how do Evolution's products end up on those illegal Asian-facing websites? Are they aware of the links between organised crime and these operators who make billions with their games and therefore contribute hundreds of millions of euro to Evolution's revenue?

### Human trafficking and cyber slavery

There are multiple links between Evolution and brands operating from the cyber slavery compounds which have proliferated in Cambodia and Myanmar. These

compounds, where an estimated 200 000 to 300 000 people are forced to work in appalling conditions, are rife with sexual violence, torture and even murder, [as evidenced by this report](#) published by the United Nations Office on Drugs and Crime. ‘Employees’ who have been lured by recruitment ads posted on social media and messaging services, promising well-paid, secure jobs abroad, are coerced into criminal activities which include scamming, fraud, [pig-butcher](#)ing, money-laundering and illegal gambling.

Josimar has revealed how at least three of the Asian-facing, illegal online gambling operators who sponsor famous football teams, in the Premier League in particular, have direct links with some of the most notorious cyber slavery compounds in the region.

All of them are clients of Evolution.

[We first looked at 8Xbet](#), betting partner of Manchester City, Leicester City, Ipswich Town, Bournemouth and Chelsea, and established that the recruitment agency they had been using to find staff, Great Wall Corporation (of which 8Xbet appears to have been the sole client), was operating from Bavet, a Cambodian town situated near the Vietnamese border, known to be a major hub of cyber slavery in the region. We located Great Wall Corporation’s compound, entirely surrounded with high fences topped by razor wire, and [obtained footage](#) showing security guards capturing and forcibly returning a worker who’d tried to escape.



When we turned our attention to BK8, partner of Valencia and [Aston Villa](#) among others in the recent past, and [Burnley FC](#) in the present, we found out that [the brand was run from the Victory Paradise Resort & Casino in Sihanoukville, Cambodia](#) – the very same Victory Paradise Resort & Casino cyber slavery compound which had been exposed by an [Al Jazeera documentary](#) as one of the most brutal of its kind.



## CREAM

Thai woman

***“I was a lively and confident person before, but now I am paranoid. I even get scared when I see Chinese people.”***

Accepted admin job in casino, but trafficked to compound on outskirts of Sihanoukville, then says she was sold to **Victory Paradise Resort and Casino.**

AFC Bournemouth’s shirt sponsor BJ88 is [linked to the Moc Bai compound](#), again in Bavet, where one of the ‘employees’ of the Dynasty hotel & casino “call center” [was found beheaded](#) at the complex in April 2023.

### **“Plausible deniability”**

Evolution defends its business practices by stating that their due diligence stops at the first level of aggregation. According to them, whatever action a licensed aggregator does is out of their control. But is it really? Months of detailed cyber



analysis by independent researchers, to which Josimar has had access, supported by DNS assistance from Infoblox Threat Intel, suggest that Evolution Gaming must be aware of illegal activities using their platform.

Evolution's live dealer product is in essence a live broadcast feed. However, there is one big difference to its feed compared to a streaming service such as Netflix. Evolution's broadcast feed requires super-low latency (so that players will not be aware of any delay in the game's response to their commands) and an accurate synchronisation at all times, since it involves a colossal number of simultaneous wagers. Each gaming table is connected to a local PC/server. That local PC/server feeds into the Studio Origin server, which is also known as the "game server." This feed travels across Evolution's Content Delivery Networks (CDNs) to the end user.

The feed can also travel via Clouds, which is a common setup in regulated markets. However, local server capacity is required in markets that are not regulated or where gambling is forbidden. Each wager at an Evolution gaming table is booked against a ledger within the Evolution lobby which is balanced against the player's wallet. This implies that there is a three-way connection between the player, the operator the player uses and Evolution.

### **Proxy servers**

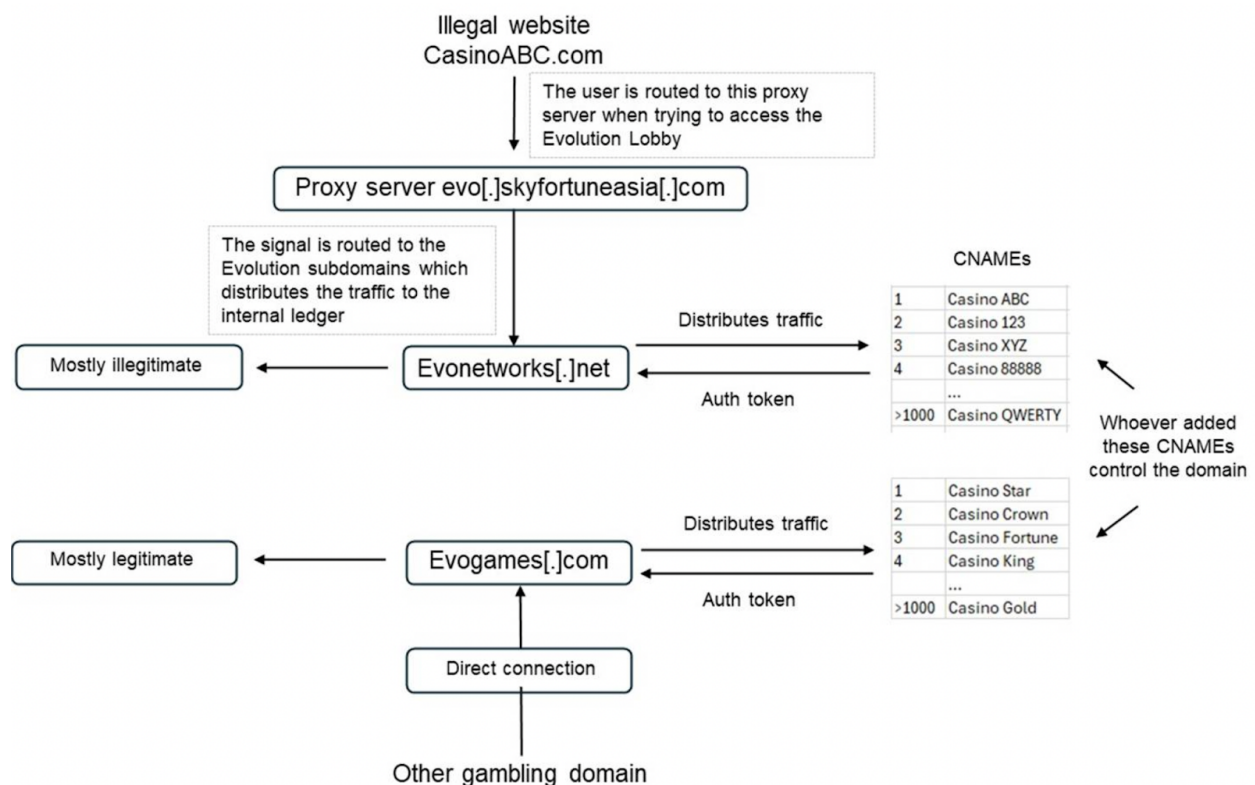
Evolution's strategy consists of direct and indirect sales. The direct sales model is as straightforward from a technical standpoint as it is in theory. A legitimate website is directly connected to an Evolution domain/server, for example `evonetworks[.]com` or `evogames[.]com`. These servers act as gateways which grant or reject access to Evolution games.

The indirect sales model implies a slightly different, more complex setup. According to the data analysis Josimar has had access to, most illegitimate gambling websites appeared to be routed via the `Evonetworks[.]net` domain until September 2024. Moreover, several proxy servers are linked to this domain, set up on behalf of both first level and second level aggregators. Evolution has stated in the past that only the first level aggregators had full access to Evolution APIs. But it looks as if the second level aggregators also share the same level of control. Broadly speaking; legitimate operators typically integrate directly with Evolution via eg `Evogames[.]com`, whereas illegitimate operators get access to Evolution products via a proxy server (on the behalf of an aggregator) which in turn is connected with the Evolution game server.

Let's assume that a player attempts to get access to the Evolution lobby through the illegitimate website `CasinoXYZ`. The first thing that happens is that the player gets routed to a proxy server, say `CasinoXYZ.Evo[.]skyfortuneasia[.]com`.



This proxy server then attempts to collect the fingerprint of the user. This is done by collecting his IP address, geolocation, current language, browser/app, currency and so on. Once this information has been processed, it will be matched against a set of criteria set by Evolution, for example, that the player's location matches the player's deposited currency. The signal is then transferred on to the Evolution domain Evonetworks[.]net and tested against the internal ledger serving as an address book. What essentially happens is that the signal from CasinoXYZ.Evo[.]skyfortuneasia[.]com will be matched against a similar entry in the ledger. The entries in the ledger are referred to as CNAMEs. If there is a match, an authentication key will be transmitted back to the player and provide entry to the lobby – at which point things start to get interesting.



*A visualisation of the traffic flow between online casino, player and Evolution Gaming*

The CNAMEs are the individual identification names for every gambling operator with access to Evolution's games, via aggregators or direct integration and are held at Evolution's internal servers. Two scenarios are possible at this point.

Either CNAME entries have been manually added by Evolution, implying that Evolution is well aware of the operator using their products, irrespective of the fact that the operator has gained access to Evolution via first or second level

aggregators; or the CNAMEs have been added by aggregators via Evolution APIs, which would suggest gross negligence from Evolution's standpoint.

The screenshot shows a web browser window with the address bar displaying `bk8thweb.com/opgam/?token=1732271446331&provider=EVO&fu...`. The main content area is black with a white-bordered box containing the text: "Currency restriction" in green, followed by "We cannot offer games in detected currency. Please contact customer support." in white.

On the right side, the browser's developer tools are open, showing the "Elements" and "Console" tabs. The "Search" bar in the developer tools contains the text "evo". The "Console" tab shows a list of resources loaded, including `01_layout.css`, `bootstrap.min.css`, `bootstrap.min.js`, `common.js`, `core.js`, and `en.json`. The `en.json` resource is highlighted, showing its URL as `https://evo.blacksilv.com/player/games/languages/en.json` and its status as "200 OK (from disk cache)".

Below the developer tools, a network log is visible, showing a "GET" request to `https://evo.blacksilv.com/player/games/languages/en.json` with a status of "200 OK (from disk cache)". A red circle is drawn around this entry. Below the network log, the text "strict-origin-when-cross-origin" is visible.

*BK8's CNAME (Evo[.]blacksilv[.]com)*

We have been able to track and identify these CNAME entries. This implies that Evolution has the same level (or, most likely, better) insights into all of its direct and indirect customers, which contradicts their communication about not having that visibility.

Evolution's first line of defence has historically been that they only service licensed aggregators; but the overwhelming majority of Asian-facing second level aggregators lack proper documentation in terms of licensing. The fact that Evolution has full visibility via CNAMEs suggests that the statements regarding proper licensing requirements do not fully have merit.

Evolution's own integration guidebook suggests that it is the former explanation that holds true. CNAME entries and the casino authentication key are provided by Evolution. Moreover, Evolution outlines that they prefer to set up the proxy servers on behalf of a licensee. This is especially interesting since Evolution claims that they are not involved in the integration process of operators that have gained access to Evolution's game suite via second level aggregators.

Name	Description	Mandatory/Optional
casino.key	Casino key for User Authentication service, provided by Evolution.	M
api.token	API Token for User Authentication service, provided by Evolution (UA2 token).	M
hostname	Evolution hostname: hostname(s) of production game launch host(s). Evolution also maintains the whole SSL related process.  Licensee can request to use their hostname and maintain SSL accordingly, however above is preferable.	M

**Source: Evolution Integration APIs**

## US legal woes

Since November 2021 Evolution has been involved in a legal battle in the US state of New Jersey, one of the states where the Swedish company has a license to operate. A report by an unnamed investigative firm provides evidence that Evolution “engaged in unlawful conduct, including knowingly receiving revenue from prohibited jurisdictions”. In the report, eight people – former employees or executives of Evolution, partners of the company and experts with insight into Evolution's practices – supported the investigators' findings that it was indeed possible to play Evolution games in countries where gambling is illegal, and that “Evolution are undeniably aware of the IP addresses by end-users of their games” including “IP addresses from illegal markets”.

The report found that Evolution games could be played in Syria and Iran – countries currently on the US “State Sponsor of Terrorism” list. Evolution even supplied games in Sudan during the 2018-2019 Sudanese revolution when the US Department of Treasury had imposed sanctions on the country. Sudan was removed from the “State Sponsor of Terrorism” list in 2020.

It’s prohibited for US-based companies to do business in these countries. In recorded statements, the former Evolution executives, employees and partners said Evolution was not only fully aware of the fact that you could play Evolution games from Iran, Syria and Sudan, but also that the company guided gambling operators on how to do business there.

One interviewee outlined the strategy and business plan for online gambling in Iran. “Evolution supplies products. This is, you know, unofficial, but they have games for Iran”. “Iran is a big market” and a “good market”. “Evolution knows the Iranian live casino market inside out”.

The investigating firm had no problems depositing money and playing Evolution online casino games from different gambling operators using Iranian IP addresses. Neither did they encounter any trouble withdrawing money after a win.

Syria is a smaller market, but “Evolution has players there”, and the interviewee was “100 percent sure [Syrian president Bashir Al-]Assad’s family is playing Evolution games”.

The people interviewed in the report gave evidence of how Evolution via agents in these countries collected cash making it possible for money to flow directly to Evolution and that this practice “was in fact part of Evolution’s business model” and “go-to-strategy” for “delivering content in these countries”.

The interviewees explained you needed skills, expertise and to “know the agents” when establishing a gambling venture in such countries, and admitted “there really isn’t a country Evolution don’t take bets from”.

Regarding other Asian markets where gambling is strictly forbidden, the interviewees explained plainly how Evolution operates. “They go through aggregators, indirectly providing their content to these markets and are able to offload their responsibilities” and that Evolution “pretends not to know about the content being provided there”.



According to legal briefs in Josimar’s possession, the New York- and New Jersey-based law firm Calcagni & Kanefsky conducted a 10-month investigation into the report’s findings and concluded they were credible. The law firm supported the “report’s bedrock conclusion: that Evolution knowingly allows its games to be played in prohibited countries”. The law firm also came to the conclusion that the statements by the interviewees regarding Evolution’s business practices in illegal markets were “clear evidence of money laundering”.

Calcagni & Kanefsky submitted it to the New Jersey Division of Gaming Enforcement (NJDE), the state’s law enforcement agency on online gaming. When the complaint was submitted, [billions of dollars were wiped off the value of Evolution shares](#).



*Graph of Evolution AB share price, showing 40 percent loss since February 2024*

In February 2024, NJDE confirmed it closed the case against Evolution, as Evolution apparently had made important changes to its business practices since – meaning the NJDG had actually agreed to the report’s findings.

In a legal counter-attack, Evolution took civil action in a New Jersey court to compel Calcagni & Kanefsky to disclose the client’s identity. In May the lawyers replied with a request for a “protection order” for their client to remain anonymous. The court initially denied this, but the decision was reversed upon appeal. The appeals court noted that “after careful and independent examination” it found “the report to be credible”, and that the anonymous client



could be “viewed as a whistleblower seeking protection from the actions of a vindictive adversary”.

Prior to this, in February 2024, Deputy Attorney General for the State of New Jersey Michael J. Golub had issued the following ruling.

The Division believes that Evolution has made the necessary improvements to its compliance department. The Division will continue to review Evolution’s efforts to ensure that its compliance program is working as intended. Evolution shall continuously evaluate and update the list of jurisdictions where their content is offered. As online gaming continues to expand globally, Evolution should evaluate how they want to operate and where they want their content utilized if no local regulatory scheme exists.

But have the ‘necessary improvements’ been made? The evidence unearthed by this investigation suggests this has not been the case, and Golub’s conclusion had made it clear that the matter was “closed” – until it could be open again.

At this time, the Division’s investigation into this matter is closed. The Division reserves the right to investigate the allegations further if additional evidence is discovered.

It’s not just in New Jersey that 2024 has been a year of mounting legal headaches for the Swedish company. Class action lawsuits have been filed on behalf of investors based in several US states – [Oklahoma](#), [New York](#), [California](#) and [Florida](#) – claiming Evolution has defrauded investors regarding the company’s expected growth and its compliance. The investors behind the class actions had bought shares in Evolution from February 2019 to October 2023. They allege Evolution in this period made untrue or misleading statements, failing to address that, as per a February 2022 report by Analyst Alpha Generation Limited, Evolution’s revenue “could be at risk due to future regulatory clampdowns”, and that Evolution had been “exposed to revenues from what we believe to be illegal gambling activities”.

### **A risky business**

A company providing games to unlawful gambling websites exposes itself against a substantial risk of being incriminated in money laundering. Asian organised crime has gained the technical ability to obscure recreational gambling as well as money laundering flows through online gambling platforms. By providing games to such entities, a company that relies on revenue share, indirectly generates revenues for itself on the basis of these illegitimate flows, and becomes a *de facto* accomplice of human traffickers, money-launderers – and worse. For itself – and for its investors, of which Norway’s sovereign fund is one.

Evolution was contacted by Josimar. They didn't respond to our questions. Neither did the NBIM.

*(\*) Some of the brands in question claimed to be licensed in the Philippines through the state regulator PAGCOR. However, these offshore licences, when they were genuine or active (which was very much the exception), have no legal value whatsoever in other jurisdictions. Moreover, President Marcos ordered a ban on all Philippine offshore gaming operators (POGOs) due to their involvement in criminal activities in July of this year.*

*(\*) "Baowang" means "full package". The Yabo baowang offers a full, integrated technological "press and play" suite/infrastructure which can be used by illegal sports betting platforms. Only the brand name changes; the product is exactly the same.*

*(\*) Josimar uses the definition of "illegal sports betting" agreed on by the 41 signatories of the Macolin Convention, which include Norway and the United Kingdom: "Any sports betting activity whose type or operator is not allowed under the applicable law of the jurisdiction where the consumer is located".*