

October 17, 2003

The gambling industry and wholesale finance: A round-table discussion on the overlap between betting and banking, with Michael Mainelli (Z/Yen), Ashley Tatham (City Index), James Davies (Long Reach International), and Andrew Garrood (Cantor Index). To be held on Wednesday, November 12, 2003 at Wax Chandlers Hall, 10 Gresham Street, EC2N 1DS, from 12:30pm to 2:15pm.

Gambling of all forms is growing. Indeed, the global stock market capitalisation of all betting companies is now put at around US\$4 billion – with about 30% of the industry based in the UK. Worldwide, total legal betting is thought to have been as high as US\$106 billion in 2000. And projections are awesome: ZDNet, for instance, predicts a mobile gambling market in the UK alone of £3.4 billion by 2006.

This is big money – but not all of it reflects “traditional” gambling on sports or even politics. Gambling is moving into the wholesale finance area – and it could well transform the financial industry by undercutting conventional insurance and by allowing consumers directly to hedge other consumers’ risks. It is not a big leap to imagine:

- that weather derivative markets might work better if retail took the opposite side of wholesale contracts with utilities for outdoor events – or even utility bills;
- that sports contingency insurance for relegation or player bonuses (a bigger market than you might imagine) could be held directly by opposing fans’ bets;
- that individuals might trade mortgage insurance based on indices of local house prices; or even
- that film producers might hedge their risk by betting an opening weekend audience.

These products are real; they are either already offered or are in development. And there are lots more areas where the betting industry is on the move – often without the conventional financial industry (or its regulations) being aware of the threat.

We have been watching this for a while, but it has turned out to be very difficult to set up a round-table on the broader implications. As a result, we are delighted that Michael Mainelli, executive chairman of Z/Yen, which has been working on new product development with some of the betting firms, has agreed to pull together a group of speakers and to set the scene himself. He will be supported by:

- Ashley Tatham, senior trader at City Index, a market leader in financial spread betting and CFDs;

- James Davies, managing director of risk management at Long Reach International, a specialist insurance broker and financial consultancy in the sports business area; and
- Andrew Garrod, head of market-making at Cantor Index.

This is a fascinating area that is still little understood by mainstream financial practitioners. If you or a colleague would like to help us shed a little light, please let us know as soon as possible by either emailing simon@csfi.org.uk or by calling the Centre (020 7493 0173). As usual, wine and sandwiches will be provided.

Sincerely yours,

Andrew Hilton