

New Jersey and Britain take steps towards i-poker liquidity

Deal would mark first US state foray into international i-poker

In July 2016, the New Jersey Division of Gaming Enforcement ('NJDGE') announced that it had tentatively struck a deal with the British Gambling Commission to share online poker liquidity. While the deal is in its very earliest stages, this step forward marks the first foray into international online poker for any United States jurisdiction.

New Jersey first legalised online gaming in 2013. Besides legalising within the state, the law allows New Jersey operators to offer online gaming to other jurisdictions with legal gaming. Additionally, the law has a unique provision permitting liquidity with international jurisdictions. Since the legalisation of online gaming in New Jersey, there have been repeated discussions about shared liquidity, but this announcement represents the most progress so far.

The agreement between New Jersey and Britain is essentially an agreement in principle at this point. Finer points such as tax rates, player identity verification, and geolocation are still up in the air. As NJDGE Director Dave Rebeck said, there may be "other things we probably haven't even considered yet."

To start exploring these details, NJDGE sent a letter to the five online poker operators working in both jurisdictions: PokerStars, Betfair, 888 Holdings, GVC Holdings (Partypoker), and Gamesys. The letter seeks their advice on the practicalities and feasibility of shared liquidity. Responses were due on 1 August 2016 but have not yet been made public.

So why did New Jersey take the long trip across the pond instead of looking within US borders? New Jersey, as the largest online poker market in the United States, has been picky about opening up its player pool. Right now, only two other US states - Nevada and Delaware - have legalised online gaming, and those states are already in a shared liquidity agreement. New Jersey and Nevada have tried to introduce shared liquidity before, but failed. In that instance, the states had only one shared online operator, so the deal would have left behind all the others.

Enter Britain, offering 63 million potential new players to add to the current 9 million potential players in New Jersey. Considering that New Jersey is already the largest American market for online poker, the significantly larger and more sophisticated UK pool is clearly the most attractive option. From Britain's perspective, partnering with the largest US market is a great entrance point to future US liquidity arrangements.

As with any burgeoning deal, shared liquidity will not come without its challenges. For example, smaller online operators have expressed concern that this deal may unfairly favour the major operators in the New Jersey market. Smaller companies worry that the larger operators have an advantage in reaching new pools of players. However, it is hard to imagine how a bigger pie does not benefit all operators. Offering online poker to over 70 million potential players between Britain and New

Jersey, rather than just the 9 million in New Jersey, could only provide more market for everyone.

Several industry leaders have noted that the New Jersey law that online poker servers be housed in Atlantic City might present an issue. In reality, this is one hurdle regulators do not have to clear. Shared liquidity only means that players will have access to a larger pool of players - and money - not that they are accessing servers around the world. Therefore, there is no reason for the NJDGE to reform or revisit its server regulations to approve shared liquidity.

Even if the NJDGE concluded that the server location issue applied, there may already be momentum for a change in interpretation of the law. A referendum has been put on the ballot for the coming November election to permit casinos in New Jersey outside of Atlantic City. If passed, the measure could provide additional support for an NJDGE decision to authorise shared liquidity. Further, even without the referendum, the NJDGE could independently modify its stance to permit operators to house servers outside of Atlantic City.

Perhaps the biggest challenge is the array of details left to sort out. At this point, the agreement is essentially an agreement in name only. Both sides will need to overcome regulatory, legal, and technological hurdles to ensure compliance with each jurisdiction's requirements. Further, NJDGE and the British Gambling Commission will need operators to cooperate and invest in this project.

The shared liquidity agreement is an exciting proposition for New Jersey, Britain, and online poker. While the actual launch of the expanded pool seems to be some way away, the foundation is established. Being the first to enter international liquidity from the US side was always going to present unique challenges. But, if New Jersey and Britain can make this happen, they will certainly pave the way for future international shared liquidity agreements.

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