Ready for takeoff! Ontario iGaming market set to launch April 4, 2022

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What you need to know

- Effective April 4, 2022, the Ontario iGaming market is set to open to private gaming operators that have registered with the Alcohol and Gaming Commission of Ontario (AGCO). Those who have executed an operating agreement with iGaming Ontario can begin offering their games to players throughout the province.
- Ontario is set to be the first province to run a private market for online betting, and with predictions that it could be one of the biggest gaming markets in North America, many will be watching closely to see how it unfolds.
- On August 18, 2021, the AGCO published its iGaming operator application guide and on September 2, 2021, its iGaming supplier application guide. These guides assist prospective applicants and include a detailed list of the information and supporting documentation applicants must submit for the AGCO to process their applications.
- On September 13, 2021, the AGCO opened its registration application system to prospective iGaming operators and suppliers interested in participating in Ontario's new iGaming market. In order to participate at the time of the market's launch, all prospective iGaming operators and suppliers will need to be registered with the AGCO. Separate and apart from the registration process with the AGCO, all operators will also be required to enter into a commercial contract with iGaming Ontario.
- As prospective iGaming applicants finalize the registration process and the commercial agreement, recent market activity indicates heavy interest in Ontario's new iGaming market.
- Saskatchewan and Alberta have each taken steps to expand their regulated iGaming markets in 2022.
- The recent opening of mobile-sports betting in New York has put further pressure on Canadian jurisdictions to unlock the benefits of additional consumer protections, employment benefits, increases to foreign investment and government revenues that result from expanding the regulated internet gaming market.

Getting registered

Ontario has embraced the modernization of Canadian gaming through its commitment to establishing a new online market for iGaming that is both competitive and protects consumers. The AGCO will regulate Ontario's iGaming market while its subsidiary, iGaming Ontario, will serve as the operating entity and will be responsible for entering into commercial agreements with operators, with a share of revenues generated by these commercial relationships being returned to the Government of Ontario to support provincial priorities.

All prospective operators and suppliers will be required to register with the AGCO in order to participate in the new iGaming market. Registration was opened last September in order to provide applicants with the time needed to prepare and submit the required information and supporting documentation.

Among other things, applicants will need to be aware of:

> (i) disclosure obligations, including entity-level disclosure and governing documents;
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> (ii) potential investigation costs incurred during government background checks; and
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> (iii) the expectation that prospective operators and suppliers cease all unregulated online gaming activity in order to participate in the new iGaming market.

The application fee for a basic supplier is $3,000 or $15,000 (for manufacturers of gaming equipment). The application fee for operators is $100,000.

Heavy interest in new Ontario iGaming market

The last few months have seen a series of capital market transactions and corporate actions pointing towards the growth potential of Ontario's gaming market, including among others:

- Apollo Global Management, Inc. (APO:NYSE) announced that an affiliate had completed its acquisition of Great Canadian Gaming Corporation;
- PointsBet's distinct Canadian operation, PointsBet Canada, announced that it had entered into a multi-year deal to be the official and exclusive sports betting partner of Dailyfaceoff.com and The Nation Network, and subsequently announced it will become the official sports betting partner of Curling Canada;
- Penn National Gaming, Inc. (PENN:NASDAQ) (Penn National) completed its acquisition of Score Media and Gaming Inc. for total consideration of approximately US$2 billion in cash and stock. Then, on December 20, 2021, Penn National announced that its subsidiary, Score Digital Sports Ventures (Canada) Inc. had obtained Gaming Laboratories International GLI-33 certification for its mobile sports betting and iGaming app and the sportsbook player account management platform it plans to deploy in Ontario, thereby satisfying one of the requirements theScore Bet must achieve before it may offer internet sports betting and iGaming as a regulated operator in Ontario;
- NorthStar Gaming Inc. (NorthStar Gaming) announced a new strategic partnership with Playtech whereby, following the completion of regulatory

approvals and the licensing process, NorthStar Gaming will be in a position to launch Playtech's IMS Platform, Casino, Live Casino, Poker and Bingo software to Canadian audiences.

In addition to these announcements, Ontario sports fans have seen a recent increase in advertising spending by companies offering free-to-play games, such as Bet99, Odds Shark, PokerStars, Jackpot City and Party Casino, who all purchased advertising spots on TSN's Grey Cup broadcast in December 2021. Fans of the Ottawa Senators would have also noticed the "Bet99" logo on the player's helmet during home games, as Bet99 has signed a deal to secure the team's home helmet sponsor for the rest of the season. Although the increased advertising spend has been primarily geared towards highlighting free-to-play games, it is expected that major sportsbooks will be in a position to match and exceed such advertising spending once the new iGaming market for Ontario officially launches.

There is indeed a wide array of prospective operators and suppliers for Ontario's new iGaming market, as Ontario's open licensing model provides a unique North American market for both established international players and domestic start-ups. Ontario's bevy of technological talent should continue to attract prospective operators and it will be exciting to see the how operators work to establish their foothold here and create partnerships with professional sports leagues, media companies and other stakeholders.

It should be noted that although the announcement of Ontario's market launch date was met with enthusiasm across the industry, there has been some concern expressed by both land-based operators and First Nations communities regarding the new market's broader impact.

Regulated iGaming market grows across Canada and the U.S.

Outside of Ontario, Saskatchewan and Alberta have both taken steps to expand regulated iGaming operations in their respective jurisdictions in 2022. In Saskatchewan, a Gaming Framework Agreement has been signed between the Federation of Sovereign Indigenous Nations and the province to make the Saskatchewan Indian Gaming Authority (SIGA) the provincial operator of online gambling. Via a request for proposal process, SIGA will determine who the service provider for the new platform will be, with the expectation that Saskatchewan residents will be able to play casino games and bet on sports via their phones, tablets and computers in 2022.

In Alberta, the Alberta Gaming, Liquor & Cannabis (AGLC) announced on December 10, 2021, that it is welcoming bids from prospective vendors that wish to enter the province's sports betting market via the Alberta Purchasing Connection. The AGLC has issued a request for proposal for two operators to facilitate the growth of retail and online sports betting options with mobile extensions and hopes that such products will be available to consumers by the end of 2022.

The expansion of regulated iGaming markets across Canada is being pushed by the continued growth of regulated iGaming markets across the United States. The most recent landmark moment was the New York State Gaming Commission's

announcement on January 6, 2022, that it has approved four sports-betting companies (Draft Kings Inc., FanDuel, Caesers Sportsbook and Rush Street Interactive Inc.) to start accepting mobile and online wagers in New York as of January 8, 2022. In just 12 hours after these operators were permitted to accept wagers, 6.8 million wagers had been placed and by the end of the weekend over 17 million individual bets had been accepted.

The rapid growth of the New York iGaming market provides evidence for continued optimism for the potential of expanded regulated iGaming markets in Canada but also places even more pressure on Canadian jurisdictions to launch new competing products.

Takeaways

To capitalize on the new iGaming market in Ontario and the legalization of single-event sports betting, gaming industry businesses, service providers and entrepreneurs need an effective engagement strategy with provincial regulators.

Our experts in sports and gaming, governmental affairs, and corporate and securities laws can help navigate the complex regulatory and legislative landscape of sports and gaming to identify opportunities and strategies in connection with the new iGaming market in Ontario. For assistance, reach out to any of the key contacts listed below.

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