

# Tasmanian Government Submission

Joint Select Committee on Gambling Reform - Inquiry into  
interactive and online gambling and gambling advertising

30 June 2011



Tasmania  
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## Introduction

The Tasmanian Government welcomes the opportunity to provide a submission to the Joint Select Committee on Gambling Reform into interactive and online gambling and advertising.

The Tasmanian Government recognises that interactive and online gambling and the rapid growth of these new forms of gambling, particularly its access by young and vulnerable people, can pose a risk for the community. The Government also recognises that a strong regulatory framework is essential to address these risks and that the online environment has some advantages in the regulation of gambling operators and minimising harm for gamblers.

Tasmania has established a strong framework for the regulation of gambling which specifically includes the regulation of online gaming and wagering. The regulation of online gaming and wagering has been in place since 1999 and currently Tasmania has two wagering operators licensed under this framework (TOTE Tasmania Pty Ltd (the TOTE) and Betfair Pty Ltd).

This submission identifies some of the potential risks posed by interactive and online gambling and provides examples of the regulatory approach that has been adopted by Tasmania to minimise those risks.

## Adequacy of the Interactive Gambling Act 2001

The provision of online gambling services to Australian citizens is prohibited under the Commonwealth Government's *Interactive Gambling Act 2001* (IGA). Exceptions to the prohibition include wagering other than 'betting in the run' and lotteries other than 'instant' lotteries. The IGA prohibits the supply of interactive gambling services to Australian citizens but does not prevent Australians from accessing prohibited online gambling sites.

In its report into Gambling in 2010, the Productivity Commission found that over the ten year period since the commencement of the IGA, it does not appear that the prohibition has been effective in preventing Australians from accessing online gaming sites<sup>1</sup>. This is a concern for the Tasmanian Government, as Australian online gamblers are able to use offshore sites, some of which have poor harm minimisation features and inadequate probity and consumer protection<sup>2</sup>.

While the prohibition has been found to be ineffective at preventing access to overseas online gambling sites that could have inadequate regulatory protection, Australian jurisdictions are prohibited under the IGA from licensing online gambling suppliers to provide a safe, well regulated alternative to Australians<sup>3</sup>.

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<sup>1</sup> Productivity Commission Report into Gambling (2010) p 15.15

<sup>2</sup> Productivity Commission Report into Gambling (2010) pp 15.1, 15.9 and 15.18

<sup>3</sup> Productivity Commission Report into Gambling (2010) p 15.18

The Tasmanian Government notes the Productivity Commission's recommendation that an alternative to further heavy handed regulation aimed at prohibiting online gambling is for online gambling to be gradually liberalised, beginning with a 'safer' form of online gambling such as poker card games. The harm minimisation measures put in place and the effect of the partial liberalisation could be evaluated before further games are introduced.<sup>4</sup>

## (a) The recent growth in interactive sports betting and the changes in online wagering due to new technologies

The Tasmanian Government recognises that the growth of interactive sports betting and other online wagering, and the development in technology that enables gambling through new forms of electronic media poses new risks for gamblers. The Internet in Australia is entering a new phase with the development of the National Broadband Network (NBN). The entertainment potential of faster domestic broadband is likely to be heavily promoted, and this is also likely to include onshore and offshore gambling products.

The last four decades have seen a progressive liberalisation of gambling nationally and in some areas, Tasmania has been a pioneer. During the 1970s Australia's first casino was established in Hobart. In 2006, Tasmania was the first Australian state to licence an online betting exchange (Betfair). As a consequence of the expansion of gambling products and associated growth in the gambling industry, Tasmania now has available a wide range of gambling options including racing, sports betting, lotteries, EGMs, casino, keno, football pools and minor gaming.

Other than on-course bookmakers who are regulated by the Director of Racing under the *Racing Regulation Act 2004*, all gaming and wagering licence holders within Tasmania are regulated under the *Gaming Control Act 1993* (the Act) and the *TT-Line Gaming Act 1993*.

Tasmanians can also access online gambling sites that are regulated outside of Tasmania and the Tasmanian Government has little or no control over the regulation of these sites.

Advice from the Tasmanian Gamblers Help support service indicates only a small presentation of clients whose problem gambling derives from online gambling. However, clients are increasingly citing online gambling as part of their gambling activities. Counsellors are concerned that:

- people at risk are 'hidden' because of the nature of the product with in-home/discreet access; and
- compared to venue-based gambling, it is much more difficult to provide help, information or identify and intervene with support options for online gamblers.

To counter these limitations, a strong regulatory environment is required and would include pre-commitment and other consumer-protection orientated safeguards. This could extend to game design in a similar way the national EGM reforms address the probable harms of

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<sup>4</sup> Productivity Commission Report into Gambling (2010) p 15.1

'high intensity' play. However, it is noted this is only possible where the Government has effective control over the regulation of the industry.

A sound regulatory framework for online gambling requires a combination of initiatives:

- good models for consumer protection/harm minimisation;
- mandated consumer protection and harm minimisation for Australian sites and the means of bringing pressure to bear on offshore sites for these standards;
- restrictions on advertising, inducements and loyalty schemes that promote high risk online gambling products;
- online counselling in addition to face to face and telephone counselling; and
- the promotion of player education and information to meet the growing interest in online options - onshore or offshore.

The Tasmanian Gaming Commission (TGC) expressed similar concerns over the current state of play:

*"The Gaming Commission continues to have some concerns with online gaming, particularly its attraction to young men, but acknowledges that the current system offers few protections and is basically a failure. The Gaming Commission believes a very strong regulatory framework would need to be put in place to accompany any repeal of the Interactive Gaming Act."*<sup>5</sup>

The online regulatory environment could make it easier to identify problem gambling among online users. This would require online gambling operators to have in place as part of their systems consumer protection safeguards such as automated monitoring of players' behaviour and targeted interventions such as pop-up warning messages.

The Tasmanian Government endorses the Productivity Commission's recommendations around harm minimisation in a regulated online gambling environment.

Specifically (from PC Recommendation 15.1), *"there should be a regulatory regime that mandates:*

- *strict probity standards;*
- *high standards of harm minimisation, including:*
  - *prominently displayed information on account activity, as well as information on problem gambling and links to problem gambling support;*
  - *automated warnings of potentially harmful patterns of play;*
  - *the ability to pre-commit to a certain level of gambling expenditure, with default settings applied to new accounts, and the ability for gamblers to set*

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<sup>5</sup> Tasmanian Gaming Commission, sub. DR311, p. 4, Quoted in Productivity Commission Report into Gambling (2010) Box 15.4, p 15.30

*no limit on their spending as one of the system options (with periodic checking that this remains their preference); and*

- *the ability to self-exclude.”*

The Tasmanian Government also endorses PC Recommendation 15.2.

*“The Australian Government should assess the feasibility and cost effectiveness of:*

- *Australia-wide self-exclusion and pre-commitment options for equivalent online providers;*
- *the capacity for extending self-exclusion through the payments system or through software solutions selected by problem gamblers; and*
- *the scope for agreement on international standards on harm minimisation and their enforcement through self-regulatory or other arrangements.”*

## (b) The development of new technologies, including mobile phones, smart phones and interactive television, that increase the risk and incidence of problem gambling

While the available research into online gambling prevalence rates is limited and the data is weak, it nevertheless suggests that gamblers who play online have relatively higher rates of problem gambling than other forms of gambling with the possible exception of EGMs. Further, those engaging in online gambling may often do so in addition to frequent and regular use of land-based venues; utilising online services when other gambling services are unavailable<sup>6</sup>, thus circumventing regulatory approaches already in place.

While the present national agenda on gambling reform is focusing on EGMs, the concern is that online gambling could become the next growth area for problem gambling. While young adults are already a vulnerable group with respect to EGMs, emerging research into online gaming and wagering has found these activities to be more attractive to this demographic<sup>7</sup>. Young adults play much more frequently and across a larger range of online gambling products<sup>8</sup>, making these players perhaps the most at risk from harm when accessing unregulated gambling sites.

The Tasmanian Government shares the Productivity Commission’s concerns around access to unsafe online gambling sites that have poor harm minimisation and less stringent probity and consumer safety standards which pose risks for the gambler. There is added concern that the combination of broadband internet, mobile internet capable

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<sup>6</sup> Productivity Commission Report into Gambling (2010) p 15.12

<sup>7</sup> Productivity Commission Report into Gambling (2010) p 15.10

<sup>8</sup> Wood and Williams (2009) estimate that problem gamblers participate in an average of 4.7 different types of gambling, quoted in Productivity Commission Report into Gambling (2010) p 15.12

devices and a possible future reduction in anonymous access to venue based EGM gambling, could result in energetic marketing of online products which are equally as problematic as EGMs. The PC report suggests that younger, educated people are the more typical profile of online gamblers. If this is correct, it would mean that students and young people are at particular risk.

Australians spent an estimated AUS\$790 million on offshore gambling sites in 2008 according to KPMG<sup>9</sup>. This compares with total Australian gambling revenue in 2008-09 of just over AUS\$19 billion<sup>10</sup>. The significance of this new market segment is clear in its popularity among users, as are the potential harms from the gaming and wagering options offered.

Online gambling is available at any time from the privacy of a user's home, workplace, via a mobile telephone, Smartphone or portable computer. Players not wishing to associate with other clientele or who are excluded from land-based venues can gamble online, anytime and the range of harm minimisation measures specific to land-based venues, such as restrictions on the service of alcohol, lighting standards and staff intervention, are not present.

In a regulated environment there are strict controls requiring players to provide verified identification before registering to play online. However unregulated sites can provide gamblers (including those with a history of problematic play) with the capacity to conceal their identity or their participation.

Existing research clearly identifies adolescents as at increased risk of developing gambling problems<sup>11</sup>. The online gaming environment uses communication technologies and systems with which this group is familiar and provided in a similar manner as social networking and other interactive forms of entertainment. The instance of a young or underage person engaging with these sites thus poses additional risk of harm.

Due to their familiarity and general perception of 'try it and see' around accessing online networks generally, online gambling may attract and entrap young people who are not experienced or aware of the risk and potential harms from these products. They may be familiar with the online environment and how to access and navigate it, but not with the gaming systems and products on offer. Further, due to its virtual nature, this engagement will likely occur in environments which may be isolated from the young person's support network, and indeed, even from other players. In contrast to a land-based gambling venue, an online environment may not provide for the kinds of informal induction from peers and trained and accredited staff members into how the game is played or by playing alongside other people.

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<sup>9</sup> KPMG International *Online Gaming. A Gamble or a Sure Bet?* (2010) The expenditure statistic is attributed to *Lifting of Oz eGaming Ban Set to Sour Further Growth*, eGaming Review, 26 Oct 2009.

<sup>10</sup> Productivity Commission Report into Gambling (2010) box 1, p. 6

<sup>11</sup> Productivity Commission Report into Gambling (2010) p 9.7

Online gambling in Tasmania currently has a low participation rate of 1.4% of the Tasmanian population<sup>12</sup>. State funded Gamblers Help support services do not report significant numbers of clients presenting specifically with online gambling problems. However the growth of online markets and the reports of high problem gambling prevalence rates among interactive and online players remains a concern.<sup>13</sup> The unregulated nature (particularly unregulated overseas jurisdictions) of online gambling increases the potential for harm. Online gambling poses similar risks to EGM play due to factors such as the rapidity and frequency of play; the ready access and/or universal availability; the ability to use credit to play; and the propensity of online gaming environments to pull players into a 'zone' (where they lose track of time) along with other external cues.

## (c) The relative regulatory frameworks of online and non-online gambling

### *Gaming Control Act 1993*

The Tasmanian Government has legislated to ensure that the licensing and supervision of gambling in Tasmania is strictly regulated and controlled. Gambling activities are regulated under the Gaming Control Act and include the regulation of gaming machines and keno, casino gaming, totalizator wagering, betting exchanges, sports betting, race wagering, simulated gaming and wagering, foreign games (games licensed and conducted outside of Tasmania but available in the state under a permit arrangement) and minor gaming.

The Tasmanian Gaming Commission, an independent body established under the Act, is responsible for the regulation of gaming and wagering in Tasmania.

Activities currently licensed under the Act include casino gaming at two locations in the state, keno, EGMs in casinos, hotels and clubs, totalizator wagering (terrestrial and by telecommunications device), a betting exchange (telecommunications device), the sale of tickets in interstate run lotteries, and minor gaming such as raffles and bingo.

A key purpose of the Act is to ensure the integrity of gambling in Tasmania with harm minimisation being fundamental to the principles by which gambling in Tasmania is regulated. For example, Tasmania was one of the pioneering jurisdictions in Australia that required operators to implement self-exclusion and limit controls on gambling activities to assist vulnerable people.

The UK Government recognised Tasmania's strong regulatory framework by granting Tasmania a 'white listing' in January 2008 to enable gambling operators, licensed in Tasmania, to advertise their services in the UK. Tasmania is one of four jurisdictions outside the European Economic Area (Tasmania, Alderney, Isle of Man and Gibraltar) to successfully meet the requirements for the white listing. The UK Government is currently

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<sup>12</sup> Department of Treasury and Finance (2008). Social and Economic Impact Study into Gambling in Tasmania. Volume 2 – The Prevalence Study. South Australian Centre for Economic Studies.

<sup>13</sup> The prevalence of problem gambling is 3-4 times higher amongst Internet gamblers than non-Internet gamblers. RJ Williams and RT Wood Internet Gambling: Prevalence, patterns, problems and policy options. Final report to Ontario Problem Gambling Research Centre, Ontario (2009)



reviewing its white listing process for allowing foreign internet based operators to advertise in the UK.

All gambling that takes place in Tasmania, or from Tasmania, requires the operator to hold an appropriate licence or permit. The operating licences and permits that the TGC can issue are:

- Casino Operator's Licence
- Gaming Operator's Licence
- Licensed Premises Gaming Licence
- Minor Gaming Permit
- Foreign Games Permit
- Tasmanian Gaming Licence

### **Tasmanian Gaming Licence**

Major amendments to the Act came into effect in 1999 and these extended the existing regulatory framework to include gaming activities conducted via the Internet, by telephone and by any other means of telecommunications. Applicants can apply to the TGC for a Tasmanian Gaming Licence (TGL) if they meet the required regulatory, financial and probity standards, for the conduct of approved gaming activities, and they can be endorsed with one or more of the following:

- Sports betting endorsement
- Race wagering endorsement
- Simulated gaming endorsement
- Major lotteries endorsement
- Betting exchange endorsement
- Totalizator endorsement
- Agent endorsement

The TGC thoroughly investigates each applicant of a TGL. The investigation covers directors and senior employees of the applicant, and extends to other associated entities that hold a financial interest in the applicant company or can exercise significant influence over the gaming business of the applicant.

A TGL has effect for a period not exceeding five years and is renewable. Under specified conditions, the TGC can cancel or suspend a licence and gaming endorsement.

A one-off application fee of 30 000 fee units (currently \$42 000) applies for a TGL. Annual licence fees for each endorsement also apply, ranging from 5 000 fee units for an Agent endorsement, 200 000 fee units for a Sports betting endorsement, or a Race wagering

endorsement, and 350 000 fee units (\$490 000) for a Betting exchange endorsement or a Totalizator endorsement.

The substantial licence endorsement fees are set to ensure that there are adequate resources to provide a high standard of regulation of these activities.

Unlike a gaming or wagering pool such as a lottery or a totalizator, where the funds to pay winners are guaranteed, licensees with Race wagering and Sports betting endorsements must also provide a bank guarantee of not less than \$1 million or 1 per cent of annual turnover (whichever is the greater) to ensure that players funds are protected in the event of default by the licence holder.

The regulatory framework for internet-based gambling offers a number of advantages over land-based gambling in that the online environment enables harm and probity measures to be more effective because the player is required to provide identification and register with the operator. When the player logs on using their password, the gaming system can identify the player and invoke player protection measures and track players' spending activity.

It should be noted that in an unregulated online gambling environment Australian Governments do not receive any revenue from prohibited online gambling to fund (among other things), counselling and treatment support services for problem gamblers.

### **Player protection measures**

The regulatory controls governing interactive gambling provide for a number of player protection measures that a TGL holder must implement. These include:

- the ability for players to impose limits on the amount they can gamble and exclude themselves from participating in gambling activities;
- a prohibition on the provision of credit by a licensed provider; and
- a complaints mechanism.

Part 4A of the Act covers these player protection measures as further outlined below. Penalties apply for breaches of these sections of the Act.

#### *Section 76ZK. Self-limit on wagers by player*

A registered player may, by written notice to a licensed provider, set an amount in dollars to be the player's net loss limit for wagers made with or through the provider in respect of a calendar month nominated by the player.

A licensed provider must not accept a wager from a player if accepting the wager contravenes, or could result in a contravention of, a net loss limit set by the person under this section.

#### *Section 76ZM. Licensed provider not to act as credit provider*

A licensed provider must not provide credit to a person who wagers with the provider under the authority of a Tasmanian gaming licence.

#### *Section 76ZN. Complaints about licensed providers*

A person may make a complaint to the TGC or the relevant licensed provider about the conduct of a gaming activity, the licensed provider or a special employee.

A complaint must be in writing stating the complainant's name and address and giving details of the matters giving rise to the complaint. The TGC must inquire into the complaint or refer the complaint to the licensed provider and advise the complainant in writing of the results of the inquiry or the decision to refer.

The TGC may investigate the licensed provider or an associate of the licence holder.

#### *Section 76ZNB. Self-exclusion from wagering with licensed provider*

A registered player may notify a licensed provider in writing to bar himself or herself from wagering with or through the licence holder. This is called a 'TGL self-exclusion notice'. The licensed provider has to immediately freeze the excluded person's wagering account and notify the TGC.

A registered player may revoke the notice, but not within six months of having been given a TGL self-exclusion notice.

#### *Section 76ZNC. Third-party exclusion from wagering with licensed provider*

A person who has a close personal interest in the welfare of another person who engages in wagering with or through a licensed provider may apply to the TGC for an order to prohibit that other person from engaging in that wagering.

## **Internet Gaming Technical Requirements**

The TGC sets technical standards that internet gaming and wagering systems must comply with before they are approved by the TGC for use in Tasmania. The Internet Gaming Technical Requirements (IGTR) is a set of standards the TGC has established to apply to internet and other telecommunications based gambling operations. The TGC applies the principles in the IGTR to evaluate the functionality of computer systems used to provide internet gaming, the games and wagering types to be offered, the communications interface which connects these systems to the Internet and other computer equipment.

Tasmania has been a leader in the development of strong regulatory frameworks for the conduct of internet based gambling. Jurisdictions in other parts of the world have adopted these standards which place a heavy emphasis on player protection and ensure that the delivery and participation in gambling is conducted in a responsible manner.

Further detail on the IGTR can be accessed at [www.gaming.tas.gov.au](http://www.gaming.tas.gov.au).

It is a requirement under the IGTR that all players must be pre-registered or hold an account with the operator. All players must be age 18 or over with proof of identity, age and place of residence required to register or open an account. The operator must hold details of player verification and a list of all registrations and accounts, maintaining players' accounts on their secure website. The operator must also be able to exclude nominated players when they receive a TGL self-exclusion notice.

## **Tasmanian Gaming Licence holders in Tasmania**

The TGC has granted two Tasmanian Gaming Licences, one to TOTE Tasmania in 2009 and the other to Betfair in 2006, which was renewed in 2011.

The TGC issued TOTE Tasmania with endorsements to provide totalizator wagering, race wagering, sports betting and they also have an agent endorsement. Betfair's licence is endorsed to provide a betting exchange.

## (d) Inducements to bet on sporting events online

The Tasmanian Government acknowledges that the provision of inducements to bet online can lead to gambling problems for some individuals similar to the risks associated with land-based gambling inducements.

Betting on sports is not a new Australian pastime. However, technological advances and changes to the industry landscape now facilitate real-time betting against live events. These live betting products are often promoted within the broadcasting of the event. There is a concern that the provision of inducements can take advantage of a person's support for a sporting team and excitement while watching a particular event. This could encourage some people who otherwise would not consider placing a bet, and as such may not be fully aware of the risks and possible implications of the product.

Gambling Helpline Counsellors have encountered patrons for whom online inducements lead to problem gambling:

*Online products often offer free betting credits for signing up. We have had stories from callers that sign up with credit card for free credits and then get hooked in. It is similar to accepting a credit advance on a credit card<sup>14</sup>.*

Some jurisdictions have already acted in this matter, as noted by the PC:

*The PC Report notes that New South Wales, Victoria and South Australia have prohibited wagering providers from advertising promotions that include inducements - in particular, free bets - on the grounds that they may encourage problem gambling<sup>15</sup>.*

However, given that an online gambling operators' customer base is likely to be worldwide, any restrictions on inducements should be considered as part of a nationally consistent approach to this issue to ensure there is a level playing field for all operators and no one operator is placed at a commercial disadvantage by this restriction, as recommended by the Productivity Commission<sup>16</sup>.

The offering of inducements to bet while sporting events are occurring, and the potential for harm from this practice, should be considered as part of a national approach to this issue and it is noted that at the recent Council of Australian Governments Select Council

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<sup>14</sup> Personal communication with Gambling Helpline Tasmania's Service Coordinator, Eastern Health/Turning Point Alcohol and Drug Centre (2010)

<sup>15</sup> Productivity Commission Report into Gambling (2010) 16.58

<sup>16</sup> Productivity Commission Report into Gambling (2010) 16.59

on Gambling Reform, Ministers agreed to take action on the issue of promoting online gambling during sporting events. See response to Terms of Reference (i).

## (e) The risk of match-fixing in sports as a result of the types of bets available online, and whether certain types of bets should be prohibited, such as spot-betting in sports which may expose sports to corruption

The Tasmanian Government has introduced a number of provisions under the Gaming Control Act to deal with fraudulent betting. In 2005 these measures were introduced as part of amendments to provide for the licensing of betting exchanges. Because of concerns that a betting exchange facilitates 'betting to lose' on the outcome of an event, strong measures were included in the legislation to deter cheating. The measures prohibit a person who can influence the outcome of an event from wagering with a betting exchange. Severe penalties apply (\$1.2 million and/or four years imprisonment). The Act also prohibits cheating in relation to wagering generally, and the same strong penalties apply.

Other measures in the Gaming Control Act include discretionary powers for the TGC to prohibit wagering on events if it considers the activity to be inappropriate.

The Act also requires Tasmanian wagering operators to supply regulatory authorities in Tasmania or elsewhere with information to ensure the probity of racing or sporting events. These measures apply to Betfair and the TOTE. While there are currently no fixed odds bookmakers licensed in Tasmania under the Act, similar requirements apply.

There have been very few instances of betting irregularities involving Betfair or the TOTE. To date there have been no criminal proceedings undertaken that have required action through the measures under the Act. Betfair cooperates fully with the TGC and provides records of betting to regulatory authorities as required. The TGC similarly provides information to other gaming regulators when requested.

The Sport and Recreation Ministers' Council has raised the issue of the risk of match-fixing in sport and in June this year Commonwealth, State and Territory Sports Ministers agreed to a national policy on match-fixing in sport. The following agreed principles underpin the policy:

- a nationally consistent approach to deterring and dealing with match-fixing in Australia;
- information sharing and highly efficient networks between governments, major sports, betting operators and law enforcers;
- consistent national code of conduct principles for sport; and
- active participation in international efforts to combat corruption in sport including an international code of conduct and international bodies.

Tasmania's participation in implementing the national policy will further strengthen the existing measures already in place.

## (f) The impact of betting exchanges, including the ability to bet on losing outcomes

### Betfair and 'lay bets'

Tasmania became the first jurisdiction in Australia to allow for the licensing of betting exchanges and Betfair became operational from 7 February 2006. A betting exchange enables registered players to bet against each other on events hosted on the website. The betting exchange operator (Betfair) acts as a broker matching bets between backers that a participant in an event will win and those that take the opposing position. The opposing position is a lay bet. Like a fixed odds bookmaker, a lay bet is the position taken when offering a bet for somebody to back that the participant will win. The bookmaker wins if the backer loses.

Likewise, Betfair can broker a 'lay bet' by its registered players. The definition in the Act of a 'lay bet' is *"the acceptance of a wager for a contingency not to occur in relation to an animal, a person or a team"*. For each transaction, one party to a wager will 'back' a result and another will oppose that outcome by placing a 'lay' bet. Punters are not aware of the identity of their opponents, but Betfair and its regulators have the capacity to view the transactions of every customer.

### Tracing bets placed back to the customer

The IGTR require operators to log wagering transactions of significance. Betfair has fully implemented this requirement; it can track every bet placed on its website back to a particular customer, with every detail, down to each click of the mouse being recorded. Betfair traces every dollar going in and out of its Central Internet Gaming System and this links directly to the end customer and their end bank account. The requirement to have compulsory registration and identification checks of customers enables this functionality.

### Integrity of Betfair's wagering operation

The Tasmanian Government is committed to ensuring there is confidence in the integrity of racing and sport and has established strong probity requirements under the Act as outlined under Terms of Reference (g).

The Government considers that Betfair offers a highly transparent wagering platform, providing racing stewards across all codes and in all jurisdictions with real time access to transactions taking place on their races through the Betfair platform. Betfair also have information-sharing agreements with racing control bodies giving stewards access to the personal details of Betfair's customers if required. Stewards can access much of this information live, before a race is run.

To complement Betfair's audit trail, it has information-sharing agreements with racing and sports industry bodies worldwide. Betfair has voluntarily entered into Product Fee agreements with all of the major professional sporting bodies in Australia including the Australian Football League, National Rugby League, Australian Rugby Union, Football

Federation of Australia, Tennis Australia, Cricket Australia and the PGA Tour of Australasia. Through these arrangements, Betfair has agreed to provide the sporting bodies with a percentage of revenue generated from betting on their sports. The sporting bodies can also gain access to relevant wagering data to ensure the integrity of their sports.

## (g) Appropriate regulation, including codes of disclosure, for persons betting on events over which they have some participation of special knowledge, including match-fixing of sporting events

### **Betfair - prevention of wagering by interested persons**

The Tasmanian Government has introduced rigorous regulation under the Gaming Control Act to prohibit wagering by direct participants and interested persons through a betting exchange, including criminal offences where there has been a breach.

In addition, there is an obligation to notify the TGC if the betting exchange is aware of betting by an interested person in breach of this section.

Penalties for offences under this section of the Act include a fine of up to 10 000 penalty units (\$1.3 million) and up to four years in jail.

A person is taken to have an interest in the outcome of a brokered wagering event if the person is:

- a direct or indirect participant in the event; or
- an associate of a direct or indirect participant in the event.

A 'direct participant' is defined in section 76ZDM (7) of the Act and includes, for example, jockeys and trainers of horses, drivers of a racing car, or members of a football team.

The term 'indirect participant' includes any person who is capable of influencing or deciding the outcome of an event or a contingency relating to that event, for example, a team doctor or physiotherapist, sports ground curator, an official or tribunal member.

An associate is someone who:

- holds or will hold any relevant financial interest, or is or will be entitled to exercise any relevant power (whether in right of the first-mentioned person or on behalf of any other person) in a business of the other person, and by virtue of that interest or power, is able or will be able to exercise a significant influence over or with respect to the management or operation of that business; or
- holds or will hold any relevant position (whether in right of the first-mentioned person or on behalf of any other person) in a business of the other person; or

- is a relative of the other person.

Betfair has Memoranda of Understandings (MOU) with major professional sporting bodies to allow for the exchange of information. For example, the AFL provides Betfair with lists of its players and officials and Betfair undertakes audits to ensure that participants do not place bets on their sporting bodies' events. The TGC has directed Betfair to advise it if any anomalies are detected.

Many of the sporting bodies have their own codes stating that players cannot bet at all on their competition or league, even when they are not participants.

In addition, Betfair provide software to enable MOU partners to be able to monitor bets occurring in real time. This tool is particularly useful to race stewards, who can monitor jockeys and warn them that they are being monitored.

The Gaming Control Act allows the TGC to provide betting information to regulatory agencies and the TGC has provided this when requested, and in some instances, this has lead to action being taken. However, the TGC has had no instances of prosecutions arising from serious corruption or match-fixing in Tasmania reported to them since Betfair began operating in Australia in February 2006.

### **Wagering only permitted by registered players**

Section 76ZDL of the Act stipulates that a betting exchange operator can only accept wagers from persons who are registered players. A fine of up to 10 000 penalty units applies (\$1.3 million) for a first offence with subsequent fines not exceeding 50 000 penalty units (\$6.5 million).

Under Section 76ZU of the Act licensed providers must keep an accurate and up-to-date register of players entitled to wager by means of a telecommunications device and the TGC can request to inspect that register at any time.

Section 7 of the TGC's Internet Gaming Technical Requirements covers the principles that apply to licensed internet gaming providers in the creation, use, security and privacy of internet gaming accounts. The licensed provider must verify identity, age and place of residence when players register. The player can also be verified using trusted third parties in accordance with section 7.2.2 of the requirements.

Betfair has a stringent customer identification and verification procedure, where new customers are required to complete an online application form outlining their name, address and date of birth. Customers are then required to complete a 'Know Your Customer' check that is similar to the '100 point' check used by financial institutions. A customer must complete this check within three months if they wish to continue betting and cannot make a withdrawal until their identity has been verified.

### **Integrity of TOTE Tasmania system**

TOTE Tasmania relies on the various sporting (and racing) codes to guard its integrity. With horse racing, the TOTE has race field agreements with each racing authority. The agreements included a condition that the TOTE must provide information or advice in response to queries where an authority is investigating conduct that it believes may be irregular or suspicious.



The TOTE also has agreements with major sporting bodies that include integrity clauses. Some agreements require the TOTE to perform a certain action as and/or when requested. For example, the TOTE may be required to check a list of names against a register of players quarterly and identify if any of the players have placed bets in events in which they have participated in. Alternatively, it may only be required to advise, when specifically asked, on an ad hoc basis or only when a list arrives for checking. These agreements relate to account betting done via the Internet or telephone as cash-based bets placed in retail outlets are not tracked or monitored.

### Ability to freeze accounts

Under section 76ZQA and 76ZQB of the Act the TGC can freeze funds held in a gaming or wagering account of a TGL holder if the funds were obtained in contravention of the Act or on other reasonable grounds.

This ability to immediately freeze funds is another tool available to the TGC to regulate operators and deal with integrity issue and is a deterrent to fraudulent activity.

## (i) Gambling advertising and advertising during sporting events

The quoting and discussion of live betting odds and the promotion of sports betting and betting exchange operators is becoming a growing feature of broadcasts of live sporting events.

As the sports events can be broadcast with a 'G' classification during day time hours, the broadcast of betting odds and promotion of betting operators can be viewed by children. There is potential for this type of advertising to "normalise" gambling and encourage gambling among the young.

The Tasmanian Gaming Commission has also raised concerns that this form of advertising portrays gambling as a normal part of watching sports events and has the potential to encourage vulnerable or disadvantaged groups to gamble. While the TGC is developing new mandatory codes of practice that will include restrictions on advertising by Tasmanian gambling operators, it is unable to regulate the gambling advertising of foreign or other operators that are not licensed in Tasmania. For this reason, the Tasmanian Government supports a national approach to this issue.

At the recent Council of Australian Governments Select Council on Gambling Reform, the issue of advertising and promoting betting odds on live sports broadcasts was discussed and the concern was raised that promotion, including commentary by sporting role models, is becoming insidious in live sports coverage. This can significantly influence vulnerable and young people and normalise gambling behaviour.

At the meeting, all Ministers agreed to take action to reduce and control the promotion of live odds during sports coverage. In the first instance, industry will be provided with the opportunity to address this issue through amendments to their existing industry codes.

However, if satisfactory amendments are not in place by the end of June 2012, the Australian Government will consider the need for legislation, noting that the measures

would not apply to pre-existing contracts for the promotion of live odds during sports coverage there were already in place.

