GAMBLING COMMISSION

OFFICIAL - SENSITIVE (when complete)

RECORD OF INTERVIEW

URN:

Contemporaneous Notes: VERBATIM

[redacted]

Tape Counter Times	Person Speaking	Text	URN:
[redacted]	[redacted]	[redacted] SLIDE 1	
		[redacted]	

Tape Counter Times	Person Speaking	Text	URN:
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Tape Counter Times	Person Speaking	Text	URN:
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[redacted]	[redacted]	[redacted]	
[redacted]	Person C	We'll move on to the financial slides.	
[redacted]	Person 3	Yeah. I think we've got a presentation for you that will be delivered by our Person 2 and Person 7 who are in the room, [redacted]	
[redacted]	[redacted]	[redacted]	

Tape Counter Times	Person Speaking	Text SLIDE 2	URN:
[redacted]	Person 7	[redacted] And just to make the point, all surplus cash is actually used and ploughed back into the product. There've been no dividends distributed at the moment from any profits. Everything's basically ploughed back into growth and into people and tech. We paid £6 million-odd in general betting duty in 2019. **SLIDE 3** [redacted] We have no debt, no leasing, no long-term capital commitments, no long-term marketing commitments. Can you read that slide, 'Financial model 2019/2020'? **SLIDE 4**	
[redacted]	Unknown GC attendee	Yes, we can.	
[redacted]	Person B	Yeah.	
[redacted]	Person 7	Okay. I may have to hand over to Person 2 as we go down this, but basically, each line, we split it by quarters from the start of 2018 to the end of 2019. We're showing shares bought by users, gross, what was – was that what was sold in the sell queue, Person 2?	
[redacted]	Person 2	Yeah. So as Person 7 said, we start with – well, just to mention that this is in addition to the financial information that we've sent through to you earlier. It's just a summary of the 2019 profit and loss account. So for this slide we've actually broke out 2019 by quarter, and 2018 as well. And the information that we're showing there is, starting from the top line, that's shares bought by users, which are gross. Underneath that we've got shares that have been sold by users through the sell queue. When a share is sold by a user through the sell queue, it's an equal and opposite transaction, because that's a share bought by a user and it's also a share sold by a user. We've netted those off to come down to a net shares bought by users in each of the period. And then we've deducted from that the instant sell. That's where we are buying back, or the house is buying back, from users. That brings us down to a net buy. I thought it would be helpful if I put in a line where I showed the percentage instant sell, and how that's progressing as the market expands. You can see there, over this period in question, it's decreased from 58% down to 44% in the Q4 for 2019. In January this year, it actually fell to 42%. I think you probably heard about the plans to move to NASDAQ and order book functionality, and the Tradex, the development of the operations and Tradex. We actually estimate that when we go to a full	

Tape Counter Times	Person Speaking	Text	URN:
		order book functionality, the instant – it should be possible for instant sell to fall to 30% of total buys, and probably more than that. I've included a line there just purely for illustration, what the net buys would be over the same period if that 30% was achieved. So, in other words, trying to model our actual results as if full order book functionality was an existence over the full period. The following –	
[redacted]	Person A	Person 2, can I just ask a question?	
	Person 2	Yes, certainly.	
	Person A	The third line down 'Shares brought by users, net', is my assumption correct that that's there for new shares that are distributed by you, the licensee, as either IPOs or topping up a buy order when there isn't enough in the queue, in essence?	
[redacted]	Person 2	That's correct.	
	Person A	Right, thank you.	
	Person 2	So we come down to capital adequacy reserve. So each – as the market grows, we take a provision, again, 17% of the cost of capital. I've set that aside in our balance sheet and we make sure that that's covered by cash. That's to cover our future dividend liability and instant sell, to the extent that instant sell is not covered from operational cash flow.	
[redacted]	Person B	Sorry, could you say that again, sorry?	
	Person 2	Yeah. The capital adequacy reserve is a provision that we make each period. That provision is 17% of the increase in the market capital during the period. We'd set that provision aside on our balance sheet, and then we ensure that that provision is covered by cash. That provision is there to cover future dividend liabilities, and also the extent to which instant sell is not covered by our operational cash flow. I'll come on in subsequent slides and we'll just say a little bit more about that. And then the final metric that I've included here is our churn. Here, our churn is measured by the shares sold in the quarter divided by the market cap at the end of the quarter. What this demonstrates is there's very high trading volumes in the market.	
[redacted]	Person 7	Just before we move off this slide, and I'm aware it's reasonably complex, is there any questions on it?	
[redacted]	Person B	Yeah, I have. So could we see that information separated out into normal customers and the market maker account? So for each line I'd like to see that split out. So for each quarter, 'Shares brought by users, gross, sell queue' – I'd like that split between market maker account and the rest of the – because I presume that the test accounts don't really account for a lot of activity. If it does then I'd like it to be into three areas, market maker, test accounts and then normal customers.	
[redacted]	Person 2	Yeah, we can do that.	
	Person 7	Test accounts would be tiny, but we could it take out. So basically this slide with market maker activity split out, correct?	

Tape Counter Times	Person Speaking	Text	URN:
[redacted]	Person B	Yes, please. That'd be – because obviously that – I presume that those figures include the market maker account activity and the test account activity.	
[redacted]	Person 7	Yes, they would.	
	Person B	Okay.	
	Person 7	We can do that.	
	Person B	Lovely. Sorry, carry on. Who's that?	
	Person A	So I was just going to say for completeness, for those that aren't perhaps quite as savvy in terms of some of the definitions that have been used, it'd be appreciated if that slide could just include a little more depth of knowledge in terms of what each metric means in lay terms.	
[redacted]	Person 2	Yeah, sure. We can get an expanded definition of each term. That's fine.	
[redacted]	Person A	Thank you.	
	Person B	So then it was just that percentage instant sell. What's being divided by what to get that 58%?	
[redacted]	Person 2	So the instant sell percentage is the instant sell line divided by the instant sell line plus the sell queue.	
[redacted]	Person B	Sorry, you broke off at the end there. Divided by?	
	Person 2	Instant sell percentage equals instant sell divided by instant sell plus sell queue.	
[redacted]	Person B	Okay.	
	Person 7	Instant sell as a percentage of all sales.	
	Person B	Lovely. Yeah, and then, yeah, you explained capital adequacy reserve. Lovely, thank you.	
[redacted]	Person 7	**SLIDE 5** Okay, so we touched on this yesterday in terms of the dividends. There's three types of dividend. The in-play dividend is payable for the first 30 days of a share. Matchday dividends are paid, as the name suggests, on performance, match performance, on the different qualifying types of – by player, whether it be attacker, goals made, that type of thing. The conditions are clearly on the website. And media dividends, which is positive media coverage of a player. The dividends are all expensed in the period that they're paid. There's actually no requirement under UK GAAP to accrue for future dividends but we do. As Person 2 alluded to, we accrue in the capital adequacy reserve, which, at the end of December 2019, ran at £16.5 million. At that point, we also had an additional £8.5 million worth of cash in the bank, which gave us total cash at the end of the year of circa £25 million. As a comparison, that's the equivalent of 40 lots of dividends, as dividends were paid in December 2019, amortised on a 2.5% per month amortisation. So basically, that cash will cover 40 months' worth of December dividend level. Does that make sense?	
[redacted]	[?]	[Inaudible].	
	Person B	Yeah, yeah, it's the financial standard. Sorry, we're just explaining what the UK GAAP is.	
[redacted]	Person 7	Okay.	

Tape Counter Times	Person Speaking	Text	URN:
[redacted]	Person B	Sorry, carry on. Oh, before you move off that side, the £25 million, that includes the £7.4 million player protection account monies.	
[redacted]	Person 7	It includes the net. We wouldn't include that in cash. The excess of cash in the player protection account would be included in that. So if there was £4 million worth of cash due to players and there's £5 million in that account, you'd, in effect, take the net £1 million in that total.	
[redacted]	Person B	Sorry, can you just explain that again?	
	Person 7	Yeah, what we're showing in cash is basically the net player funds. If there was £5 million in the player account, bank account, at that point and we owed player funds £4 million, which we rec on a daily basis, the net effect on the balance sheet, on the cash, would be £1 million. It would be the difference between what's in the account and what we would have to pay to players if everybody had to cash out on that day.	
[redacted]	Person B	Sure. And what was CAR?	
	Person 2	That's what's described – it's the capital adequacy reserve.	
	Person B	And what's that? How's that calculated?	
	Person 2	So that's 17% of the cost of capital.	
	Person B	So that's the accumulation of that 17% from the profit and loss account we saw on the previous slide.	
[redacted]	Person 7	Correct.	
	Person B	Lovely, okay. Person A, have you've got any questions on that slide?	
	Person A	No, not at the moment. Thank you.	
	Person 7	**SLIDE 6** We've actually graphed the dividends against commissions, commission being the 2% on exit, dividends being the total dividends that we pay on those three different types that we explained above, just to see how they track. Do you have any comments on that, Person 2?	
[redacted]	Person 2	Yeah. I think it's showing that actually we do – in order to optimise people's dividends – because players go in and out of form. They have injuries, they get transferred, yadda, yadda, yadda. There's an awful lot of that trading is users trying to optimise their dividend. And you can see there that there's quite a strong correlation between the two lines, and there is a tendency for them to merge, slight aberration at the back end of last year. Yeah, I think it demonstrates a historic relationship between dividends and commissions.	
[redacted]	Person 7	Well, in effect, commissions almost cover dividends and they run similar lengths.	
[redacted]	Person 2	They do. They do.	
	Person B	So that's surprising, though, isn't it really? Because we established earlier that quite a lot of new shares are being issued because of the – there's more buys than sells, and therefore there's these net issue in shares, which Person A asked, is that equal, is that equivalent to new shares? There's no commission on the transaction for a new share. The commission drives from the selling of the shares between customers.	
[redacted]	Person 2	Correct.	

Tape Counter Times	Person Speaking	Text	URN:
[redacted]	Person B	So because there's new shares you'd expect the dividends to increase. But the commission to follow that trend, for me, is surprising, because a lot – some of those new dividends are born out of the fact that new shares are being issued for which no commission is received.	
[redacted]	Person 2	That's correct, but there's also – that churn is shares that are in existence, that have been traded.	
[redacted]	Person B	But where a new share is issued and a dividend has then become liable on that share and it's paid out, there's no commission associated with the issue of that share.	
[redacted]	Person 7	No, but there's more shares in the market and then there's more shares to churn and a higher level of churn, so a higher level of commission.	
[redacted]	Person 2	You're right. On a new share that's issued there is no commission. But there is a commission on the sell queue shares, and there is a commission on the instant sell shares. And then you come down, if you take the net margin, so that would be net buys, it's a percentage of gross issuance. It's not a big percentage.	
[redacted]	Person B	Yeah, it was just an observation because it's just – I'd have expected the dividends to pull away from the commission. Because we've established that new shares being issued over and above in every quarter, because there's more people buying than there is ability to [inaudible] those shares.	
[redacted]	Person 2	I think, to reconcile that, I would take a look at net buys as a percentage of gross issuance, and that would probably get you to buy [inaudible] with dividends.	
[redacted]	Person B	Yeah, it was only an observation. It's not a challenge or anything like that. It's just an observation. That's just, in my mind, what I'd expect I might see. I thought there'd be – I thought that the blue line will pull away from the brown line, but yeah. Thank you.	
[redacted]	Person 2	**SLIDE 7** Sure. And then the last slide I've just graphed here, so it just really takes you through the lines. The blue line is in our actual instant sell and the bottom line is our targeted instant sell within that order book. We can see [inaudible] reduced quite significantly, if we are able to achieve that target with the introduction of [inaudible].	
[redacted]	Person 7	Okay. Okay, that's the end of that deck. I'm aware that you've got the accounts, myself and Person 2, sat here. Any questions on what we've just been through on the accounts, or anything else that we could help you with?	
[redacted]	[redacted]	[redacted]	
[redacted]	Person A	Yeah, I can do. Guys, please tell me if my following statement is wrong. So it feels therefore that, in essence, dividends are offset by commission. And, in reality, your profit is therefore tied into the difference between your initial sell price and fact that, at some point, the player's value will become nil. And therefore everything that happens in between almost becomes irrelevant, and the profit is the difference between, in essence, an initial IPO to the fact that the player has nil value. Is that broadly a fair lay explanation?	

Tape Counter Times	Person Speaking	Text	URN:
[redacted]	Person 7	Not really. During the life of a player, if a player's got an average lifespan of eight years, they might get minted at 60p, get to £10, get back down to zero. But during that time it'll be churned many, many times and there'll be lots of commission on it. It's not really the – it's more the activity of the player than it is minting at £2 and it going to nothing. It's not really that different between the two. It's too long a period for that to actually make sense, to be meaningful profit.	
[redacted]	Person A	But my understanding was that, yes, there will be lots of churn and that creates you commission, that that commission is then used to pay dividends, etc. So ultimately, how you arrive at your retention of gross gambling yield is the difference between the initial sell and the end value.	
[redacted]	Person 7	Well, the profit is a difference between net buys and sells, and we pay gaming duty on that, in effect. If sells exceed buys then it's a loss situation in that period. What you're saying, yeah, in effect, that would be – you would, in effect, make the difference between what the share is minted at and it going down to zero. But there can be eight to 10 years between that period. It's not really the crux of it. It's still the churn and new shares come into the market and people buying and selling.	
[redacted]	Person A	Okay. And the fact that it's within your gift to continue to offer more and more shares, and we've seen the customer portfolio size grow, haven't we, over a period of time? I think in your previous information sent across to us, I think you said the current value of shares within portfolios, based on the sell queue, was around £150 million. I suppose my concern is around that consumer focus. How can you assure us or provide evidence to us that you don't just have an ever-growing ecosystem that ultimately means, in the medium to longer term, that values will just crash?	
[redacted]	Person 7	It's really an exchange value. You've seen the percentage of peer-to-peer buys and sells as opposed to the instant sells. So a share is worth what anybody's going to pay for it. So as long as there's buyers and sellers, as in any market, then it is worth what – you're going to get for it what somebody's going to pay you for it, if that makes sense.	
[redacted]	Person A	Yeah. But at any given point in time, an individual's player's career, they retire, they move outside to a different league that you guys don't cover, the value becomes nil, doesn't it? And at some point, that point, the consumers that hold bets in that share are going to see a nil return for their initial stake.	
[redacted]	Person 7	For that particular player, then that would happen, but that's basically the game. If you hold a portfolio of players then you would hope that all your players don't retire on one day. That would never happen. It's a game of skill. You're picking ones that are going to pay you a dividend. If you pick the right players, as it comes down, your dividends will make that player worth X. If you're getting X-amount of dividends, then working that up to the value of the player gives you its value. If you're holding that player, you'd be taking X-amount of income. It has a worth because the player is earning X.	

Tape Counter Times	Person Speaking	Text	URN:
[redacted]	Person A	Okay. And we talked a little bit yesterday about the fact that the index was arriving at maturity. I think that was words used on a couple of slides, given that we're five years in. Do you consider that you're almost at steady state now, in that for each player that you guys introduce, one will fall off the index, etc?	
[redacted]	Person 7	What, steady state in terms of number of players?	
	Person A	In terms of number of players on the index, yes.	
	Person 7	Can I just ask Person 4 for Person 4 view on that?	
	Person 4	[Inaudible]	
	Person 7	Did you hear –	
	Person 4	Are you talking about customers or footballers?	
	Person A	No, we can't hear. Sorry.	
	Person 4	Are you talking about customers or footballers?	
	Person A	It was players, yes.	
	Person 7	Hold on one second, Person 4. Just walking down to the microphone. One second.	
[redacted]	Person 4	Sorry. Just to be clear, are you talking about footballers or customers?	
	Person A	Footballers.	
	Person 4	I would say that there's probably a good 5,000 interesting footballers in the world at any given time. So I could see that actually there's probably some growth in terms of the volume of footballers still relevant.	
[redacted]	Person A	Okay. So it's still growing, in essence, in that sort of state. How many players have been delisted? If we talk about, for example, 2019, how many players were on the index and no longer are?	
[redacted]	Person 4	I would have to go away and check that metric.	
	Person A	Okay.	
	Person 7	Is that a number that you want us to provide, how many players have been delisted since inception?	
[redacted]	Person A	I'm just interested in understanding the churn rate or the difference between new players being introduced and ones going off the list.	
[redacted]	Person 4	I think we'll have to go away and just get those metrics. But the end of a footballer's career is a somewhat tenuous thing in some ways. Indeed, for example, many would have felt that, at varying points, for example, Wayne Rooney or Zlatan Ibrahimović may indeed have ended their careers in the course of moving to MLSsoccer at that point, whereas they're actually continuing on an extended period. So we're very careful not to de-list too early, as it were, in order to be as fair as possible to customers who might anticipate that somebody might have a late contract in their career.	
[redacted]	Person A	Okay. And if I ask a question around the current relationship between players with added value versus those with lower values, considered against initial purchase prices, could you give a sense of that?	
[redacted]	Person 4	I don't fully understand what you mean by a 'player with added value.'	
	Person A	One that's seen an increase in price from the time that the bet was granted or issued.	

Tape Counter Times	Person Speaking	Text	URN:
[redacted]	Person 4	Yeah, I'm sorry. I'm going to need a little bit more to give you a useful answer on that question.	
[redacted]	Person A	I suppose I'm just trying to understand the trend in terms of, are players' values typically on the rise, or is there a mix of players that are on the rise, players on decrease, the relationship there?	
[redacted]	Person 4	I would say there's a broad mix. Indeed, many players who go out of form, get injured, will have a decrease in their price, or indeed, as their career progresses towards its end. We made the example yesterday that, indeed, the top footballer on our index at the moment, or at least yesterday morning, was Jadon Sancho, a young athlete who's showing every sign that he's going to have a prosperous career playing for England, etc. Whereas Messi, who's the current top performer in terms of dividends, football skills, etc, is actually perceived in our market as having a lower price by our users. So our users price it in, effectively.	
[redacted]	Person A	Okay, thank you. **Person F** and guys in the room, do you have any further questions on this bit before we move on to a discussion around the customer base, firstly, and then the pricing algorithm, secondly?	
[redacted]	Person F	So I think it's just going back to what **Person A** was originally asking, is that when a share is introduced into the platform, whether it's the initial or during the lifetime, because there's a surplus demand, you set a price. I presume that price is a best guess at what the likely dividends are going to be for that player, such that you don't pay out more than what that initial price is, or that price is at the point of purchasing the share. Is that correct?	
[redacted]	Person 4	There's some broad heuristics that match what you've described. So our process that identifying an IPO price for a footballer tends to be that we will look for footballers with similar performance characteristics across a range of different footballing metrics that relate to – that generally are strong signals towards that footballer being a dividend-earner or not. We'll also factor into things like whether that footballer is playing, or rumoured to go to, a very high profile club or so on. So we use our data to match footballers that have similar characteristics in the market across a range of those similar footballers. And then we'll use some level of judgment and benchmarking to decide where, within that range, we would IPO that footballer so that it's relevant to the amount of public interest in that footballer.	
[redacted]	[redacted]	[redacted]	
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Tape Counter Times	Person Speaking	Text	URN:
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Tape Counter Times	Person Speaking	Text	URN:
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[redacted]	[redacted]		
[redacted]	Person F	I originally asked about the issue price and it's kind of a best guess on what dividends you're likely to pay out. So if we just keep it –	
[redacted]	Person 4	Our best guess is –	
	Person F	So, not best guess, but it's essentially – I'll move on from that point and hopefully we'll weed out what we're trying to get to. If we just keep it simple with one share issued and it's issued at £1, if the player attached to that share doesn't generate any dividend then that's essentially a £1 profit to the company. Would that be correct?	
[redacted]	Person 4	If a share was issued at £1 and it never attracted any dividend?	
	Person F	Yeah.	
	Person 7	That would stack if that ever happened, yeah.	
	Person F	And if that was made – sorry.	
	Person 4	As with all betting companies, we do take some revenue when someone places a bet that does not win.	
[redacted]	Person F	Sorry, I didn't catch that.	
	Person 4	As with all betting companies, we will achieve some revenue when someone places are bet and does not win, and indeed pay out winnings.	
[redacted]	Person F	That's fine. No, no, I'm just trying to work through an example here. I'm not trying to compare it to anything. I'm just trying to understand what a share can and can't – the revenue generated from a share. I'm not comparing it. My simple question is, if a share is issued for £1 and it doesn't generate any dividends, and then it comes the end of its lifecycle and it dies off – let's just say it dies off after three years because it's not exchanged or sold or bought or anything like that – that's a £1 profit to the company. So is that a correct interpretation of the process?	
[redacted]	Person 7	Yeah. If it happened as you described then, yes, it would be a £1 profit.	
	Person F	And if this share was attached to a player and he became a superstar and he won every single dividend going for three years, then the difference between what you've paid out and that pound would be a loss for the business, in terms of gross profits there.	
[redacted]	Person 7	But the share will have [inaudible] many, many times.	

Tape Counter Times	Person Speaking	Text	URN:
[redacted]	Person F	Let's not go into that. Keep it simple. I'm just keeping it simple. We'll get onto the transfers and all that. But in a basic sense, if one share is purchased for £1, it's not transferred at any point for three years, and it wins every dividend going then, then in terms of just the P&L, the business, the difference between the dividend paid out and that initial £1 paid would be a loss that the company would have to fund. Essentially, if you want to make an analogy to another, like a bookie, then that would be a loss. A big winning backer, they would have to find the money to fund that.	
[redacted]	Person 7	And whatever dividends were paid out, yes.	
[redacted]	Person F	Yeah, okay. So, that's the basic premise of the share. So essentially, your risk management is setting that initial price correct so that latter example doesn't happen, and the former does, is that over the lifetime of that share, you pay out less dividends than the initial price that the share was purchased for when it went on to the platform.	
[redacted]	Person 7	Sorry, what's your question there? Could you repeat the question please?	
[redacted]	Person F	So essentially, your process at the beginning of, when a share is issued, is to get that price right so that the dividends paid out during the lifecycle of that share is less than the initial price at which it was put onto the platform.	
[redacted]	Person 7	Yes. Yeah, yes. In theory, yes.	
[redacted]	Person F	So then what happens in reality is that that share gets bought and sold on many occasions. And every time it's bought and shared, that three years is reset until it gets to a point where that player drops off the platform because they retire, or they become non-relevant. And essentially, those transactions, you earn commission, and that commission is an extra revenue income stream that's generated from having those shares on the platform.	
[redacted]	Person 7	That's correct.	
[redacted]	Person F	Yeah. So in terms of if it was me sitting there and saying, 'How do we maximise profit?', the focus would be on getting as many shares as possible onto the platform at the right price, and generating as much churn as possible, which generates commission.	
[redacted]	Person 7	That's correct.	
[redacted]	Person F	Yeah, okay. So going on to that first thing, what kind of activities do you have in the model that maximise the number of shares that are being introduced to the platform?	
[redacted]	Person 7	What activities do we undertake that would ensure that there's a maximum number of shares in the market for a player?	
[redacted]	Person F	If you stopped introducing more shares into the platform then the revenue generated from the difference between an initial price and the dividends paid before that share then becomes off the platform, that would stop then. So is it not a view that you have to maximise the number of shares that go on to the platform to keep that revenue going?	

Tape Counter Times	Person Speaking	Text	URN:
[redacted]	Person 7	We'll issue shares as and when required as new players come to the market, yes.	
[redacted]	Person F	Yeah, but in terms of a business practice and your marketing team, what activities do you carry out to maximise that event happening, getting more shares onto the platform?	
[redacted]	Person 7	Are you asking what marketing activities we undertake to ensure that that we IPO the maximum number of shares in an individual player? What marketing is undertaken to make this happen?	
[redacted]	Person F	Whatever business activities you carry out, whether it's marketing or whether it's how the algorithm works or the trading, the market-maker activity. I'm just asking. I'm just trying to understand this: as a business, what activities do you carry out that maximises the number of shares that goes onto the platform? Because obviously that creates a revenue. As a business manager, I would say, 'Our revenue is derived from commission and getting more shares on at the right price onto the platform. So there's our two focus areas.' If that was me – correct me if I'm wrong, if that's not right.	
[redacted]	Person 7	But players, they tend to sell players to buy new ones, in effect. There's a limit to demand. So if you're minting new players, people tend to sell different players to get new players, if they think that they've got more potential than the players they hold.	
[redacted]	Person F	That's the commission side of it. What I'm just asking you, a pure and open question, is, how do you maximise the number of new shares? Has anybody sat down and brainstormed and come up with ideas to maximise the easiest way to get more shares onto it, and what's been put into practice to achieve that?	
[redacted]	Person 4	I think we don't necessarily identify that as a specific priority or an objective value of our business. We have marketing activities that [inaudible] buy the wares on offer [inaudible] index.	
[redacted]	Person F	So the algorithm is not tweaked to try and maximise more shares onto the platform. The market makers' activity isn't geared up to getting more new shares onto the platform.	
[redacted]	Person 4	Well, I suppose you could say that by providing liquidity to existing customers that are trying to liquidate their positions, that unlocks their spending power to buy new shares in more interesting or exciting footballers. So I suppose you could categorise that in that area.	
[redacted]	Person A	So have you got an analyst team that looks at the market, new players coming in, which ones are potentially going to be good players to have in the market? Is there a team that continually analyse the – as you would do with bookmakers, they'd have the trading team.	
[redacted]	Person 4	I think that that activity, as you're describing, is covered in that previous piece that we talked about, about identifying new footballers to add to the index and to price them up for their initial IPO.	
[redacted]	[redacted]	[redacted]	
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Tape Counter Times	Person Speaking	Text	URN:
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[redacted]	Person F	So that's the first part of the revenue steam, is the introduction of players. Obviously the commission is the other. And that's – if you've got the pricing right on the player, then the commission is just the bonus money that generates further revenue. So that revenue's generated from the selling of shares, the passing of shares between customers or the instant sell. So what activities do you carry out on the platform to maximise the commission?	
[redacted]	Person 4	I suppose you could describe our offering of instant sell, at prices that we believe are sustainable, but as generous to customers as possible. That would encourage some trading, and indeed, as described, for freeing up money to buy new shares issued, that also frees up money to buy other shares in the market that may be listed by other customers. And similarly, that market-making activity that frees up money from sell queues, or fills sell queue orders, would similarly free up the cash balance that's redeemed from those sales, to potentially be re-bet.	

Tape Counter Times	Person Speaking	Text	URN:
[redacted]	Person F	So is your commission generated from a player that's on a price rise or on a price decline?	
[redacted]	Person 4	It depends, really, on whether they're a newer footballer to the index or not. In general, if a footballer's IPO often sees a rapid rise because there are no existing shares to be sold by users there will be less commissions. But in the case that there is on the rise, having been established in the market for a while, quite often there will be a number of customers who will take a profit by selling their shares to other users, or otherwise.	
[redacted]	Person F	Hello?	
	Person 4	Sorry, could you hear that?	
	Person F	No, the last bit tailed off, I think, at the end.	
	Person 4	Where did I lose you?	
	Person F	You were saying that when the player is established, if the player's price is in a rise, and that's about where we've got to.	
[redacted]	Person 4	Okay. So if there's existing shares held by a larger number of users in a footballer, and they suddenly see a spike in form or a spike in demand because of transfer rumours or a patch of form in their playing career, we will often see a significant number of the shares being bought by other users are being listed by customers. It varies quite a bit.	
[redacted]	Person F	So it's in the interest of the business for established players to see price rises because then that would generate commission because there'd be a flurry of sales.	
[redacted]	Person 4	Any trading activity is in the interest of the business.	
	Person F	But you're saying that for an established player, a price increase would attract more trading activity than a declining player.	
[redacted]	Person 4	Yeah, I haven't really given that consideration in that context. So I'll probably give it a little bit of thought. I don't know that it's necessarily more or less in the interest of the business, whether it's an existing footballer or a declining footballer that's generating commissions.	
[redacted]	Person F	Well, yesterday the market maker said that he only dealt with players that were on the rise, or performing well but the price is a bit stagnant. Where the player is in decline, then he wouldn't necessarily clear down the sell queues for that. So I'm just trying to draw the parallel between the two.	
[redacted]	Person 4	Yeah, sorry, I just need to think about it so I can give you an answer. So you're trying to describe whether or not the commissions generated by a player in decline… The market making strategy of not buying players that are in the end of their career and in decline significantly is a risk issue, rather than necessarily being motivated by which players, which footballers generate commissions.	
[redacted]	Person F	I suppose really it drives towards a bit of a conflict between the market makers' activity and the business model in the sense that – not a conflict but an alignment of – for a player that's popular and their price is starting to stall, one of the revenues for the business is commission. And a way to generate that commission is to make the price appear like it's going up.	

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		We established yesterday that in some of the market makers' activity that does actually happen, by clearing down a sell queue and then dripping it back into the market. The result is that the price goes up, and therefore other players might then – other customers might sell their shares, which then generates more commission. So I think it's just really trying to understand s how that's monitored and managed, and why it's not really anything to be concerned about.	
[redacted]	Person 4	I would say the context of the level of trading by that market maker, so £800k versus £4 million or so traded in the market, would give a strong indication that, primarily, any market moves and price moves are primarily as a result of customer demand and activity. If there is price movement in a footballer as a result of market-making activity, I don't believe that that's the goal of that activity. Whilst it's – as it's an account that's handled in terms of trading, the same as any other account in the platform, it will be implicit that any trades do move the price, as is the case with any other customer. So I don't think that's a strategy that is being followed. I think it's potentially a side effect that we should probably examine. But – yeah, I think that's –	
[redacted]	Person F	I suppose what we'd say is if we took out the market maker activity, and I think it was Van Dijk we were looking at yesterday and it appeared that 15,000 shares had been purchased. The purchase of those shares from that sell queue generated commission in the business model because the individual selling those shares then had to pay 2%.	
[redacted]	Person 4	I think it's – yeah. I think the fact that –	
	Person F	Let me just finish. So that leads –	
	Person 4	So hang on, can I just counterpoint that slightly? You're saying that we're benefitting from 2% commission, but we also have the cost of 98% of the footballer's price. So I think it's quite a reach to say that that's a very profitable activity for the business.	
[redacted]	Person F	But that market maker pays, I presume, on imaginary credit. There's no actually real money that's been put into that account.	
[redacted]	Person 4	No, that's real money that's been put into that account.	
	Person F	So that's actual profits that have been put into the business? There'd be money taken out of the business and put into that account.	
[redacted]	Person 4	Correct, yes.	
	Person F	And so how come that internal account is credited with real money and not played on credit?	
[redacted]	Person 4	That is cash, yes.	
	Person F	Okay. So there's a transfer between the business account into the player protection account to reflect deposits onto that account.	
[redacted]	Person 4	Yeah.	
	Person F	Okay. I probably naively assumed that it wasn't really loaded. It was a balance that you just created to run the account.	
[redacted]	Person 4	No. We've been very careful to avoid that because it certainly seemed like a black hole that you could get into, of printing money. So we've been very careful that any of that market-making activity is in line with	

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		policies of the allowed expenditure on that activity, and that it is reflected by transactional records of the amount of funding that has been applied to that account.	
[redacted]	Person F	Would it be possible to demonstrate those actual cash movements then between the business account and the player accounts, to reflect the deposits? Did you ever draw down on that account then as well then, when it gets in the good?	
[redacted]	Person 4	I don't believe we have but we –	
[redacted]	Person 7	We haven't. In theory, you could do. You've been provided with the accounts and the balance sheet. That amount is on the balance sheet, that investment in market.	
[redacted]	Person F	Okay. So if we could see some bank statement transactions to demonstrate the account being loaded, that'd be quite interesting to see.	
[redacted]	Person 7	Okay.	
[redacted]	Person F	Lovely. Okay, that's it from me on that area unless there's any –	
[redacted]	Person 7	Okay. Are we happy with finance? Are we happy to move on to marketing?	
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