

Betting Intermediary Product

The game is known as 'The Football Stock market' and 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.

The '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.

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.

It is intended that the product will enable Users to buy bets (also known as shares), and then to subsequently sell them should they so wish to other Users at prices they set, rather than pre-determined prices as was only possible under a fixed odds betting licence. This will increase market liquidity and trust and transparency in the product and is why they are applying for a remote betting intermediary license.

Target Market

The company originally set about building a marketing strategy by developing profiles around three core target customers:

- The Trader—Typically Borough market or 'the square mile'. Targeted through publications such as City AM the professional financial services industry is a key target but this can easily be anybody who works in the entrepreneurial small-business field.
- The Gambler—this is typically a customer in his mid-20s to 30s. A football fan and someone who understands gambling but is looking for something different to his or her typical betting options in the market. Research conducted by the company showed that 67% of people would like to play Football Index in addition to their existing bets.
- The Football Fan—Someone who doesn't bet every week. Prefers the idea of trading to gambling. As the brand has grown the company has further refined its understanding of its customers:
 - 70% of customers are 25 -44
 - 98.5% men.

As the brand has evolved, the licensee has retained a high proportion of management and white-collar customers, many of whom are attracted by the more aspirational appeal of 'trading' rather than betting. All of the company's marketing has been directed at speaking to this core market.

Operations and Relationships between the companies

It is intended that a subsidiary company of the exiting licensee to apply for a Betting intermediary operating licence as set out under the above Betting Intermediary product.

The existing licensee 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 the existing licensee 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.

The limitation with the company's current model is with respect to the pricing of bets. Users are unable to specify a price at which they are prepared 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, they 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, they are enabling Users to specify a price at which Users 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 they believe that the number of orders matched by Users through a buy and sell order book will increase to roughly 80% or more. The exiting licensee 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 the existing licensee. This will significantly increase the level of trust in the product.