

ESI

e-Success Solutions » TRUSTED SOFTWARE FOR GAMING



ESI Integrity Inc.

Independent
Monitoring of
Wagering
Systems

ESI Integrity Inc. - Background

ESI Integrity Inc. is the leading supplier of trusted software for the regulation of gaming

Markets:

- Government Lotteries
- Pari-mutuel Wagering
- Regulation of Internet Wagering
- Monitoring of Sports Betting
- Online Account Monitoring
- Monitoring of Slots/VLT's
- Central Wagering Information Systems

ESI Integrity - Background

- ESI currently monitors upwards of \$20 billion/year in wagering – in real-time
- ESI supports customers worldwide – in North and South America, Europe, Asia, and Africa
- ESI monitors >99% of all pari-mutuel wagering in Canada
- ESI monitors all pari-mutuel wagering in Florida, plus SGI's hubs, plus NYRA

“Policing” of Wagering Systems

- Fundamental Issue:
 - Is the wagering system behaving the way it is supposed to?
 - Does it “follow the rules” specified for the wagering activity?
 - Does it refute fraudulent activity?

“Policing” of Wagering Systems

- How do you ensure that the wagering system “is behaving the way it is supposed to”?
- In general there are two approaches:
 - “Test and Freeze”
 - Continuous monitoring
- Most gaming uses some combination of the two approaches.

“Test and Freeze”

- Typically an independent agency tests the wagering system against a specification that stipulates what is “correct behavior”
- Once it has passed such tests, the version of the system is that was tested is “frozen” and cannot be changed or replaced without retesting
- *Difficulties:*
 - Its hard to specify all correct behaviors at the outset
 - Its hard to design a complete set of tests that will guarantee that the wagering system will behave correctly in all cases.

Continuous Monitoring Systems

- A continuous monitoring system will connect to a wagering system and monitor that is “behaving correctly” on an ongoing basis.
 - Typically this works in “real-time”
 - Alerts are raised if incorrect behavior is detected
- Monitoring system must be independent of the wagering system

What's a Monitoring System?

- Most forms of gaming require some form of Monitoring System:
 - *Lotteries:*
 - “Independent Control System” (ICS)
 - *Slot/VLT machines:*
 - “Central Monitoring System”
 - *Sports Betting*
 - “Risk Management System”
- Monitoring Systems are typically required by (and often operated by) the gaming regulator.

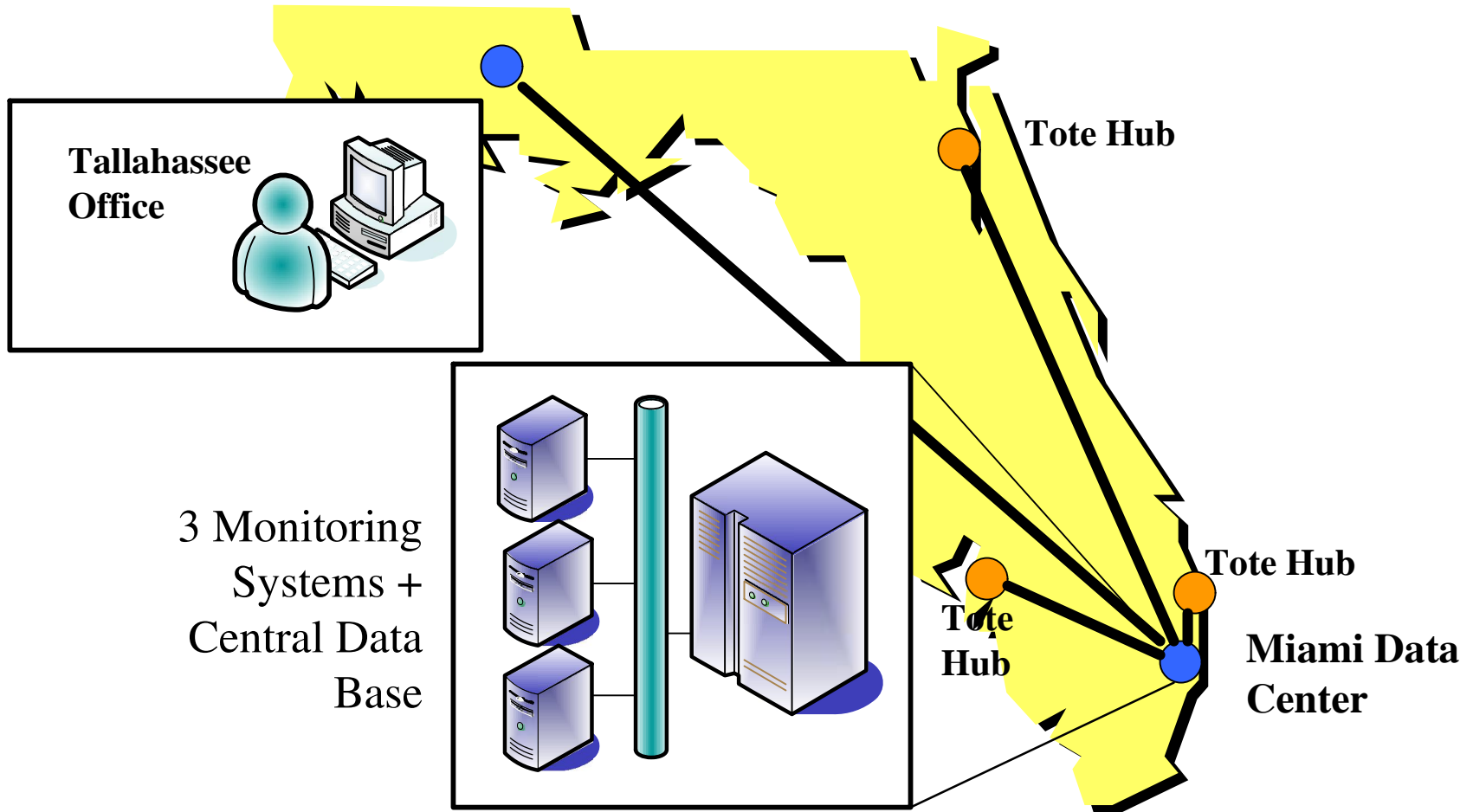
What does a Monitoring System do?

- The Monitoring System will:
 - independently process all transactions that the gaming system processes
 - independently check that game rules are respected
 - independently determines winners, payout amounts, liabilities, etc. for comparison with the gaming system
 - independently audit the wagering data for tax and take-out amounts
 - maintain an independent data base of all wagering data for audit and investigative purposes

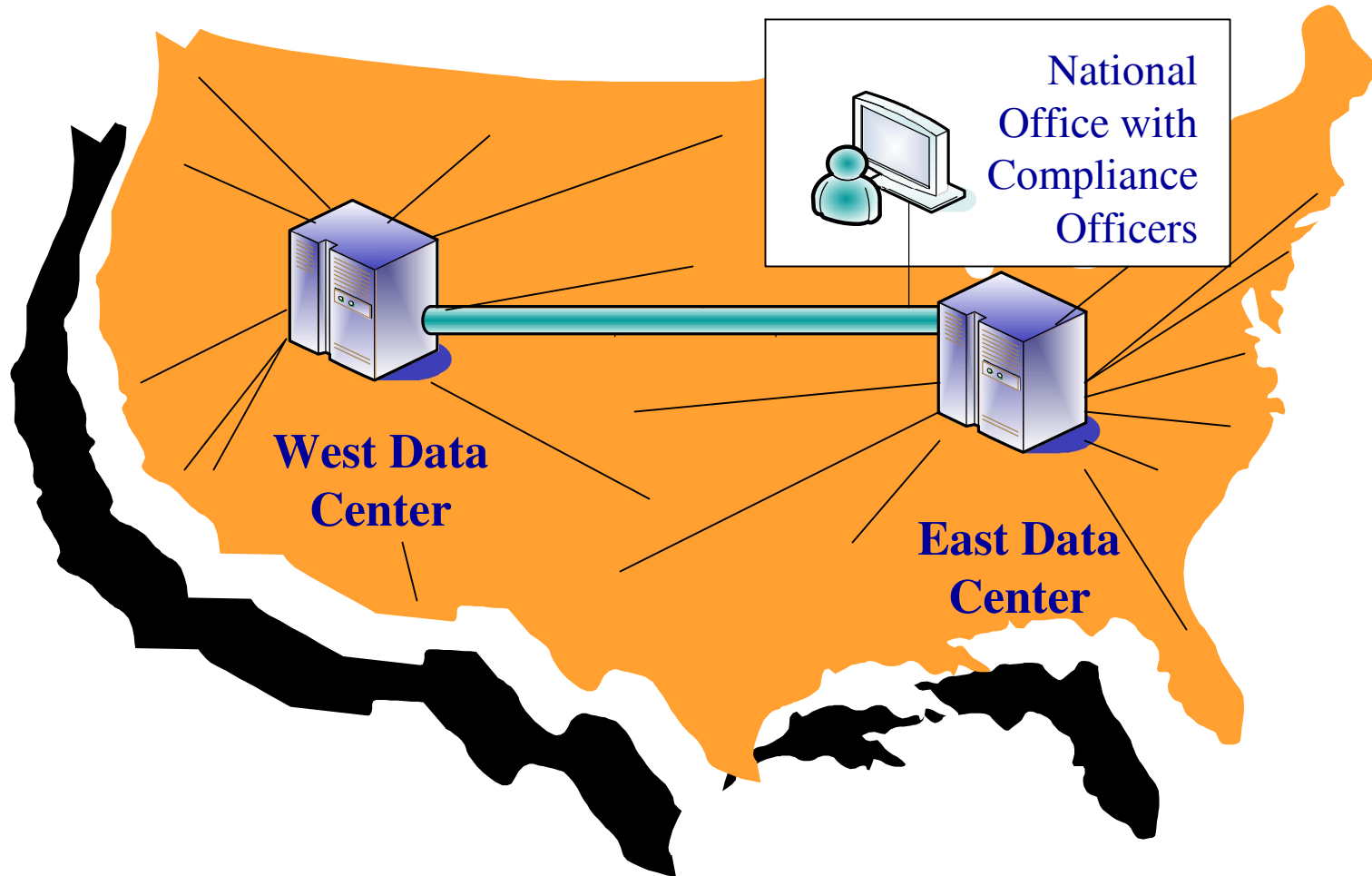
Pari-Mutuel Monitoring Systems

- **First deployment: Canadian Pari-Mutuel Agency**
 - Initial Pilot Project at Hastings Park in 2000
 - Now in full operational use for all Canadian tote hubs (SG, United Tote, Amtote)
- **Scientific Games**
 - *Integrity* licenses for all SG US Hubs purchased after 2002 Breeder's Cup
- **Florida Division of Pari-Mutuel Wagering**
 - Contracted with ESI in early 2004; included 3 Monitoring Systems plus a Central database that consolidates all wagering information. Currently in full operation.
- **United Tote for NYRA**
 - Initially deployed in Nov 2004; now being moved to NYRWB offices

Example: Florida Div. of Pari-Mutuel Wagering

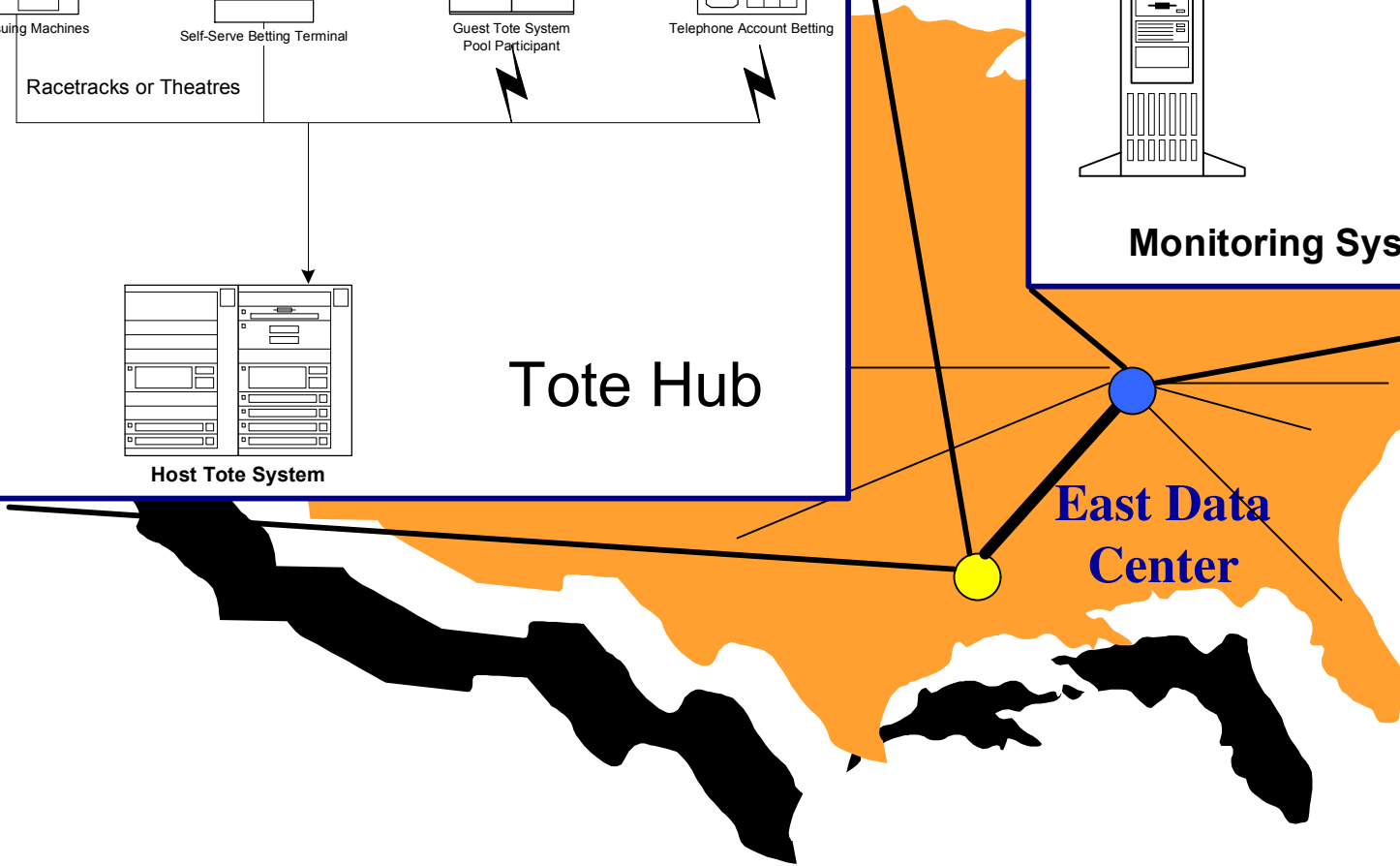
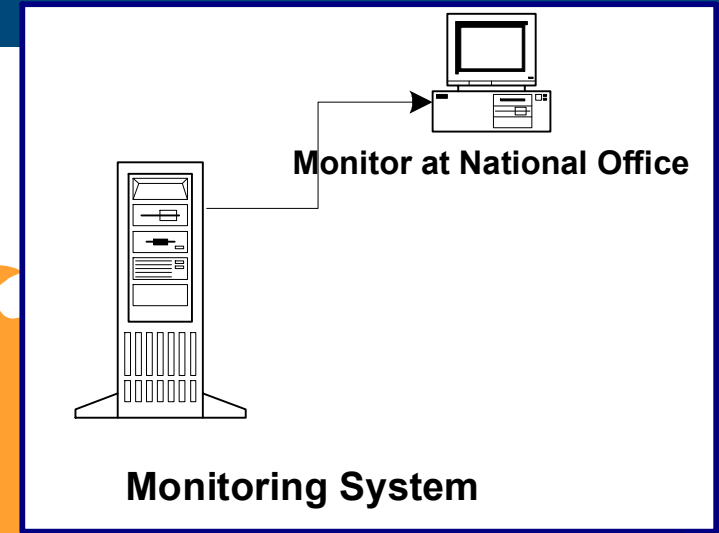
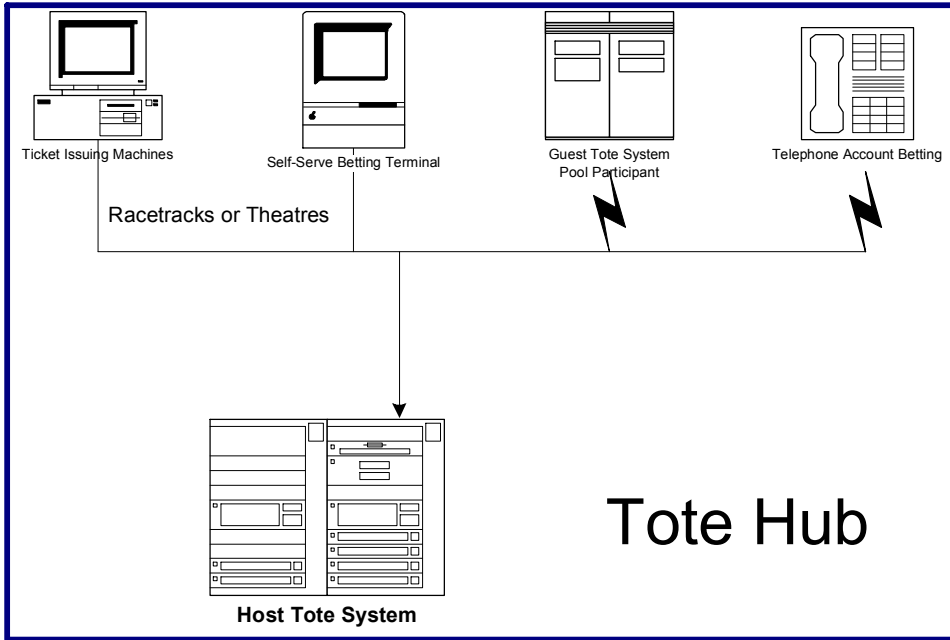


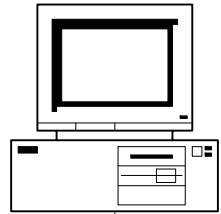
RCI Integrity Services: A National Monitoring Centre



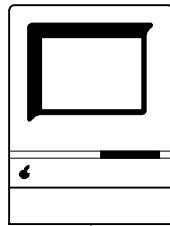
Partners

- Assoc. of Racing Commissioners Int'l
 - Representative of regulatory authorities
- ESI Integrity Inc.
 - Leading supplier of continuous monitoring technology to gaming regulators
- MTI Monitor Technology Inc
 - Leading technology for transactional pattern analysis and adaptive learning

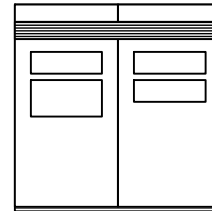




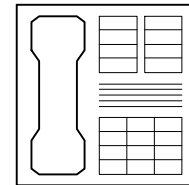
Ticket Issuing Machines



Self-Serve Betting Terminal



Guest Tote System
Pool Participant



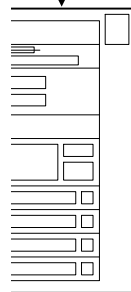
Telephone Account Betting

Racetracks or Theatres

**Monitoring System is
connected to Tote via
a secure encrypted
network link**



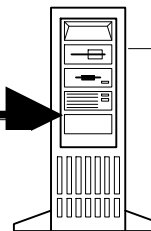
**A copy of each
transaction is sent to
the Monitoring
System immediately
after it is processed by
the Tote System.**



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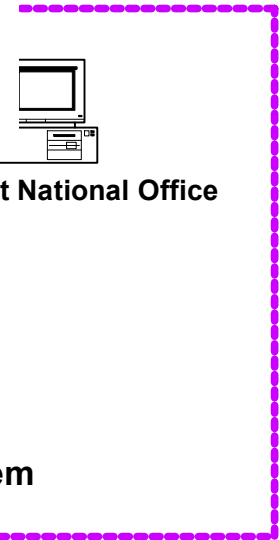


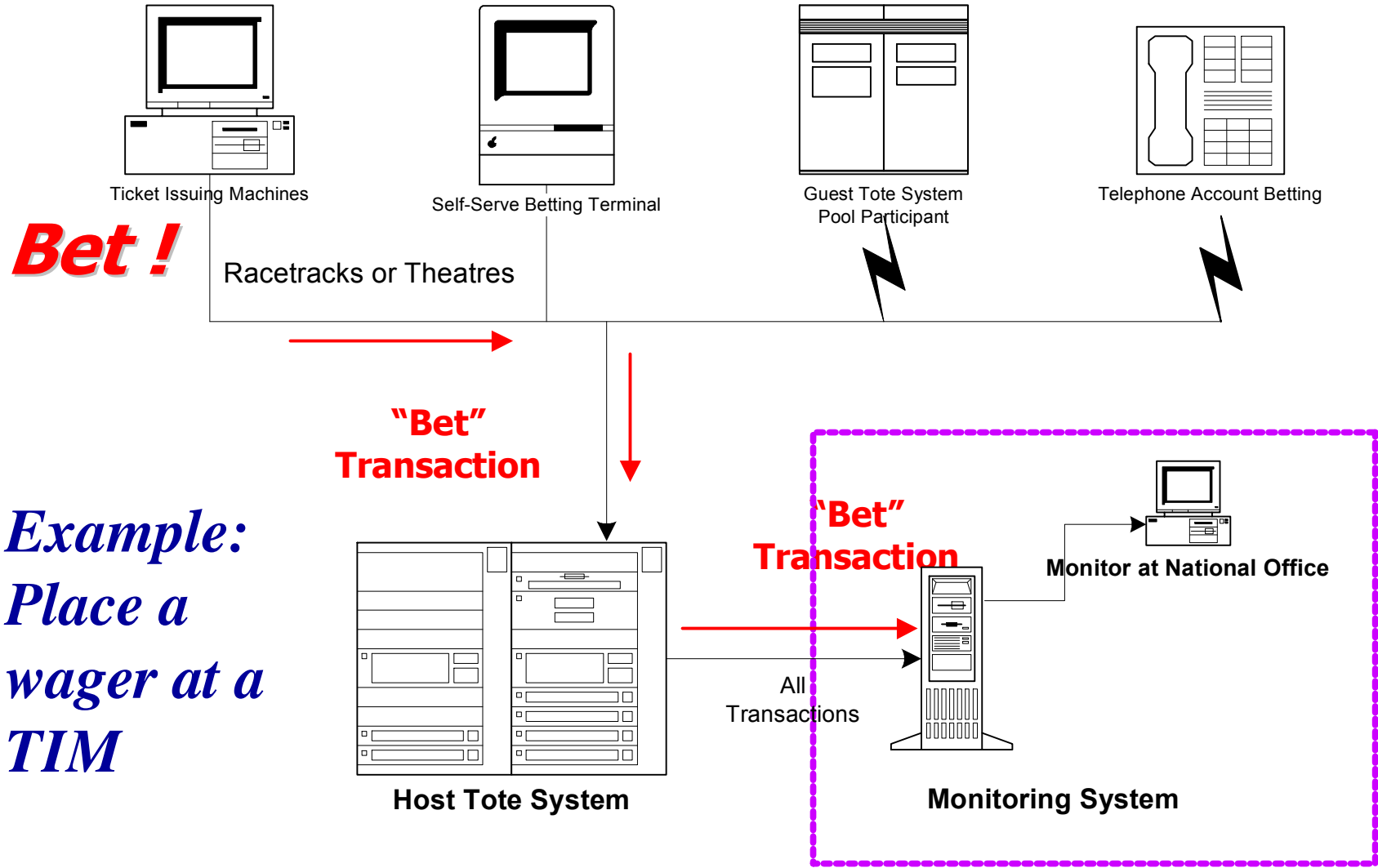
“wager”



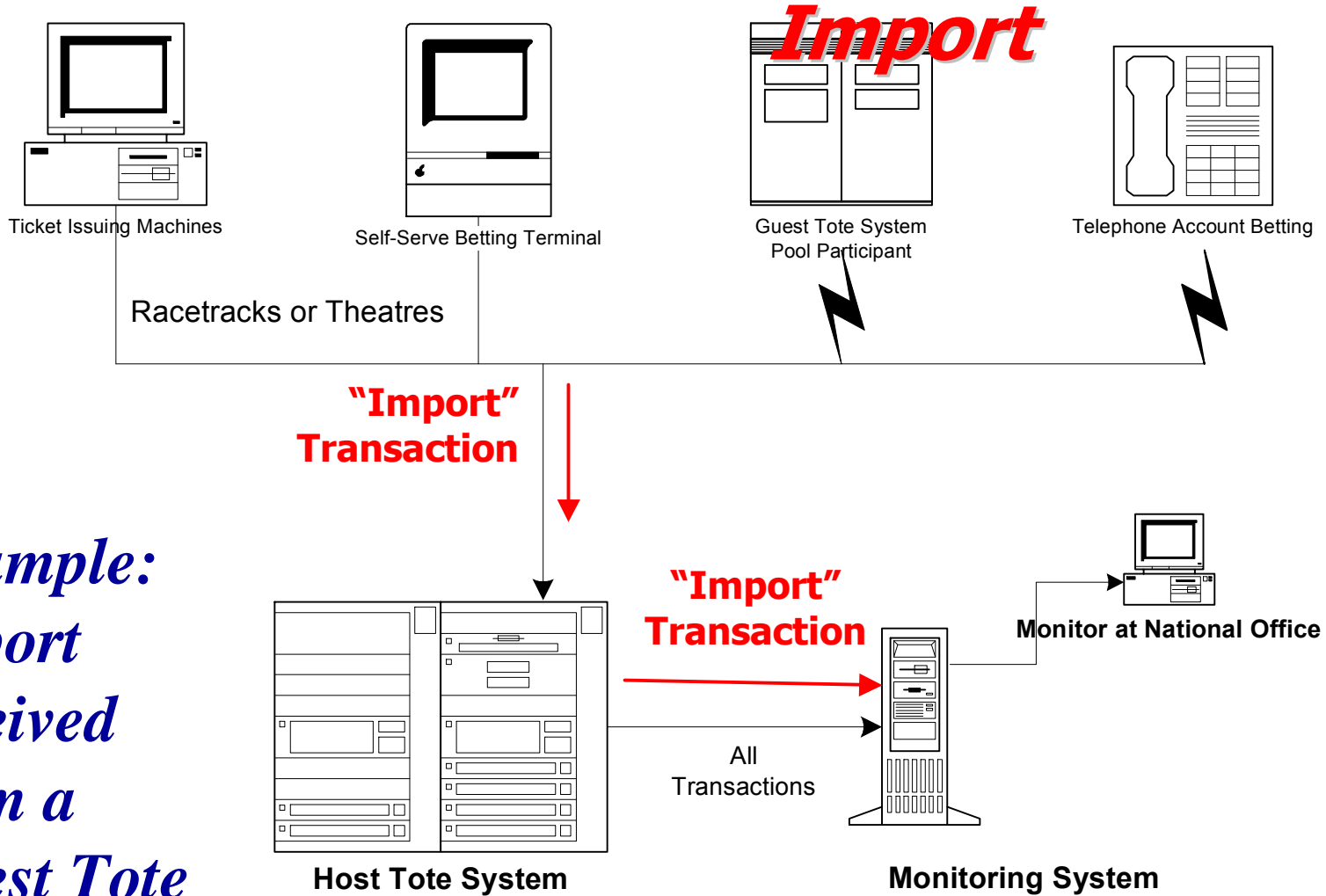
Monitoring System

Monitor at National Office

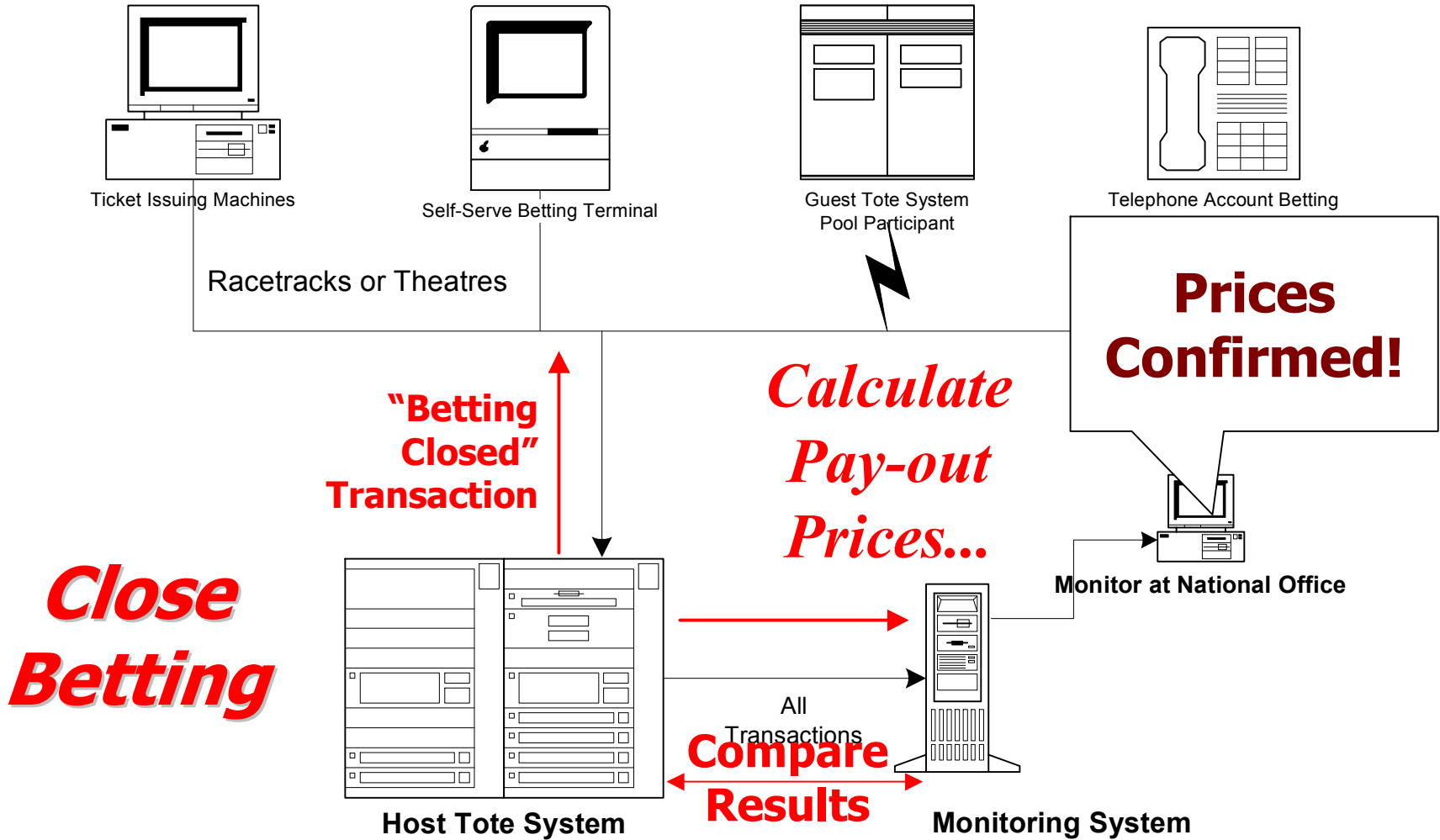


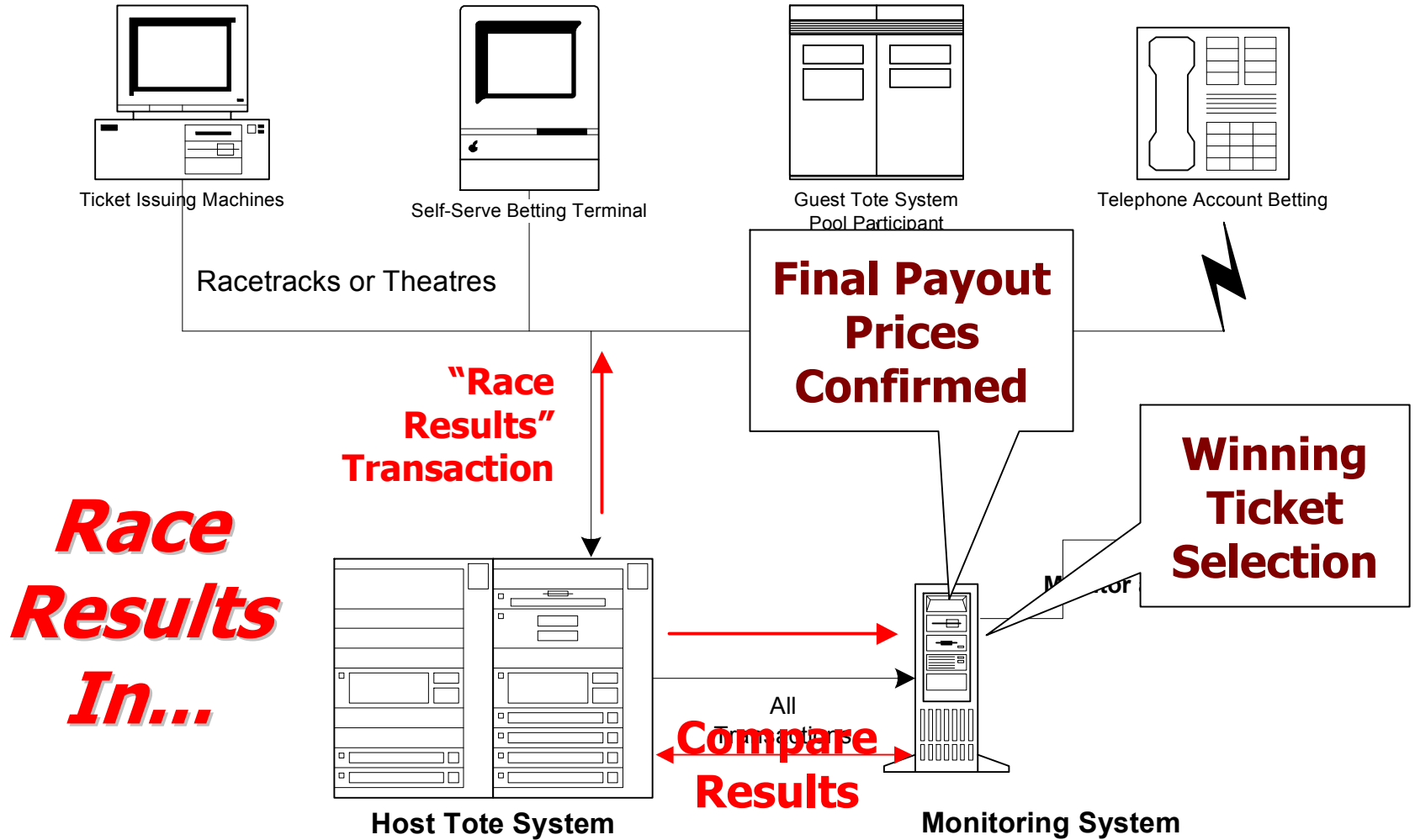


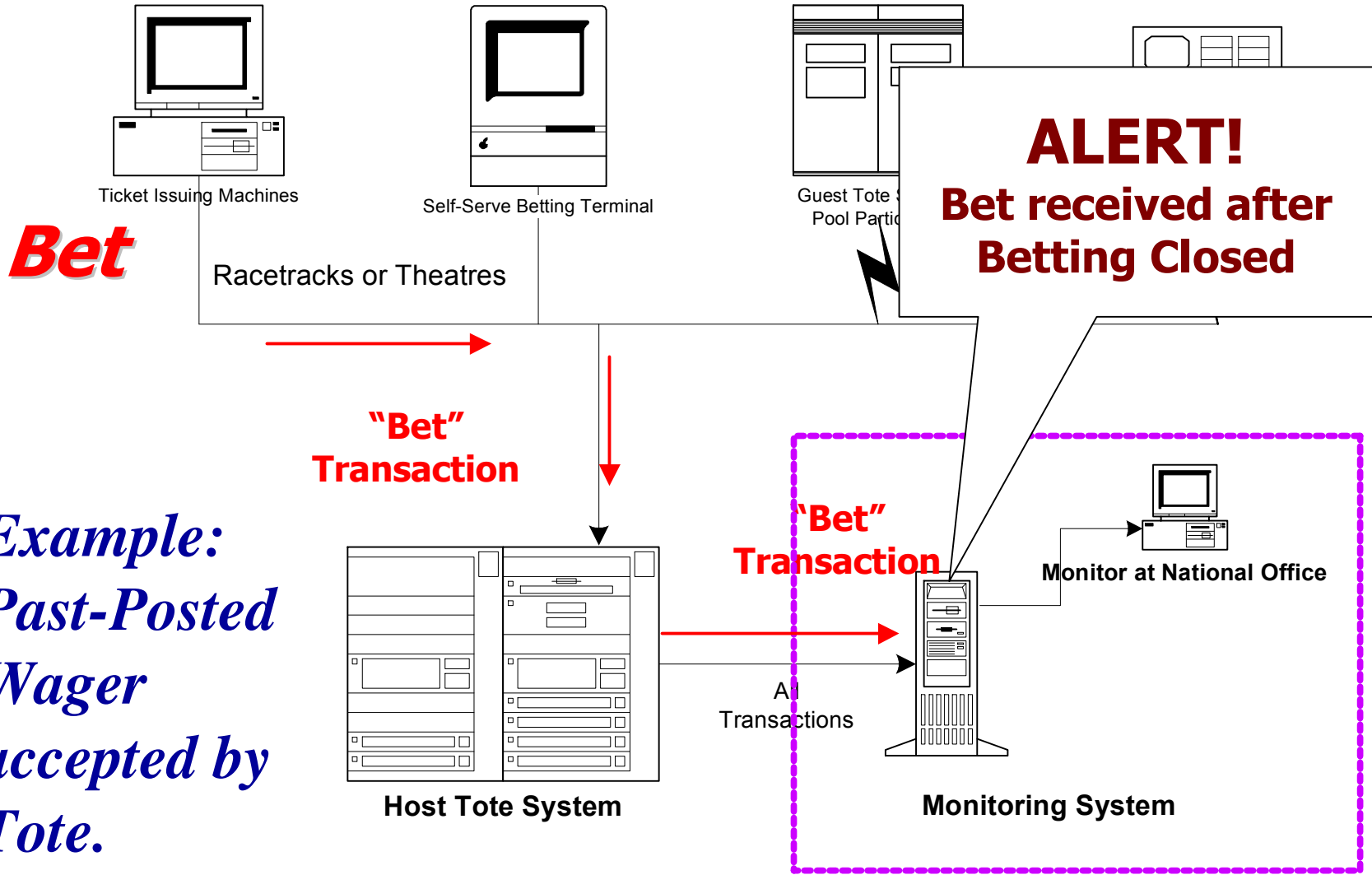
*Example:
Place a
wager at a
TIM*



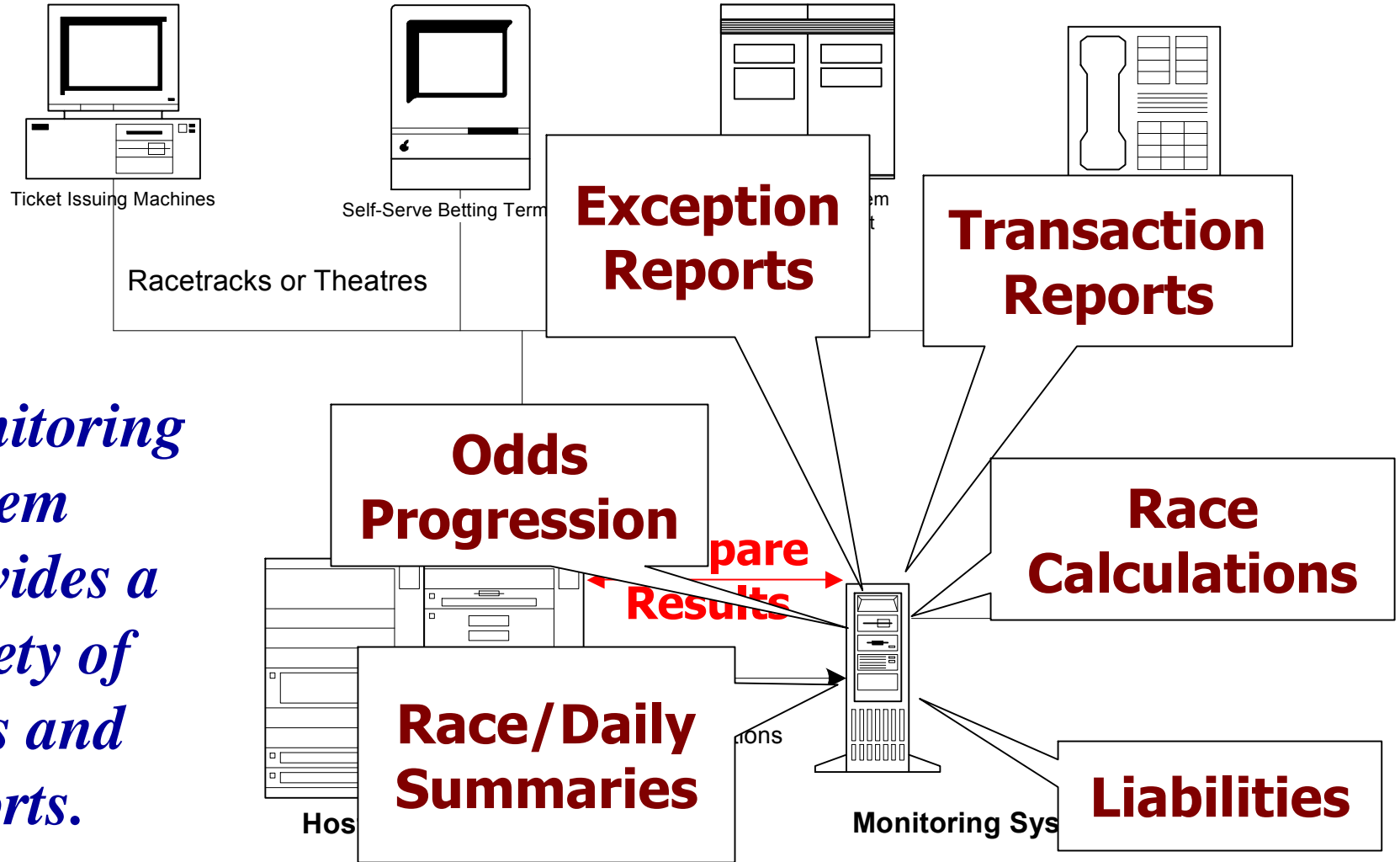
*Example:
Import
received
from a
Guest Tote*





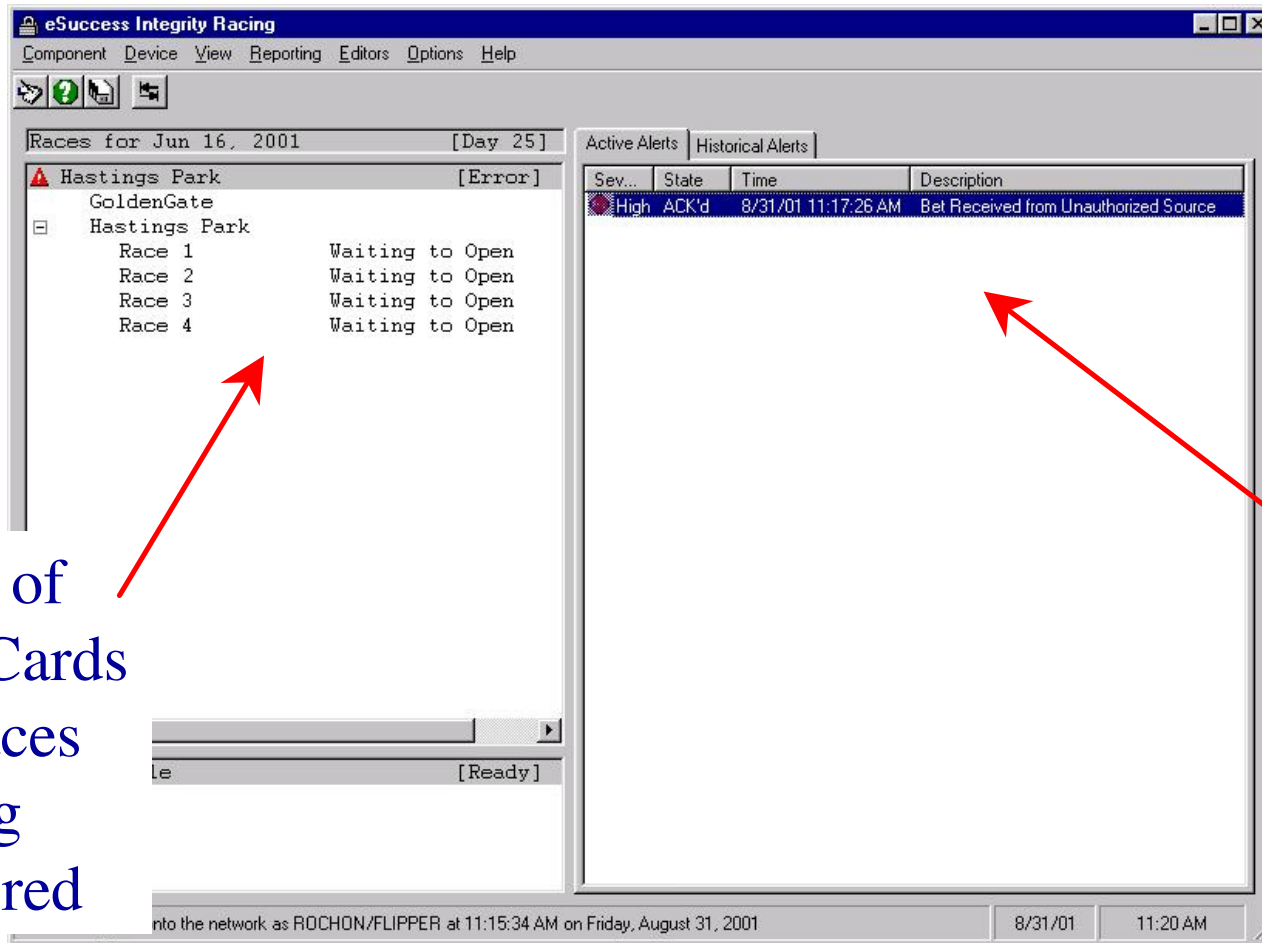


*Example:
Past-Posted
Wager
accepted by
Tote.*



Monitoring System Provides a variety of tools and reports.

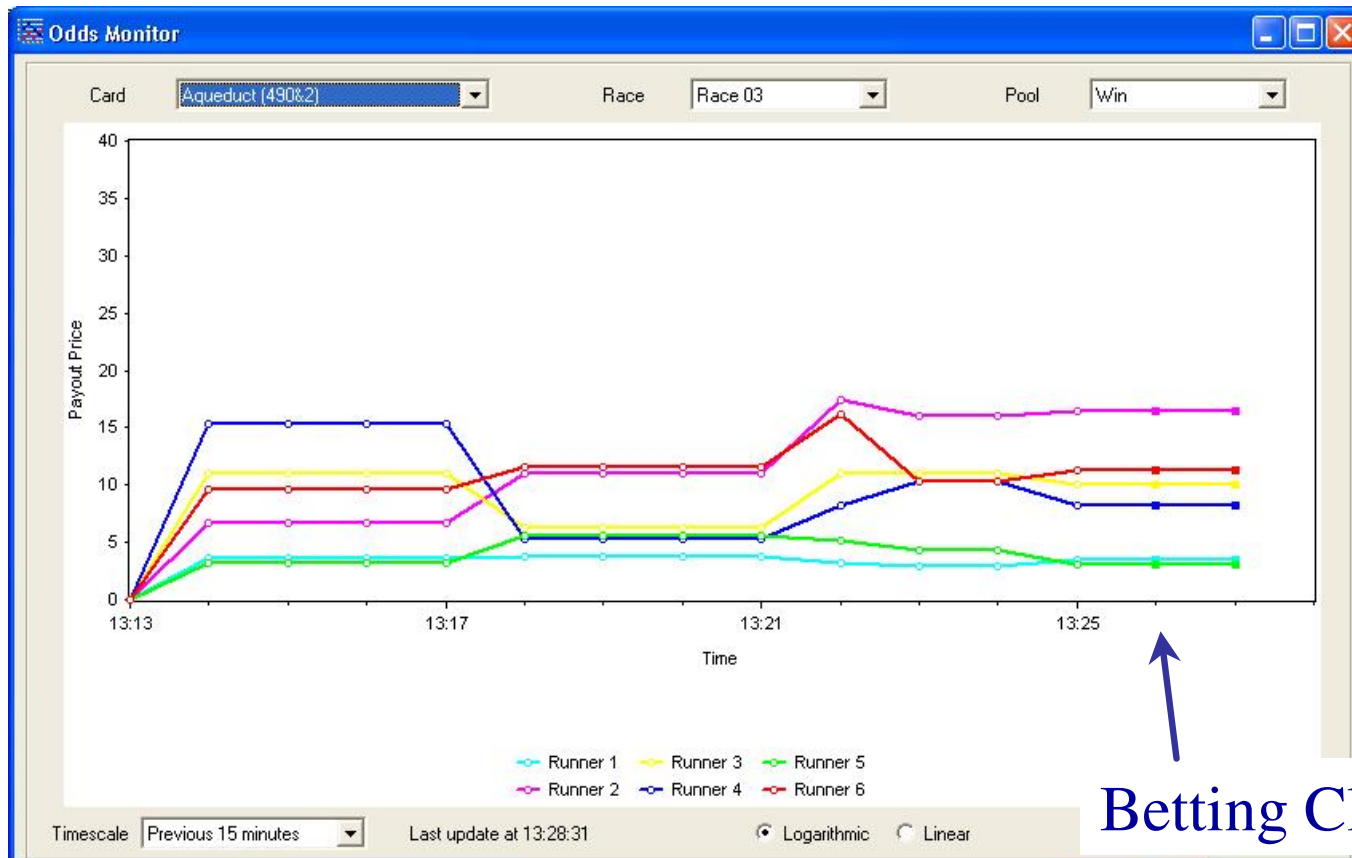
Main Alert Screen



Status of
Tracks, Cards
and Races
being
monitored

Alert
Window

Odds Monitor: Graph of Payout Price prior and after Betting Close

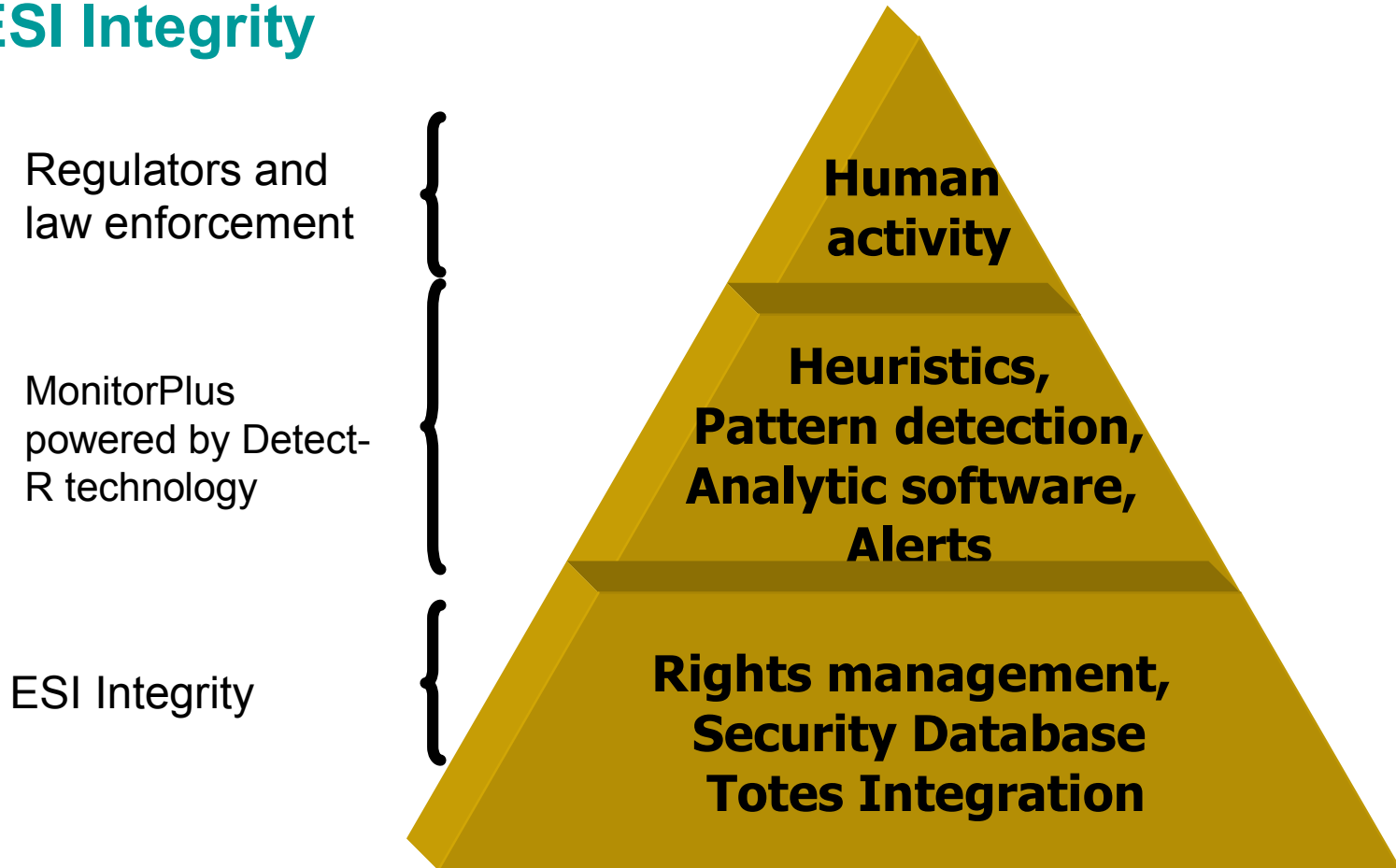


Betting Closed

MTI technology

- ❖ Uncovering cases of wagering fraud and money laundering in a sea of transactional data is hard and labor intensive
 - Detecting security risks has become an increasingly complex process in recent years.
 - Threats to wagering security is a real and present danger.
 - Automation to quickly and accurately detect wagering security risks are required in order to meet regulatory requirements.

MonitorPlus is an Overlay system on top of ESI Integrity



RCI Integrity Services Inc.

RCI Integrity Services Inc. is proposed to be an independent US-registered corporation focused on the provision of services to monitor the wagering activities of U.S. regulated pari-mutuel race tracks.

The Mission of RCI Integrity Services:

to provide services to the pari-mutuel racing industry to ensure the integrity of wagering activity in the USA.

The Mission

To achieve this goal, RCI Integrity Services Inc. will:

- Operate as a third-party compliance organization stewarded by the US State Regulators of pari-mutuel wagering and recognized by track operators as a trusted independent regulatory service provider**
- Provide real-time regulatory monitoring services for all wagering activities for the regulated U.S. pari-mutuel industry**
- Provide an independent audit service for the proceeds of pari-mutuel wagering**
- Working in concert with State Regulators, provide Compliance Officers who will recognize and provide a coordinated response to all wagering discrepancies detected**
- Define and implement tracking and escalation procedures that ensure a coordinated response to wagering discrepancies**

Customers

- “Launch” customers:
 - Youbet
 - Scientific Games
- Within 6 months, >50% of pari-mutuel wagering in the US will be continuously monitored
- Model Rules: require independent monitoring
- ‘03 Guiliani Report: recommends continuous monitoring

ESI Integrity Inc.

*Trusted Software for
Gaming*

Thank you!