

Gambling industry provider aiming to affix debit card technology to personal computers

ESI Entertainment Systems' Secure Swipe would connect home computers to bank accounts and merchants

Bob Mackin

Imagine paying for lemonade at a child's roadside stand on the hottest day of the year with a debit card.

Or using that same card to buy a velvet Elvis poster and some old vinyl new wave albums from your neighbour's garage sale.

That might come to reality if a Burnaby company has its way.

Gambling industry service provider **ESI Entertainment Systems Inc.** is developing what it's calling **Secure Swipe**. It's a personal identification number pad that connects to a computer's USB port and allows users to swipe a debit card and move funds from a bank account to a merchant.

"It could be in the gaming industry; it could be in the general e-commerce industry," said ESI's chief financial officer, **Dan Parmar**.

As for security concerns that the accounts may be accessed by the wrong person with the right card and personal identification number combination:

"Banks have the same issue," Parmar said.

"As long as each person is instructed not to give their PIN out to anybody, there's no way it's going to get into the wrong hands."

"It's just assumed that the person who holds the debit card is the user. The onus is on the individual."

The PIN pad would be distributed to merchants who would then provide it to customers.

The e-Bay-owned PayPal model shows that people owning small businesses want to take control of their payment processing, said **Patricia Howell**, senior analyst for **Financial Insights Canadian Financial Advisory Service**.

"When you use PayPal, you're making a transaction through PayPal and then that PayPal transaction goes back to your credit card or bank account."

"It's not a direct connect to the consumer," Howell said. "This is taking it one step further. There could be challenges with that."

Six-year-old ESI, formerly known as **e-Success Inc.**, sells payment processing, transaction monitoring and turnkey gaming platforms to the online and land-based gambling industry through three subsidiaries: **Citadel Commerce Corp.**, **ESI Integrity Inc.**, and **PlayLine Inc.**

Parmar describes the model as three different companies with



Gambling on debit cards: (left to right) ESI's CEO Tony Greening, company president Michael Meeks and CFO Dan Parmar

three different revenue streams, yet with great potential to work together for clients who need all three services.

"If you want to pay for your lottery ticket on Secure Swipe, that benefits Citadel as well," he said. "There's a lot of synergies between having those businesses."

ESI went public in March and closed its initial public offering April 3.

It was offering 3,333,400 shares on the Toronto Stock Exchange under the symbol **ESY** at \$3 apiece.

The company filed a preliminary prospectus with regulators on January 27.

Desjardins Securities, **CIBC World Markets**, **Canaccord Capital** and **GMP Securities** were listed among the offering syndicate.

For the year ending February 28, 2005, ESI reported earning \$999,217 on revenues of more than \$10.8 million.

ESI concedes that online gambling is illegal in Canada, but "Canada has become a global leader in providing services and support to the online gaming industry, including through several publicly listed and widely-held entities."

ESI's clients include the **British Columbia Lottery Corp.** and **Bodog**, the Vancouver-born online sports and poker company that calls San Jose, Costa Rica, its headquarters, but runs some of its transactions through the Kahnawake Mohawk reserve near Montreal.

Parmar said he's encouraged by the United Kingdom's move to regulate its online gambling industry a year ago at a time when there are renewed efforts to outlaw online gambling in the United States.

Some major land-based casino companies with substantial resort investments in Las Vegas and elsewhere fear online gambling will harm their industry.

Meanwhile, opponents are worried about social problems, such as gambling addiction.

The proposed Internet Gambling Prohibition Act would make it illegal to bet online in the U.S. It would also give government the tools to block credit card transactions for gambling.

The bill is sponsored by Congressman **Bob Goodlatte**, a Virginia Republican, but is the subject of debate because the U.S. has some interstate horse racing via the Internet.

Parmar said U.K. authorities were going to invite Americans and other skeptics there this summer to learn about its system.

"It's a \$10 billion industry and it's not going to shut down overnight," Parmar said. "Regulation is the proper way to go."

Only provincial governments are allowed to license gambling operations and Crown corporation **BCLC** has a virtual monopoly in B.C. — it even takes bets on its **Sports Action** game via the Internet. The only notable Internet operation busted by Canadian authorities was Vancouver's **Starnet Communications** in 1999 when undercover cops in Vancouver wagered on sporting events and, in some cases, won.

Online gambling has become a big moneymaker for Kahnawake. Among the sites it hosts is **Golden Palace Casino**, the company known for employing streakers and flashers as "billboards" at major sporting events.

"We're not getting any push-back from (Ottawa). We're quite open with them."

I'm not certain where it's going to go," Parmar said. "If anything, Canadians will look towards the U.K. to see how the gambling act is working out and they'll get some good cues from the U.K. We're going to work with the governments in Canada and the U.K. and work through the issues in the U.S."

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