

Football Index

Overview and Summary of
Proposed Group Structure Change to add
Licensed Exchange (Tradex Ltd) with
UK Remote Intermediary License

Tradex Ltd

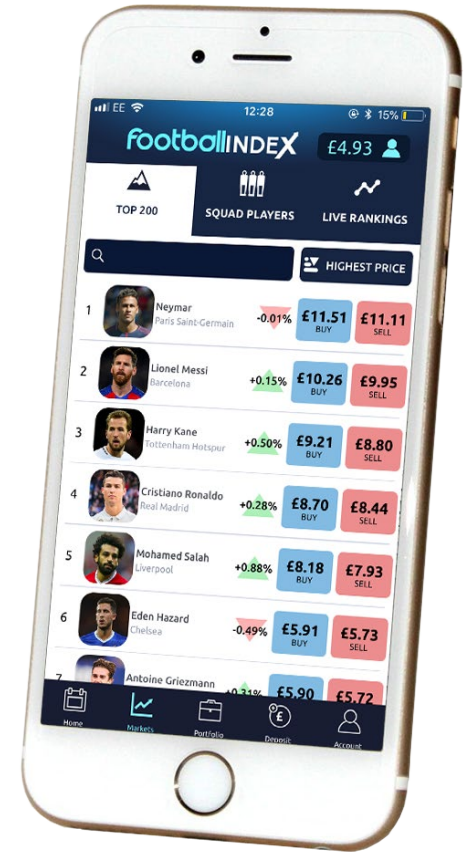
Application for Remote Intermediary License

Tradex Ltd is a newly incorporated Gibraltar based company that is a 100% owned subsidiary of **Fame Ventures Ltd**, and effectively a sister company to **BetIndex Ltd**, the Jersey based fixed-odds operator of **Football Index**.

It is intended that **Tradex** become the central hub of the **Football Index** business enabling Users to buy bets (also known as shares), and then to subsequently sell them should they so wish, and that this happen in a licensed and regulated 'exchange' environment. Consequently the company is applying for a remote intermediary license.

BetIndex will remain in place as a licensed fixed-odds betting operator as per now, that issues the initial bet (share) and pays out all winnings known in the game as Dividends (although it is anticipated that the payments are made by **Tradex** under an agency agreement)

This document provides detail as to the proposed new arrangement between the two companies and between the companies and both their existing and future Users.



Overview of rationale for Tradex intermediary application

Current Model

BetIndex sells fixed odds bet

BetIndex provides sub-optimal mechanism for 'cashing out bet early'

- Lack of control
- Poor functionality
- Lack of visibility
- Unique and misunderstood model
- Lack of trust

New Model

BetIndex sells fixed odd bet

Tradex provides full exchange to enable 'sells'

- More control over stakes/position
- Greater functionality
- Transparency around Price Discovery
- Depth of Market
- Universal model
- Trust through understanding
- Brand association with NASDAQ

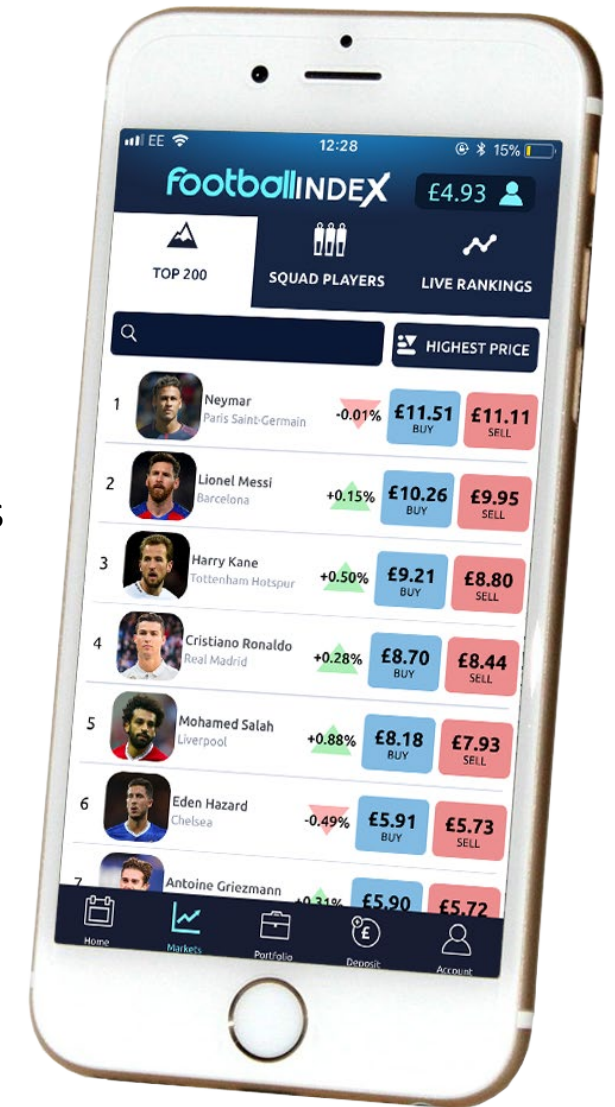
BetIndex Ltd - Background

Tradex Ltd launched **Football Index** platform as a football player trading game in October 2015 with a fixed odds software license provided by holding company and software developer Fame Ventures Ltd. As the concept was entirely new, initially adoption was as anticipated relatively slow. However with feedback from our Users the company has developed and evolved 'the Index' into a popular game platform with a large community of engaged 'Football Traders'.

The game enables Users to buy and sell footballers, create portfolios and win dividends when their footballers perform well. It is an innovative blend of sports betting and fantasy football, especially since the company incorporated 'performance dividends' driven by **Opta** into the product in **Q4 2017**.

Consequently although a fixed odds bet the product does in fact have as much in common with fantasy football as it does with sports betting.

Our 'shares' are a **bet** on the '**future performance**' of a football player valid for a 3 year period, which pays out daily micro-wins called 'dividends' to the daily winners.



BetIndex Ltd – Background (cont.)

It's a long game involving picking a team of players (the portfolio). The 'bet' is never over with the final whistle, portfolios simply vary in value over time. The focus is on the skills, and expected future performance of footballers and their careers, rather than highly binary outcomes of individual football matches and fixtures.

The win mechanism like fantasy football is driven by 'performance data' (Opta) and to a lesser degree on days with no matches on media mentions across some 25 football columns weighted according to sentiment analysis.

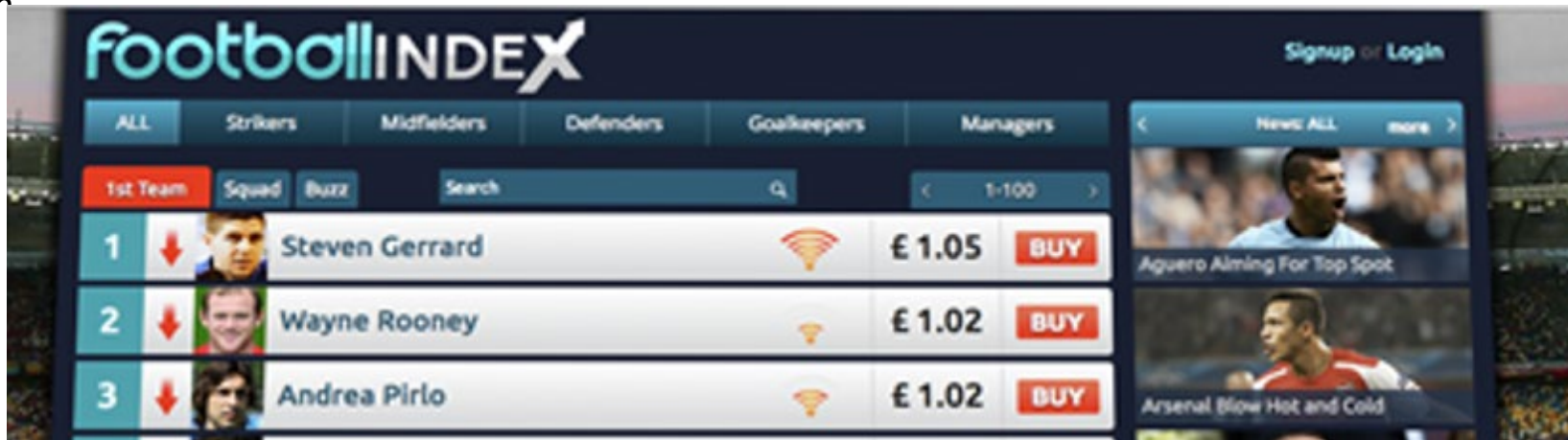
The game is 'slow' by its nature and essentially the opposite of a FOBT – ie it's hard to lose significant sums in a short period. The game relies on 'patience' and has little appeal to those focused on instant gratification. The result is as a result, a more intellectually satisfying product with greatly extended entertainment value.

As a consequence whilst the platform is proving very popular, with 420,000 Users that have registered, we have seen very little in the way of problem gambling, complaints or chargebacks.

We believe that we have created an innovative platform that embodies the values and criteria embodied in UKGC's LCCP.

Evolution towards Exchange Model

In the original Football Index model all sells by Users were executed through from the Users portfolio via the sell queue with no reference to price, and a bet could only be cashed out early in the event that another customer was prepared to 'buy' – two matched orders. There was no instant sell. However it was found that there were order mismatches and occasionally insufficient liquidity for particular footballers resulting in delay in orders being filled which in turn resulted in frustration



Consequently, as a 'key event' the company introduced Instant Sell in September 2016. This immediately had a positive effect on the player experience and increased trust and take-up in the platform.

However this was only envisaged as a temporary solution before providing a better solution that created more liquidity in the market. We now have such a solution with involves the addition buy and sell limit order books on a licensed and regulated exchange.

Buy & Sell Limit Order Books

Under the current model Users are unable to specify a price at which they wish to sell their bet (cash out early), they must either take our 'instant sell' price or take their chances on an unpredictable outcome in the Sell Queue. In addition the Sell Queue gives no view of other Users orders or an indication of the 'depth of market'.

Buy & Sell Limit Orders

Consequently we propose to adopt Buy & Sell Limit Order Books which are standard in all financial markets and exchanges. These simply enable Users to specify both the volume of bets and the price at which they would like to buy or sell. The sell order book will replace the current Sell Queue.

Buy Orders & Liquidity

By introducing buy orders also we are enabling Users to specify a price at which they are prepared to buy bets and thereby introduce greater liquidity into the market by matching buyers and sellers. There is currently no mechanism to enable Users to Buy at anything other than a single fixed price. Currently approximately 50% of transactions are via the sell queue and we believe that the number of orders matched by Users through a buy and sell order book will increase to roughly 80% or more. The Operator will continue to provide liquidity for the remainder exactly as per the current system.

Trust & Transparency

The order books will provide a much better view of the market and make pricing transparent, whereas currently the pricing mechanism is perceived by Users as a 'black box' solely controlled by us the Operator. This will significantly increase the level of trust in the product.

Proposed Exchange Structure

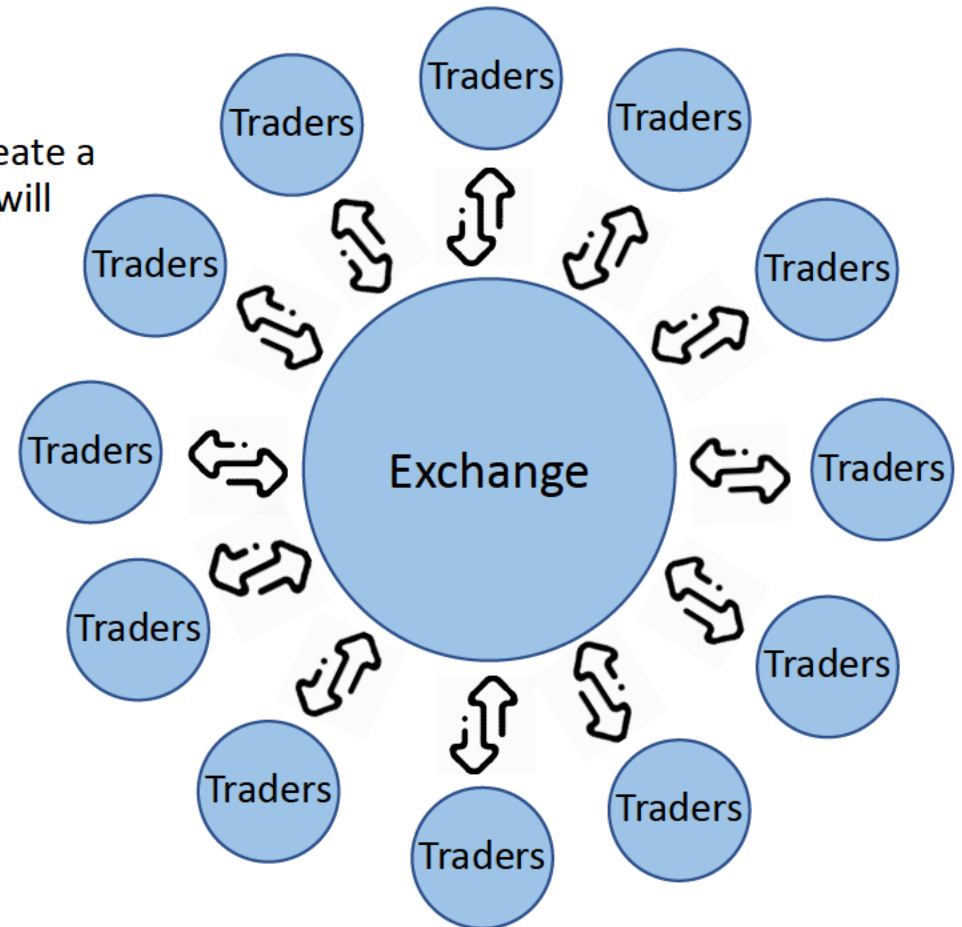
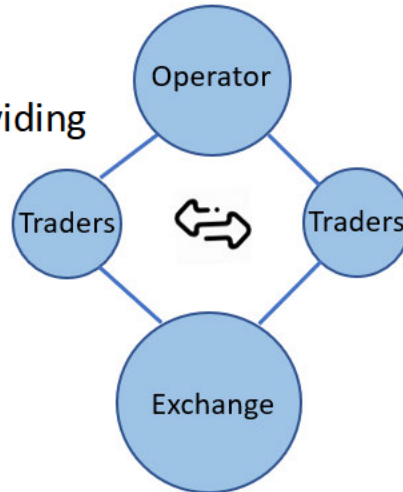
It is intended that **Tradex Ltd** sit alongside the fixed odds operator **BetIndex Ltd** as an exchange with a remote intermediary license.

Tradex – the Exchange

By placing the limit order books in an licensed exchange we will create a regulated market environment that is familiar to many Users, and will divorce the Operator from intervention in the pricing mechanism. This transparency will shed light on price discovery, which Users will no longer perceive as determined by a 'black box' controlled by the operator.

BetIndex - The Operator

The operator remains in place providing an identical service but is removed from price discovery.



The Role of the Operator

The operator BetIndex remains in place to:

Honour the bets and pay out winnings (D)

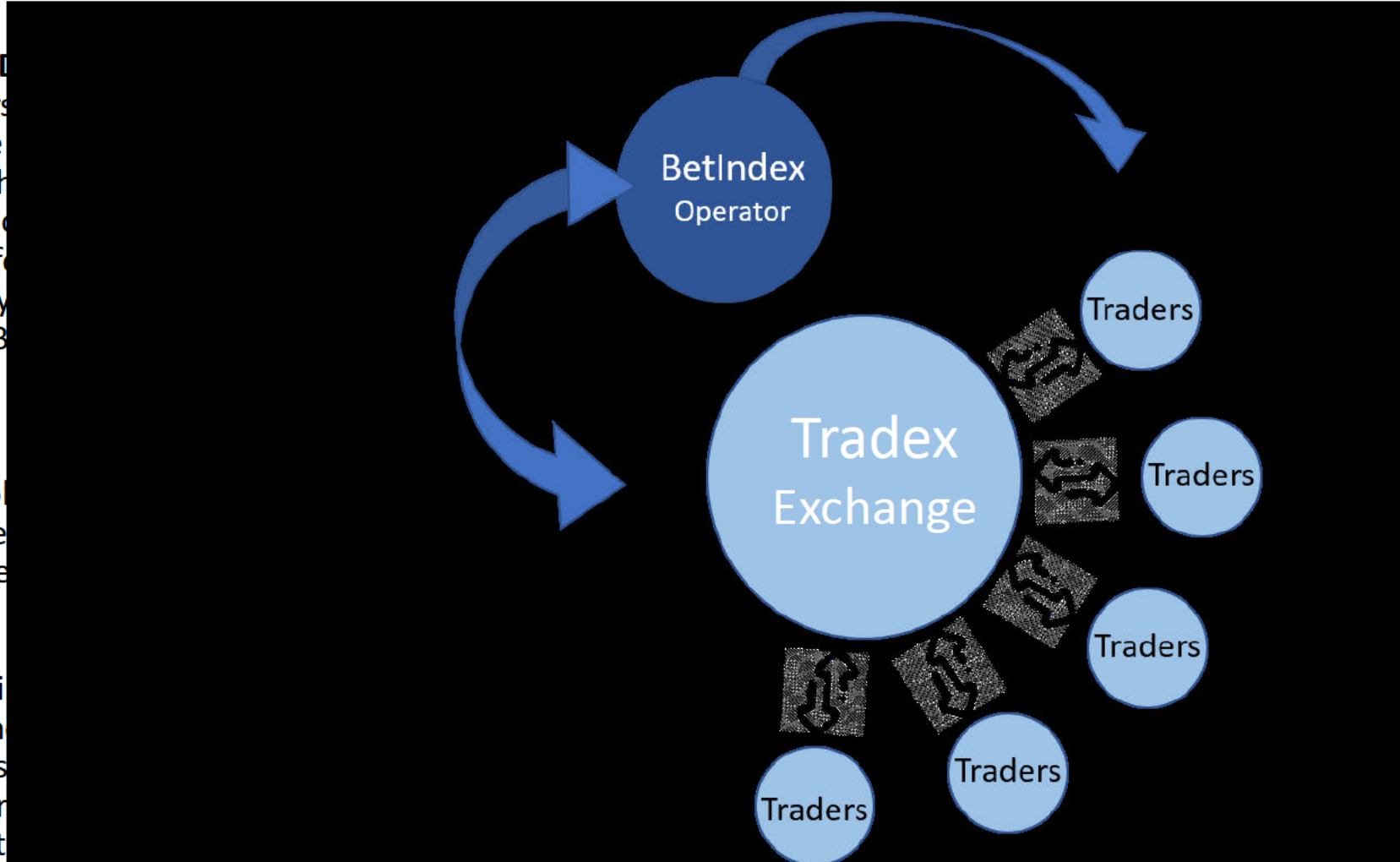
This may be done directly into the traders' accounts or paid to the Exchange who distributes the winnings. Ultimately the bet remains always with the operator. In this structure the Exchange will become the focus of the customer relationship. Users will 'buy in' in a similar manner to exchanges such as Betfair and others.

Issue New Bets

Currently when there are no bets available, the operator may issue a new one i.e. when the market is closed. This will continue to be the case in the new structure.




Buy Back Bets (Cash out bet early)

The Operator will provide additional liquidity at a lower price as it does currently, but will have the role of 'seller'. When a bet is traded the ownership changes from the operator to another by the Exchange with all contracts being bought back. The 3 year term of the bet remains in the hands

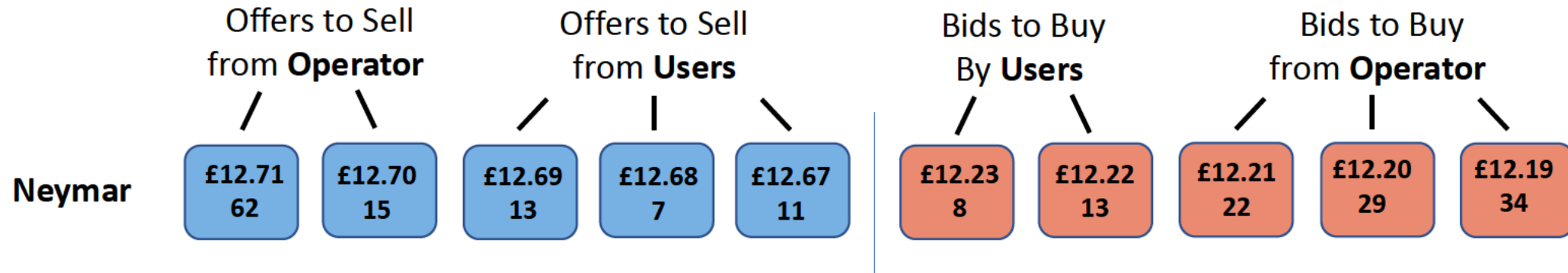


The Representation of Market

Whereas the simple view of the prices on screen remains the same giving both the best buy and sell prices side by side

1		Neymar	PARIS SAINT-GERMAIN	0.79 %	£12.67 BUY	£12.23 SELL
2		Lionel Messi	BARCELONA	-0.14 %	£9.81 BUY	£9.37 SELL
3		Mohamed Salah	LIVERPOOL	-8.01 %	£9.70 BUY	£8.83 SELL

The expanded view will show the full depth of market for Neymar as per below with 'buckets' of bets with volume at specific prices. This might also be represented in a vertical list of orders with volumes and prices.



Changes to Football Index Game Rules

The changes to the Game Rules and Terms & Conditions will have no impact on the fundamental terms of the betting contract between the Operator and the User. Full new Game Rules and Terms & Conditions are attached to this application but for brief overview:

- Tradex shall become an authorised agent of BetIndex Ltd providing a platform upon which bets may be entered into with BetIndex, and these bets may be sold to other Users at prices determined between Users.
- Tradex shall pay out all winnings payable to Users on behalf of BetIndex.
- The Sell Queue is removed and replaced by Sell Limit Order Book which enables the User to specify the sell price at which he is prepared to sell.
- The User may specify a price that he is willing to buy through the Buy Limit Order Book
- All Buy & Sell Orders are displayed for Users to have a view of the market

The Order Matching Engine

The order matching process and the limit order books described above are simple in their essence, but need to be fast, resilient, and scalable. The company is confident in providing its own software there is some wisdom and safety in 'not re-inventing the wheel'.

Generally exchanges rely on 3rd Party order matching engines to process all transactions. **Fame Ventures Ltd** has contracted with **NASDAQ** to provide this functionality to the **Tradex** exchange. **NASDAQ** has in the region of 40 years experience in providing services to exchanges world wide and is recognised as the world leader in the field.

NASDAQ has a very compliant pedigree with very strong SLAs and do themselves hold a UKGC software license for their product Longitude, and are very familiar with the LCCP code.



Cashing out the bet early - Liquidity Provision

Whilst there is no obligation on the Operator to cash out bets early, **BetIndex** has provided an 'instant sell' function since September 2016, which provides this function without there being the need for a counterparty wishing to take the bet.

This function will continue unaltered at roughly the same discount or 'spread' as is currently provided (approx. 3%).

BetIndex will act as a 'super-user' offering bids in the Buy Order Book. Other Users are likely to also offer this service, but our service is likely to be the 'default' as now.

Providing Order Books both Buy & Sell enables Users to manage their positions far better than currently, and will also reduce the level of liquidity we provide, as the market will be enabled to provide this liquidity themselves.

Other Users may be incentivised to provide this liquidity service by a reduction in commissions payable.

These arrangements will insure liquidity in the market, and that Users can always cash out their bets early.

Implementation of Proposed Changes

Subject to a UK Remote Intermediary license being granted to BetExchange Ltd it is envisaged that the following will take place:

- Tradex Ltd systems and software will be established and tested prior to go-live.
- All BetIndex Ltd Users notified of intended structural changes to move the management of accounts from BetIndex Ltd to BetExchange Ltd and notified of amended Football Index Game Rules and Ts & Cs.
- A summary of all changes and their likely impact on Users will be communicated clearly and simply.
- All BetIndex Ltd Users will be notified of intended date of 'Terms Change' and encouraged to agree to new Terms ahead of launch.
- All remaining Users that have not agreed must agree to new terms on or after the launch date ahead of accessing the new service.

REDACTED

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Overview of Corporate Structure (some info redacted)

