



A U S T R A L I A N
W A G E R I N G
C O U N C I L

SUBMISSION

Interactive Gambling Amendment (Sports Betting Reform) Bill 2015

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EXECUTIVE SUMMARY

The Australian Wagering Council (AWC) is strongly committed to promoting responsible gambling and to protecting and enhancing the integrity of racing and sport - but does not support this Bill.

The AWC is deeply concerned with what is proposed in the Bill. Many of the proposed provisions will be enormously damaging to the viability of the Australian licensed wagering industry and show a lack of understanding of the way in which regulation applies in the global online environment.

We refute claims that there has been an explosion in gambling: there has been a shift in wagering (racing and sport) from traditional retail outlets to online as Australian consumers take advantage of new digital technologies and the mobile platform as their preferred betting platform, and there has been a shift from racing to sportsbetting but overall wagering spend per capita is broadly flat. This is consistent with other well regulated, developed markets.

We also refute claims that online wagering regulation is uncontrolled. In fact, regulation is well-developed, and in some jurisdictions compares well with international practice. But it is not consistent across Australia, and it ought to be. We support the case for national regulation.

We do not accept that sportsbetting is uncontrolled. There are good controls in place for this segment of Australia's gambling market, which represents only 3% of Australia's total annual gambling expenditure¹ (pokies in clubs and pubs comprise 52.2% and casino gaming 20.7%), but these could and should be strengthened, by creating a national regulatory framework, and by recognizing that wagering operators have a significant role to play supporting integrity efforts in the face of a rapidly rising threat from offshore illegal operations, match-fixing and other criminal activities.

We oppose proposals in this Bill on inducements, advertising and credit (but we think the rules already in place on credit in the Northern Territory could be applied across Australia, as other jurisdictions have lower standards).

We accept the findings of research bodies and the banking industry that transaction coding and blocking systems can be compromised by internet gambling service providers disguising transactions by miscoding them, and by cardholders circumventing the system by using online payment providers, including third party payment methods.

Throughout this submission we argue that the current prohibition on in-play online wagering (as distinct from micro betting) under the IGA is just misconceived, and should be repealed to allow a thriving, well-regulated licensed industry to meet consumers' needs subject to good, national

¹ Australian Gambling Statistics, 1988-89 to 2013-14, 31st edition, Queensland Government.

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regulation on responsible gambling, supporting sports integrity, and other matters.

We oppose micro betting as it is defined in this Bill (because the draft Bill actually uniquely redefines it as in-play betting, rather than true micro betting, which we agree should not be allowed). The proposed definition of micro betting in this Bill is out of step on an international basis and could potentially cause untold damage to the integrity of sport and to industry's responsible gambling efforts if this Bill was passed.

We argue that placing onerous restrictions on Australian licensed wagering operators will change those operators' behaviour, but not that of consumers, who will seek what they want where they can.

A report recently undertaken by H2 Gambling Capital² concluded that, if nothing changes, the Australian offshore interactive wagering market would remain strong at over 60% of all betting activity.

By 2020, this will amount to A\$2.2-2.3 Billion leaving the country in lost wagering profits, a further A\$100 Million per annum in tax dollars, plus significant economic growth opportunities - particularly job creation, technological investment, and problem gambling prevention - remaining underdeveloped when compared to the world's other leading gambling nations.

Such leakage of wagering offshore can't be prevented entirely; but it can be stemmed and the solution is to make the licensed, legitimate onshore industry competitive and appealing.

The overriding public policy interest is in minimising any harm which can flow from wagering (both to individuals, and to sports and racing integrity), while maximizing the benefits which a well-regulated wagering sector offers, through innovation, employment, taxation, and a contribution to sports, racing and associated integrity measures.

As such, the challenge for government is to create a regulated, transparent environment with robust consumer protections and responsible gambling/harm minimisation measures, strict law enforcement and rigorous monitoring to identify suspicious betting activity and protect the integrity of sport and racing.

A reformed *Interactive Gambling Act 2001* (Cth) (**IGA**) should have this regulatory balance as its objective.

The AWC is on record in calling for amendments to be made to the outdated 14 year-old IGA.

Our fundamental argument for amending the IGA is that wagering is here to stay, and consumers will use the power and freedom the internet gives them to make choices about how, and how much they wager. Legislation, to be

² The H2 Gambling Capital Report on the size and scale of the Illegal Offshore Wagering Market, may be accessed at <http://www.australianwageringcouncil.com>.

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effective, needs to protect the integrity of Australian sport and racing, and safeguard Australian consumers in terms of consumer protections and harm minimisation whilst working with the grain of consumer choices.

We concur entirely that regulation should be national in scale and comprehensive (covering all wagering). Compliance should be made as easy as possible. Future policies developed to regulate the wagering industry must be research-based, the regulatory regime must be competitive and any new measures must not be overly burdensome to implement. Wagering operators should meet the costs of reasonable regulation, but not be penalized for simply being in the licensed wagering business.

We support a national regulator, a national self-exclusion scheme, mandatory responsible gambling training, standards for account information and other provisions.

Finally, many of the issues addressed in the Interactive Gambling Amendment (Sports Betting Reform) Bill 2015 (the **Bill**) are already being considered by the Federal government as part of its review into the Impact of Illegal Offshore Wagering, being conducted by The Hon Barry O'Farrell.

The AWC supports the O'Farrell Review process and considers any proposed legislative reform to the *Interactive Gambling Act 2001* (Cth) contained in this Bill must necessarily await, and then afford due consideration to, the review's recommendations.

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ABOUT THE AUSTRALIAN WAGERING COUNCIL

The Australian Wagering Council is the peak industry body representing the Australian online wagering and sports betting industry. Members of the AWC are:

- bet365
- Betfair
- Sportsbet
- Unibet
- William Hill Australia

AWC members are Australian licensed online wagering service providers who operate in the highly regulated Australian market and who compete in a global online environment.

AWC members provide recreational online wagering services on thoroughbred, harness and greyhound races and sports events to over 2 million Australians. They do not offer online gaming, poker machines, casino table games, lotto, bingo or keno.

AWC members are in the e-commerce business. They balance the legitimate right of consumers to wager online on racing and sporting events with industry responsibility to provide effective consumer protection and harm minimisation measures and to maintaining a vigilant stance in regard to the integrity of all racing and sports events. AWC members are each committed to building sustainable long term businesses in Australia; the obligation to create shareholder value alone would create the imperative for this, and wagering companies could not compete for the high-level skills they need if they were not seen to be offering a legitimate product in a responsible way.

AWC members are at the forefront of Australian innovation. They compete in a global market, they create highly skilled jobs across technology, finance and data, marketing and design and all areas of business management. Members pay significant amounts of direct and indirect taxes in the form of state and federal taxes including GST, payroll tax, income tax and fringe benefit tax together with license fees to their respective state and territory licensing bodies and substantial 'product fee' contributions to Australian racing and sports controlling bodies.

AWC members invest millions annually in developing innovative technology and employ thousands of Australians both directly and indirectly.

The most mature interactive nations have 'something for everyone' market equilibrium – where the government has player security and taxation; the operators have market protection and profit; and the consumer enjoys choice, value for money and player protection.

H2 Gambling Capital 2015

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Wagering on racing and sport is an enjoyable pursuit for many Australians. Meeting that demand gives rise to a significant service industry that in turn helps fund sport and racing and contributes to the economy more widely. As such, both legislation and government policy should aim to preserve these benefits, whilst targeting measures at helping both those who may face difficulties with their gambling behaviour, and those posing a threat to sports and racing integrity.

AWC VIEWS ON WAGERING REGULATION

The AWC's submission to this Committee is based on the following arguments:-

WAGERING IS BEING RESHAPED BY CHANGING CONSUMER PREFERENCES

- This is an industry shaped by rapidly changing consumer choices. Per capita wagering spend is broadly static in Australia: however, in common with other services, there is a significant move by customers to wager online, especially using mobile devices. Customers are leading a significant channel shift, not a total volume shift. This is consistent with experience in other developed markets.
- Separately, within a broadly static per capita wagering spend, customers are migrating to wager more on televised sporting events, in line with global trends, although racing remains by far the dominant wagering activity in Australia.

WAGERING SHOULD BE PROPERLY REGULATED

- For most customers, wagering is an enjoyable recreation. But it can be harmful both to individuals who wager beyond their means, and also harmful as a vehicle both for match fixing, money laundering and associated unlawful activity. For that reason wagering should be regulated.
- Wagering businesses contribute a range of social and economic benefits: these include taxation, job creation, innovation in services and software, direct financial support to racing and sporting codes through product fees and sponsorships, and support in thwarting match fixing through comprehensive integrity agreements and payments.
- Regulation should aim to maximize these benefits, and minimise harm, through the sort of regulatory equilibrium referred to above.

WAGERING REGULATION IS NO LONGER FIT FOR PURPOSE AND NEEDS REFORM

- In Australia regulation in respect of wagering at both State and Federal level is detailed and often thorough, but overall no longer fit for purpose, and should be reformed to take account of changing consumer preferences, and of emerging threats, including those related to sports and racing integrity.

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REGULATION SHOULD BE NATIONAL IN SCALE, AND WORK WITH THE GRAIN OF CONSUMER CHOICES. IT SHOULD BE TECHNOLOGY NEUTRAL

- The size and scale of the internet, and the contestable global market for wagering services that has emerged means that this regulation should be national in scale, with the ability to engage internationally for regulatory cooperation and enforcement purposes. For Australia, this is a matter for the Commonwealth. To be fit for purpose wagering regulation needs to reflect the reality that customers are increasingly choosing to wager online, through smartphones. Wagering provision is global, and competitive. Barriers to entry seem low, especially in less regulated markets (though market entry is clearly possible everywhere). Regulation should work with the grain of consumer choice if it is to be effective in protecting the integrity of Australian sport and racing, and safeguarding Australians in terms of consumer protection and harm minimisation.

HOW AWC VIEWS IMPACT ON THE DRAFT BILL?

The AWC and its members have long advocated for legislative reform. The IGA restrictions no longer reflect consumer behaviour, nor is the law capable of effectively shaping consumer behaviour given technological developments over the period since enactment. The law is now ineffective. Indeed, it is actually harmful, in that it creates a perverse incentive for consumers to choose offshore wagering providers. It also lacks both any real framework to bring potentially legitimate offshore businesses into Australian supervision, or an ability to effectively pursue those acting harmfully. The case for reform seems very strong.

Any reform must itself be effective, and reflect both the evolution of the wagering market, and the full range of policy issues any regulatory framework for wagering needs to reflect.

The AWC and its members' fundamental point is that, in a world of almost literally boundless (and rapidly evolving) consumer choice, placing ill-considered restrictions and penalties on licensed Australian operators will certainly change operators' behaviour, but have little effect on consumer choices. The prospective benefits of a well-regulated industry would then be lost, and the harm all participants want to see minimised would continue.

What does that mean for the draft Bill? The AWC's representations are set out below.

CONSIDERATION OF THE BILL SHOULD BE DEFERRED

Given the overlapping subject matter of many of the issues considered by the former NSW Premier The Hon Barry O'Farrell in his recent *Review - Impact of the Illegal Offshore Wagering* (the **Review**)³, the AWC respectfully

³ The *Review - Impact of the Illegal Offshore Wagering* was announced on 7 September 2015 by the former Minister for Social Services, the Hon Scott Morrison MP and undertaken by the

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suggests that consideration of this Bill be deferred until the both Mr O'Farrell's Report and the Government's response to the Review are released publicly.

The Review report and recommendations, its supporting submissions, and the Government's response together form a significant body of material to underpin the legislative process. Getting this right matters, and taking full account of all the available material would, whatever is decided, support that legislative process, both within the Parliament, and beyond.

Senator Xenophon notes the terms of the reference of this Review had a particular focus on illegal offshore online wagering.⁴ This focus provided Government with the framework for the Review to investigate the pernicious effects of the strong and potentially growing market position enjoyed by offshore operators on Australian sport, racing, consumers and the economy as a whole. These unregulated businesses:

- pay no taxes in Australia (AWC members do - paying millions in State & Federal taxes, namely, GST, fringe benefit tax, payroll tax and income tax. These State and Federal taxes are paid on the same basis as other Australian bricks and mortar and digital businesses);
- pay no State and Territory licensing fees (AWC members do - contributing millions to State & Territory governments);
- create no jobs in Australia (AWC members do - employing more than 1,500 FTE staff, often with very considerable levels of skill, supported by a strong commitment to staff development together with engaging thousands of third party suppliers);
- are not required to comply with consumer protection rules around data protection, anti-money laundering rules, as well as other more general consumer, credit and competition laws;
- are, in several cases, likely associated with various forms of organised crime (and here it should be noted that Police authorities in Australia and in Asia are significantly concerned by this association, which they say is growing rapidly);
- make no investments in sports integrity programs (as AWC members are legally obliged to do – contributing over \$115 Million last year in product fees and race field fees to peak racing bodies and designated sports controlling bodies of the sporting codes (e.g. AFL, NRL, Cricket Australia) in return for the right to offer certain approved wagering services on those events);
- do not contribute to protecting or enhancing the integrity of Australian sport and racing. (AWC do - product fee agreements,

Hon Barry O'Farrell. Mr O'Farrell's Report was submitted to Government on 18 December 2015. Submissions to the review can be found on the engage.dss.gov.au website.

⁴ Senator Xenophon, Second Reading Speech, 24 November 2015.

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which provide for detailed information sharing regimes with sports controlling bodies and regulators, are at the cornerstone of protecting and enhancing the integrity of the Australian racing industry and sport);

- make no other financial contribution to racing codes, nor sporting bodies in Australia. (AWC members do – contributing over \$9 Million in sponsorship of sport and racing last year, including regional racing clubs, sporting codes and professional sports clubs);
- are not required to adhere to quality and regulated standards of responsible gambling programs (AWC members must do so);
- pay no broadcast rights fees for the right to live stream Victorian races (as some AWC members do);
- make negligible investment in product innovation, research & development (whereas AWC members do – contributing over \$30 Million last year); and
- do not contribute by way of Corporate Social Responsibility obligations. (AWC Members do - supporting wide-ranging community and charity events such as the National Association of Gambling Studies Annual Conference and 4Tracks4Kids).

However, the broad nature of the O’Farrell Review’s final term of reference enabled the examination of the efficacy of other measures, regulatory or otherwise, to protect Australians and better tackle the risks to consumers.

That means that many of the consumer protection, harm minimisation, responsible gambling and sports integrity measures proposed in this Bill, have recently been the subject of extensive review and scrutiny both in written submissions and during the industry consultation process as part of the O’Farrell inquiry process.

The AWC, therefore, respectfully suggests that the Committee defer consideration of this Bill until both Mr O’Farrell’s Report and the Australian Government’s response to the Review are released publicly. There should be legislation, but it should be fully informed.

SPORTS INTEGRITY ISSUES ALSO SUGGEST A DELAY

It has also become clear in recent months that sports integrity issues are emerging as a significant area of public and industry concern. The AWC’s members are absolutely committed to the highest standards of integrity in sports and racing, and already cooperate closely with sports controlling bodies and law enforcement authorities on this issue. Indeed, online wagering operators access to real-time data and strong analytical capacity is one of the few real advantages available to sports and public authorities in this endeavor.

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State Police Services explained the crucial role played by licensed wagering operators in the prevention and detection of sports corruption and match-fixing in the recent 4 Corners program *Bad Sport*:⁵

Betting agencies can play a really good role in preserving the integrity of sport, particularly when they see fluctuations in betting or abnormal betting. If they inform authorities and inform the sport, even if they discontinue betting on that particular matter: that all helps ...

Scott Cook, Det Superintendent, NSW Organised Crime Squad

In terms of the legitimate market that exists, we have the ability through third-party providers to monitor wagering on those markets, so start to work out when there is irregularity in betting. And that can point us in the direction of corrupt practice in sport or racing. So, when it's regulated, we get the opportunity to look at those betting markets.

Neil Paterson, Assistant Commissioner, Victorian Police Service

Recent months have seen growing public awareness of this issue (most recently in tennis, but that is really just a topical example). While a lot of effort already goes into tackling integrity in many sports, authorities are warning that more needs to be done. Match fixing, and associated wagering behaviour is a growing threat, especially in poorly policed jurisdictions.

The Assistant Commissioner of the Victorian Police Service recently emphasised the links between match-fixing and illegal gambling. Mr Paterson warned the Asian Racing Federation, “illegal gambling is the fastest growing source of revenue for organised crime globally” and “goes hand in hand with match-fixing”. He predicted, “if you do nothing about illegal betting, you may not have much of a racing industry in 10 years”.⁶

Australian sports and racing are vulnerable: ready access to sports data, an attractive time zone for many markets, popularity, and a strong predictable calendar of events create an environment where an especially vigilant response is needed.

We think this strengthens the case for national regulation of all wagering. At present, each sport's controlling body is tackling these issues in operational isolation, and while there can be no doubt as to the commitment and determination of each, it's also clear that better coordination, and a stronger framework for regulation and international cooperation would help.

This is an issue that any wagering legislation should tackle. Consideration of this Bill should be deferred too to allow policy on this issue to be developed. It is urgent and important, but also complicated with all Australian jurisdictions and many sports and racing bodies needing to be involved.

⁵ ABC TV 4 Corners *Bad Sport*, aired 1 February 2016. See transcript <http://www.abc.net.au/4corners/stories/2016/02/01/4395832.htm>, accessed 7 February, 2016.

⁶ See <http://www.scmp.com/sport/racing/article/1906546/hong-kongs-anti-illegal-betting-model-example-world-says-asian-racing>, and the Assistant Commissioner's comments to 4 Corners *Bad Sport*, <http://www.abc.net.au/4corners/stories/2016/02/01/4395832.htm>, accessed 7 February, 2016.

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SPECIFICS OF THE BILL

The Bill proposes to amend the *Interactive Gambling Act 2001* (Cth) (the **IGA**) in relation to online sports betting, and for related purposes.

The Bill also proposes to regulate the conduct of restricted wagering services by imposing restrictions on sports betting services in relation to various practices such as offering micro betting (as defined), credit or inducements (again, as defined).

The Bill proposes harm minimisation measures to help individuals using online sports betting to better control their gambling.

The Bill also proposes to establish an Interactive Gambling Regulator and a National Self-exclusion Register.

It would also amend the *Interactive Gambling Act 2001* (Cth) to:

- require gambling services to provide prescribed training to certain employees;
- enable the Federal Circuit Court of Australia to grant injunctions for the purposes of transaction blocking;
- place restrictions on the conduct of restricted wagering services in relation to sports betting and provide for offences and civil penalties if they are contravened;
- place restrictions on the broadcasting of restricted wagering service advertisements and provide for offences and civil penalties if they are contravened;
- provide for the compliance and enforcement of the new offences and civil penalty provisions;
- require the (proposed) Interactive Gambling Regulator to keep a register of individuals who wish to self-exclude from restricted wagering services and provide for the administration of and the protection of information in the register.

FALLACIES AND MYTHS

The AWC submits that a number of the draft Bill's provisions as they stand are profoundly misconceived, not least because they appear to be predicated on a view of the wagering market and of consumer behaviour that is simply not borne out by the evidence. Indeed, a number of emotive arguments and factually incorrect assumptions appear to have been reflected in some of the proposed restrictions. These claims and assumptions are not confined to this Bill; regrettably they have coloured a good deal of public debate in this area in recent years. Getting the factual context right is important and so the AWC would refute four fundamental assumptions which appear to underpin many of the proposed provisions, which are otherwise inaccurate, and which if accepted would risk the Parliament misdirecting itself in legislating in this area.

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We must also say that this is not a wholesale rejection of the proposed legislation: the proposed provisions on a national regulator and on a national self exclusion scheme are ones the AWC supports in principle, and has advocated for.

The four fallacies ('myths') refuted by the AWC are:

1. there has been an 'explosion' in online gambling, especially sports betting (and the internet makes the adverse effects of gambling worse);
2. the regulatory environment for consumer protection and harm minimization of wagering in Australia is lax;
3. that sports betting integrity is uncontrolled;
4. that legislation aimed at wagering providers would effectively remedy these supposed issues.

**MYTH 1 – THERE HAS BEEN AN EXPLOSION IN ONLINE GAMBLING,
ESPECIALLY SPORTS BETTING (AND THE INTERNET MAKES IT WORSE)**

The Australian gambling market has changed markedly since the introduction of the IGA in 2001. Technological developments, communications convergence and changing consumer preferences over these periods are relevant against the context of the rapid globalisation of the industry.

Wagering providers are responding to the way customers want to use the digital connectivity process, reflecting Australia's very high digital connectivity rates, and the transformation they reflect is an e-commerce story as well as a racing, sporting or wagering one.

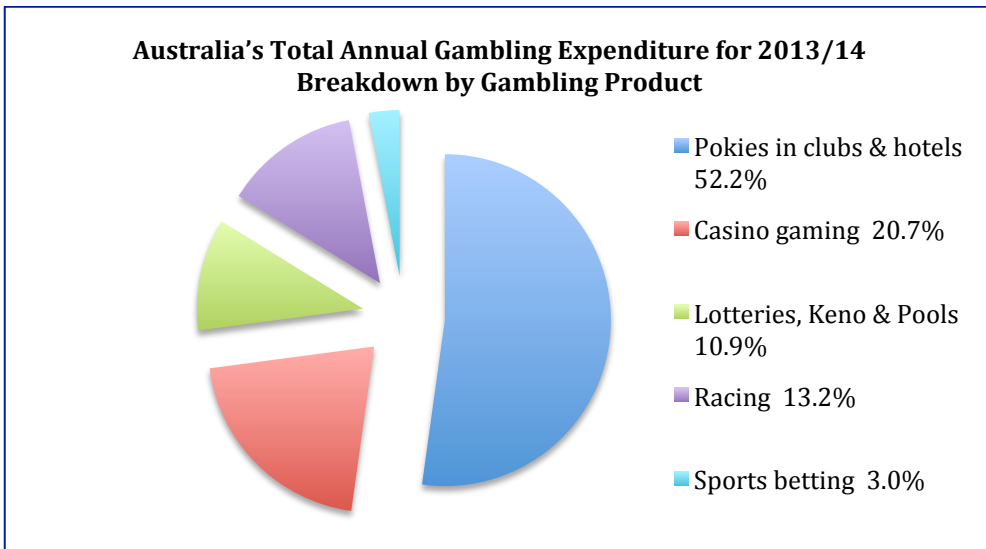
But total wagering (racing and sport) spend per person has remained remarkably stable. This is thus not a story about an 'explosion' in sports betting or rising wagering spend per capita as some suggest. Rather, it is a story of a significant shift in means of consumption (onto the internet, especially the mobile internet).

It is a shift that reflects the wider rise of e-commerce and the use of digital devices by Australians to manage their lives.

Although this Bill only relates to wagering (ie racing and sports betting), it is particularly relevant to consider the breakdown by gambling product of Australia's \$21.15 Billion total annual gambling expenditure (both online and offline) for 2013/14.

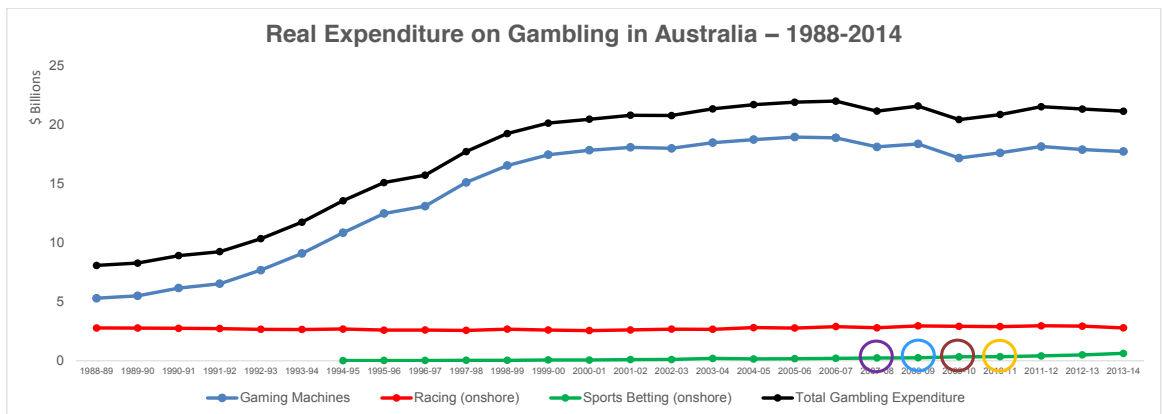
As the chart below shows, the pokies and casino gaming remain the dominant gambling products on which Australians bet. The fact is betting on racing accounts for only 13.2% and sports betting just 3% of Australia's total gambling expenditure.

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Source: Australian Gambling Statistics, 1988-89 to 2013-14, 31st edition, Queensland Government

The figure below provides a graphic representation of *Real Gambling Expenditure in Australia from 1988 – 2014* including relevant market changes. It clearly shows that overall expenditure on gambling in Australia is flat despite a number of market changes – with online wagering redistributing gambling expenditure, not adding to it and certainly not causing an ‘explosion’ in sportsbetting.



Real expenditure: Data that have had the effects of inflation removed, i.e. if \$1 in 88-89 = \$1 in 13-14
Source: Australian Gambling Statistics, 1988-89 to 2013-14, 31st edition, Queensland Government

Overall expenditure on gambling in Australia is flat despite a number of market changes – online wagering is redistributing gambling expenditure, not adding to it

- March 2008: High court ruling on sports-betting advertising
- July 2008: iPhone is released in Australia
- April 2010: iPad is released in Australia
- June 2011: The level of broadband internet connections in Australia reaches 95 per cent of all internet connections in Australia (source: ABS)

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*The Study of Gambling and Health in Victoria*⁷ commissioned by the Victorian Responsible Gambling Foundation, also debunks the widespread myth that sports betting in Australia has exploded and is likely to result in significant increases in the prevalence of problem gambling.

The Study reports an increase in sports and event betting participation of only 1.15% from 2008 to 2014 to 5.11%.

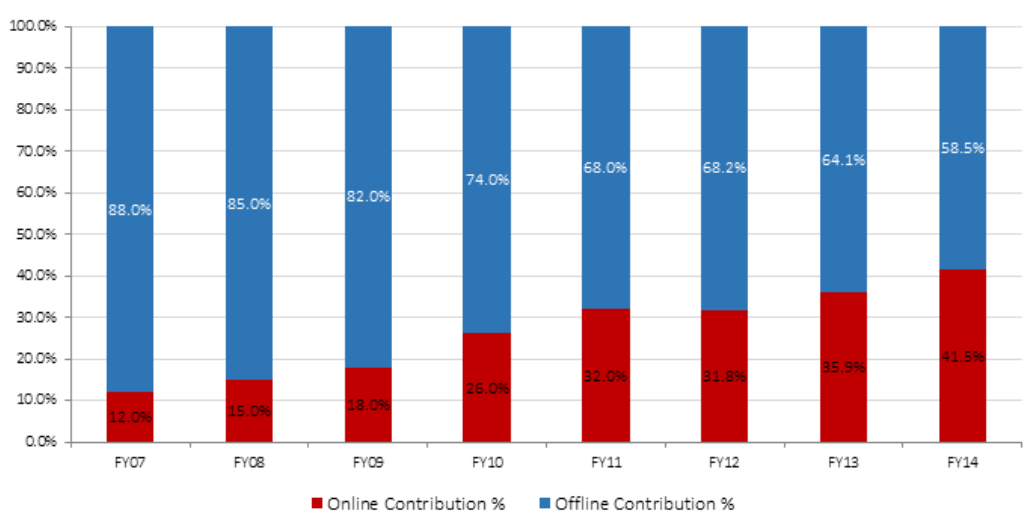
There has also been a material shift in the betting channels where that spend is occurring. Improved technology and better innovation has seen a shift from the more traditional wagering channels (i.e. retail outlets, on-course and phone operator) to online channels such as the internet, smart phones and tablet devices.

Numbers do show changing preferences among consumers as between sports, and the racing codes⁸. There are similar shifts going on between sports codes too. The picture is not static, and the AWC would not want to claim that it is. Changing consumer preferences, and the innovative responses of racing codes, sporting bodies and wagering providers all means that this is a dynamic, and highly competitive environment. But it is demonstrably not an explosion.

It's also not unique. Similar trends (a marked shift to on line consumption – and a rise in in-play wagering on sports where that is allowed – within a stable or falling level of household wagering expenditure) is described in detail in the UK Gambling Commission's submission to the O'Farrell Review. The UK Gambling Commission is the UK independent statutory regulator.

The Figure below shows total wagering turnover from 2007 to 2014 and the relative contributions of the offline and internet channels and illustrates the growth in the internet and mobile channel and the decline in the retail and traditional phone channels.

Australian Wagering Industry - Turnover by Channel



⁷ Victorian Study of Gambling and Health in Victoria, December 2015.

⁸ Australian Racing Fact Book 2013/14 and 2014/15.

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The Bill's Explanatory Memorandum also suggests that the increased 'availability' of sportsbetting carries with it the increased risk of people developing gambling addictions. Sportsbetting has certainly been more visible since advertising restrictions were lifted in 2008, and the range of wagering markets offered has grown in response to consumer demand. But has all this really changed the risks associated with problem gambling?

In relation to the prevalence of problem gambling, the Productivity Commission Report into Gambling in Australia (2010) estimated that problem gambling affects less than one percent of Australians and, of that one percent, poker machines 'account for around 75-80 per cent of problem gamblers.'

AWC members invest heavily in responsible gambling and harm minimization initiatives, so it is encouraging to note from the Victorian Gambling and Health study's findings that the prevalence of problem or at-risk gambling in Victoria did not change from 2008 to 2014, with 0.81% of people experiencing problems from their own gambling.

Concerns that wagering online would result in a significantly increased prevalence of problem gambling have not materialized with the study reporting no increase in participation in sports betting online by problem gamblers.

Again, the UK Gambling Commission's submission to the O'Farrell Review is helpful, remembering that these comments (supported by details of the underlying research) are in a similar context of significant movement from retail to online wagering:

4.2 Broadly speaking participation, in terms of people gambling, remains fairly stable, if participation in the national lottery main draws is excluded, despite the big increase in advertising and the accessibility of gambling. The revenue from gambling has however increased overall. Similarly the rates of problem and at risk gambling appear to be largely stable possibly even falling. Interestingly the best correlation with problem gambling is with the number of activities an individual undertakes not with particular products. This suggests that banning or restricting particular products, as opposed to monitoring players' use of such products and intervening appropriately, risks displacing problematic gambling either to other gambling products or to illegal providers of the particular product.

This is encouraging. AWC members are committed to continuing to develop and deliver best practice consumer protection, responsible gambling and harm minimisation measures for their customers and the community more broadly.

In fact, online wagering has the advantage over cash-based and retail gambling in that it is account-based (online wagering and sports betting operators only permit customers to place bets if they have opened an account) and leaves a highly detailed audit trail of a customer's betting history and so can identify any potential problem gambling issues (and any unusual or suspicious betting activity).

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Online wagering lends itself to the development of indicators of potential harm and provides the material for developing and evaluating various tools for players to control their own gambling and for operators to spot the potential need to offer assistance. Wagering service providers can also monitor a customer's behaviour and consider intervention if their wagering indicates potential issues such as problem gambling or money laundering (not mutually exclusive).

This online environment affords enhanced protection to customers and provides responsible licensed wagering and sports betting operators with greater insight into any potential problem gambling issues, more so than land-based operators.

The online environment also has the capacity to deliver problem gambling help services and programs more effectively and much more easily than most forms of venue-based gambling with online tools and referral information readily accessible to Australian residents via the internet at all times.

All customers of AWC members are already subject to stringent checks upon opening an account, including verification of identity in line with Anti-Money Laundering requirements, confirmation of age, current residential address and contact details.

There is no explosion in wagering. And wagering on the internet is not inherently more risky than wagering by other means.

MYTH 2 – THE REGULATORY ENVIRONMENT FOR CONSUMER PROTECTION AND HARM MINIMISATION OF WAGERING IN AUSTRALIA IS LAX

The AWC contends that the regulatory environment for authorised gambling sites is anything but lax, and there is in fact a lot of attention given to consumer protection and harm minimisation. Licensed wagering in Australia is both a legal and highly regulated industry. Wagering companies operate in accordance with an extensive framework of both imposed and legitimate self-regulation.

As outlined in the AWC submission to the O'Farrell Review, wagering and gambling are politically and socially controversial, so there is constant scrutiny and debate – arguably leading to more effective oversight than in other e-commerce businesses.

The Australian market is heavily regulated and closely supervised by governments – both federal and state. The current framework is described below:

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Federal legislation and regulations

1. Special regulation (and restrictions, with criminal penalties) for online provision exist through the IGA;
2. General Commonwealth provisions operate too under corporation, competition and consumer law. The high profile of wagering means regulators, watch the industry closely, including:
 - The Australian Communications and Media Authority (ACMA) is an active regulator and responsible for investigating formal complaints made under the IGA about the provision of prohibited internet gambling content.
 - The Australian Competition and Consumer Commission (ACCC) is also an active regulator of the sector. Australian consumer law applies to the online betting sector in the same way that it applies to other industries and sectors. Consumer issues in online trading are listed as an enforcement priority for the ACCC, and as such they closely monitor the online wagering industry for any breaches of consumer law.

The Australian Transaction Reports and Analysis Centre (**AUSTRAC**) has a role too. The AWC is committed to supporting the Anti-Money Laundering and Counter Terrorism Financing (**AML/CTF**) regime introduced to strengthen Australia's capacity to deter, detect and combat serious and organised crime, money laundering and terrorism financing. To ensure that AWC members comply with the requirements of the regime, they provide appropriate support at a major cost to their business. The AWC also appreciates the need for Australia's robust and rigorous regime to be one that keeps pace with international trends and developments and supports global efforts to combat AML/CTF activity as well. A key feature of the Australian regime is its risk-based approach.

State & Territory Regulation and Rules

The eight State & Territory governments provide fundamental permissions through licensing, regulation of products and the promulgation of licensing conditions (For example, the *South Australian Gambling Codes of Practice*⁹ and the *Northern Territory Code of Practice for Responsible Online Gambling 2016*.¹⁰) The Productivity Commission (2010)¹¹ reported that:

over the last decade, state and territory governments have put in place an array of regulations and other measures intended to reduce harm to gamblers. Some have been helpful, but some have had little effect, and some have imposed unnecessary burdens on industry.

The current Australian regulatory environment is not well understood outside the industry, and may well appear to be less comprehensive than it is. The AWC considers both consumers and wagering operators would benefit from a uniform national regulatory approach, bringing together the

⁹ <http://www.iga.sa.gov.au/files/GCoP13-V03-dist.pdf>.

¹⁰ <http://www.dob.nt.gov.au/gambling-licensing/gambling/Documents/code-practice-responsible-online-gambling-2016.pdf>.

¹¹ Productivity Commission Report, Gambling, 2010, page 2.

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best of the current state/territory arrangements, and ensuring that all wagering provision in Australia faces uniform supervision, and uniform standards for integrity, responsible gambling and other measures.

In addition, wagering operators must abide by the rules and regulations of each of the major sports controlling bodies together with each state/territory racing body across the country. This is not widely understood – and is an issue we discuss in the next section.

The AWC view is that Australian regulation needs to be modernised, by which we mean it should reflect a nationally uniform set of minimum standards for consumers and for integrity, it should be framed so as to be technology neutral, and to encourage wagering to be provided by operators licensed in Australia.

Existing regulation provides a foundation. States and territories have a range of good provisions, and we can learn from each other. Australia should also explicitly seek to learn from the experience of other, modernised regulatory frameworks around the world. The regulation of internet delivered services is in its infancy everywhere, and learning from others' experiences would be helpful.

Presently, the state-based, piecemeal approach to regulation has resulted in varying regulatory strengths across different states and different wagering/gambling issues – so Northern Territory rules on credit and forthcoming rules on self exclusion, for example, are much more robust than those applying to operators licensed in NSW or Victoria.

In fact, despite what seems to be a perception of laxity, the Northern Territory sets the bar higher than other state regulators on many fronts – credit, inducements and self exclusion being examples. It seems regrettable that even basic requirements (mandatory offering of voluntary pre-commitment, and immediate self exclusion) are not yet in place right across Australia for all wagering.

It's also the case that wagering companies themselves have developed significant harm minimisation systems. AWC members all are committed to serious, effective and industry-wide programs (among Australian participants). The online environment promises access to data-driven insights that will target help in future and industry actively collaborates with academic research.

The continuing challenge for industry, regulators and stakeholders is to identify prevention and early intervention strategies that effectively targets those who are vulnerable or in need of assistance without unduly impacting on the legitimate enjoyment of recreational punters who experience no problems, and without undermining the financial viability of the wagering industry.

As part of the AWC responsible gambling strategy, a suite of responsible gambling measures assists customers in making informed decisions about their recreational choices. These measures are not only sensible but also are specifically tailored to the online gambling environment.

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They include the provision of:

- Activity statements to enable customers to review betting activity and history, and to track spending 24/7;
- Voluntary pre-commitment facilities;
- Deposit and loss financial limits;
- Immediate self-exclusion procedures;
- RSG training of customer service staff; and
- Providing access to problem gambling awareness tools, support services and responsible gambling messages, online and telephone self-help and contact details for counselling services available on websites.

The AWC has also been cooperatively involved with governments around Australia to promote Responsible Gambling Awareness Week.

Gambling Research Australia¹² provides insight into the complexities that exist when exploring the harm minimisation issues involved in interactive gambling by Australians. Among its findings, the report concludes:

There is insufficient evidence to conclude that interactive gambling is causing higher levels of problems; interactive gambling problems account for a small proportion of gamblers presenting to help services. Nonetheless, participation in interactive gambling is increasing and it is possible that related problems might increase over time.

Australia deserves world's best regulation. Systematically applying best practice everywhere in Australia is the fastest way to get there. Current rules are not lax, but they're not yet consistent, and they should be.

MYTH 3 - SPORTS BETTING INTEGRITY IS UNCONTROLLED

In light of recent reports of (and legitimate public interest in) match-fixing and other corrupt activities, both domestically and internationally, it is imperative to preserve a safe and lawful market for sports betting.

Betting markets must be transparent and subject to appropriate supervision by regulatory authorities, with the assistance of sports controlling bodies and betting agencies, and sanctions imposed if integrity requirements are not implemented.

The transparent account-based online wagering environment facilitates this. Encouraging Australians to bet with Australian licensed wagering providers is one of the most effective ways of keeping Australian sport free of corrupt activities, which in turn minimises any potential for cheating in gambling.

Australian licensed providers have a long-standing commitment to ensuring that their integrity obligations are fulfilled to protect sporting and racing outcomes in Australia.

¹² Gambling Research Australia, Interactive Gambling, 2014.

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Licensed Australian wagering providers contribute directly to the integrity of racing and sport by:

- Protecting the integrity of racing and sport via information sharing agreements (so helping detect cheating);
- Funds from product fees paid by wagering providers are applied directly to fighting match fixing/sports corruption; and
- Licensed wagering providers have direct responsibilities under anti-money laundering rules.

These obligations include:

- Conducting regular audits of their customer databases to determine if prohibited participants (such as officials, administrators, coaching staff and players) have placed bets;
- Developing industry standards for information exchange with sports, governments and law enforcement agencies about unusual bets and suspicious betting patterns;
- Developing national integrity agreements with sports controlling bodies to ensure binding agreement about the type of bets permitted by the sport and other integrity requirements as specified by that sporting body;
- Entering into similar information sharing agreements in the case of a transgression of rules or suspicious behaviour with racing bodies around Australia; and
- Contributing a direct financial return by way of product fees to respective sporting organisations to fund measures to strengthen the fight against corruption, fraud, match-fixing and the manipulation of sports events.

It's important to emphasize that the main role in tackling sports integrity issues lies with the sports controlling bodies. They 'own' the product being traduced, and have primary responsibility for setting both the rules of the game (in the narrow, literal sense) and the wider framework within which their sport is to be controlled, and policed.

Wagering operators can be essential partners for sports controlling bodies, providing real-time data and insight to anomalous betting patterns, allowing investigative resources to be used quickly and efficiently. This cooperation with licensed Australian wagering providers and Police is already well-established.

It is important to emphasize that this partnership is one where wagering operators work with sports controlling bodies **on sports controlling bodies' terms**. Controlling bodies determine what bet types they will allow. That means that so-called 'micro betting' is already regulated, in that controlling bodies can prevent any bet types they do not like. The problem with unauthorised micro betting lies with offshore operators who do not cooperate in this process.

It's also worth noting that wagering operators contribute financially to the cost of many sports controlling bodies' integrity systems.

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One area where there is not yet the level of control the AWC and its members would want is in international cooperation and enforcement.

Sports integrity is a global issue, and it seems self-evident that it can only really be tackled through a combination of effective domestic regulation and international cooperation. Here, the lack of a single Australian regulator has muted Australia's voice and impact. Police cooperation goes some way, and cooperation between sporting bodies helps too. But Australia needs to be able to engage at a national level on integrity and wagering issues. For example, there is a recent *Council of Europe Convention on the Manipulation of Sports Competitions* (concluded at Macolin 18 November 2014). This provides a comprehensive framework for international sports integrity cooperation, and it would be open to Australia to accede. But to do so would require Australia to designate a competent national authority – a national regulator – to cooperate with other countries.

In January 2016, the acceleration and global nature of the threats posed by illegal offshore operators was recognised by the Asian Racing Federation (ARF).

In proposing the establishment of a regional taskforce to develop an Anti-Illegal Betting Strategy, ARF Chairman Winfred Engelbrecht-Bresges (also CEO of the Hong Kong Jockey Club) addressed the question of why illegal and unregulated gambling is more of a threat now, given it has always been around:¹³

This is both an old and a new problem. It is old because it is something we have always faced in some form ... However, what we face now is also fundamentally different.

Technology has enabled the illegal gambling operators to transform completely, so that we now see online operators taking bets on our races from a global customer base. National borders have become largely irrelevant. These operators now hold a volume of bets on our races which in some cases completely eclipses our own.

This is a problem that we cannot afford to ignore. ... Individual nations acting alone will not be able to stem this tide. This [the Anti-Illegal Betting Strategy] will be a multi-pronged strategy incorporating research and intelligence, media, government submissions, links with law enforcement agencies, and identification of key influencers.

The push for this taskforce didn't materialise from nowhere; it was precipitated by the now overwhelming evidence of the threats posed by offshore wagering.

¹³ See: <http://www.scmp.com/sport/racing/article/1905401/global-acceleration-illegal-gambling-massive-threat-world-racing-warns>; <http://www.scmp.com/sport/racing/article/1906546/hong-kongs-anti-illegal-betting-model-example-world-says-asian-racing> and Hong Kong Jockey Club, News Release 'Club officials discuss rising tide of illegal gambling at 36th Asian Racing Conference', 28 January 2016, http://www.hkjc.com/english/corporate/racing_news_archive_detail.asp?newsYear=2015-16&newsMonth=1, accessed 7 February 2016.

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Australia's sportsbetting is not uncontrolled, but it could be strengthened and coordinated at a national level.

MYTH 4 - LEGISLATION AIMED AT WAGERING PROVIDERS WOULD EFFECTIVELY REMEDY THESE SUPPOSED ISSUES

It is difficult to regulate private behaviour on the internet. This Bill may be well intentioned but may prove to be an empty gesture in protecting those that the Bill intends to protect. Placing restrictions and penalties on Australian wagering companies would certainly change their behaviour. But it would not change consumer behaviour.

The AWC contends that the call for the prohibition of online wagering facilities, products or services would simply result in customers further accessing these from unregulated operators abroad, who have little regard for consumer protection or harm minimization, and no accountability in Australia.

For example, in relation to prohibiting credit consumers may face exorbitant interest rates and unethical debt collection methods should they seek to obtain this from unregulated operators abroad.

The likelihood of Australian customers betting with offshore, unlicensed wagering operators would also further increase, with possible impacts on the integrity of racing and sport as suspicious betting patterns cannot be identified.

Wagering businesses may not appeal to everybody, but the fact remains that wagering is here to stay as an activity, and Australian law and policy should look to entrench good practice and a high level of harm minimisation and regulatory compliance.

That means moving to a regime where a legitimate onshore industry thrives, giving Australian consumers well-understood and clearly differentiated choices as they decide where to wager.

Moreover, if modern fit for purpose regulation is the goal of government, as it should be, then wagering operators should be able to contribute to the debate on regulation free from accusations of self-interest.

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PROPOSED LEGISLATION: ISSUES OF CONCERN

PROHIBITION OF CREDIT

Part 7B of the Bill relates to offences in relation to the conduct of restricted wagering services including the offering of credit (Section 61GA).

The AWC recognizes the community concern in relation to the provision of credit and has long acknowledged the importance of commercially sensible regulation in this regard.

However, the AWC does not support this amendment. The AWC would support the introduction of national regulation in relation to the provision of credit but not total prohibition.

Any call for the total prohibition of credit as defined in this Bill as proposed in Section 61GA would result in customers accessing credit from unscrupulous and unregulated operators. Consumers may face exorbitant interest rates and unethical debt collection methods.

The likelihood of Australian customers betting with offshore, unlicensed wagering operators would also increase, with possible impacts on the integrity of racing and sport as suspicious betting patterns cannot be identified or bets tracked. As outlined in the AWC submission to the O'Farrell inquiry, technically, wagering providers who let customers settle their accounts periodically aren't offering credit in the legal sense. But periodic, deferred settlement looks and feels like credit for customers, and as such, that's the sense in which the AWC is using the term here.

AWC members believe high net-worth customers should be excluded from the discussion around credit. For these customers, credit 'risk' is not an issue, and their arrangements to defer settlement of their accounts are much a matter of mutual convenience.

However, for the rest of this discussion, the AWC is talking about ordinary Australian customers, who may want to be able to settle their accounts regularly, in arrears if that is the position the account is in.

'Credit' of this sort is already regulated. Some state and territory jurisdictions have introduced rules or are consulting on them (especially the Northern Territory, where most AWC members are licensed, and South Australia). The Northern Territory has recently introduced a mandatory code for the provision of credit¹⁴, with compliance being a condition of license making adherence to its provisions mandatory for all wagering service providers. AWC members welcomed this step. The Code mandates that credit should not be offered unsolicited, that no incentives or promotional offers should be used to encourage customers to open a deferred settlement facility, and that it should be accompanied by normal credit checks (which protect both parties).

¹⁴ Available at <http://www.dob.nt.gov.au/gambling-licensing/gambling/bookmakers/Pages/deferred-settlement-facilities.aspx>.

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It would be a useful first step towards nationally consistent regulation if the same credit standards mandated by the Northern Territory were also applied to operators licensed in other states.

It is worth noting that wagering providers report that the vast majority of accounts are run on a deposit basis (ie do not involve 'credit' arrangements). Again, the vast majority of accounts where deferred settlement is agreed are well conducted. And the normal level of 'credit' is very low – this is an arrangement of convenience for customers.

AWC members accept that a future national regulator should continue to monitor 'credit' arrangements of this sort, to ensure a high and consistent national standard of consumer protection are uniformly applied across the Australian market. If future research showed a case for tighter regulation emerging, it would be accepted by AWC members.

INDUCEMENTS

Part 7B Section 61GB of the Bill relates to inducements.

The AWC does not support this amendment.

Legislation in each state and territory already regulates the use of product offers and inducements and AWC members comply with those laws.

In the states and territories where product offers and inducements are permissible, they are used, as they are in other competitive industries, to establish brand recognition and create customer loyalty.

Any product offers and inducements are used in line with operators' overarching commitment to responsible gambling practices. As such the AWC does not support this particular amendment to the IGA.

The AWC recognises community concerns over the use of product offers and inducements and considers that, while the current regulatory regime is thorough, both consumers and wagering operators would benefit from a more uniform regulatory approach, so that regulation (and if necessary enforcement) applies to the whole Australian market.

As such, the AWC would welcome constructive discussion with governments and regulators with a view to providing greater national consistency and streamlining of the regulation of inducements.

'MICRO BETTING'

Part 7B Subsection 61GC(1) would have the effect of prohibiting a person who intentionally provides a restricted wagering service from offering or accepting 'micro betting' as defined in the Bill.

The AWC supports the prohibition of micro betting across all wagering platforms but does not support the proposed prohibition of micro betting as defined in this Bill.

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The AWC is on record on numerous occasions calling for amendments to the IGA to clarify and tighten the definition of micro betting.

This Bill is a case in point with the term ‘micro betting’ uniquely redefined, out of step on an international basis with the definition too broad. The AWC contends that the proposed definition of *micro betting* contained in Section 4 of this Bill is effectively the same as the universally accepted definition of *in-play betting*.

Micro betting, we argue, should not be legal in any form. And, in any case and as at present, lawful in-play bet types should always require the agreement of the relevant sports controlling body.

On that basis, the definition of micro betting is the key to an effective prohibition. We would propose that the definition should be amended as follows:

Micro betting is the placing, making, receiving or acceptance of in-play bets that have the following characteristics:

- *the betting opportunity is repetitive, of a high frequency and is part of a structured component of the relevant match or game; and*
- *the bet is placed on one of a limited number of possible outcomes (for example, whether the next serve will be a fault, or whether the next ball in a cricket match will be a no ball); and*
- *the time between placing the bet and knowing the outcome is very short (less than 2 minutes)*

If a bet type satisfies all three of the above criteria, it would be defined as a micro-bet and therefore be prohibited.

IN-PLAY BETTING

The IGA’s existing provisions with respect to in-play betting (i.e. wagering during an event on the final result or a well-defined contingency, but **not** including ‘micro betting’) are confusing to consumers, inconsistent in their coverage, obsolete given technological changes, and result in substantial harm to consumers and Australian sports.

A number of concerns have been raised about in-play sports betting and are being used to justify its continued online prohibition.

Concerns fall into three main categories:

- a) it may encourage “repetitive gambling” and therefore possibly increase problem gambling.
- b) it may raise sports-betting integrity concerns.
- c) it may result in just “more gambling”.

Before addressing each of these concerns, it is worth noting that these concerns are not generally shared internationally. Of the other 35 jurisdictions, which have introduced legislation since the IGA in 2001, not one has prohibited online in-play sportsbetting.

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On repetitive gambling, the British Gambling Commission says “so far there has not been evidence to suggest that in-running betting poses a specific identifiable risk to problem gambling as opposed to other forms of betting or online gambling”.

On integrity, the evidence is strongly the other way: that legal in-play betting strengthens the hand of sports bodies and policing authorities in tackling match fixing and associated abuse of wagering.

Coalition of Major Professional and Participation Sports (COMPPS) Executive Director Mr Malcolm Speed has also called for “in-play” betting to be made legal, so as to reduce the appeal to Australian punters of illegal, offshore bookmakers. He argues sports would be able to more easily “follow the money trail” and so protect the integrity of their matches.

Police authorities have expressed the same views. This is important, as there is growing concern that the scale of illegal gambling, associated with both organised crime generally, and sports’ corruption in particular, is both large and growing. If Australia were to accept the argument that legal in-play wagering online worsened integrity outcomes, it would not only fly in the face of the opinions of all those involved, but it would really risk making a serious problem much worse.

On the ‘more gambling’ concern, there is just no evidence, and indeed, there is solid evidence that legalizing in-play online wagering would simply allow wagering currently going offshore to be enticed back onshore, into the regulated environment. The UK market is very instructive here, with similar patterns of shifting consumer choices within a broadly flat overall wagering market.

The AWC is on record on many occasions as supporting the prohibition of *micro betting* (as per our definition above) across *all* technological platforms, - including online, telephone as well as in retail TAB outlets - but we argue that the present ban on the offering of online in-play wagering should be removed.

This amendment to the IGA would allow Australian licensed operators to offer a product type, which is central to consumer demand. Without that, Australia-based offerings will always be partial and pricey, and offshore operators will step in to meet that demand, without making any legitimate contribution to Australia’s economy, society and sport.

The AWC also argues that banning in-play wagering online while allowing it in other ways is unrealistic, indeed quaint, given the changes in consumer choice and behavior we have described.

SPORTS BETTING ADVERTISING

The AWC does not support the amendments contained in the new Division 2 Subsection 61GO relating to the prohibition of sports betting advertising.

Advertising is a classic externality, in that it is seen by many people who are not its intended audience. Good advertising gets noticed; the wagering

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industry advertises because there is fierce competition between wagering providers, in a market where consumers' loyalty is demonstrably fickle.

There are divergent considerations here: wagering advertising helps promote sport, and supports free-to-air media. It informs consumers of the identity of licensed Australian-based wagering service providers through which they can participate in wagering in a highly controlled and consumer protected environment while avoiding the significant dangers which exist from wagering with illegal offshore operators. That's good. But it's intrusive for others, and can be visually unappealing in some contexts.

Broadcasting in Australia is already legislated and regulated federally and under constant review.

By way of example, in November 2015 (just three months ago) the Australian Communications and Media Authority (ACMA) registered a new *Commercial Television Industry Code of Practice*¹⁵ after extensive community consultation. This code took effect on 1 December 2015 and places extensive restrictions on the placement of gambling advertising on commercial free-to-air television. Additional restrictions apply to gambling advertisements during live sporting events. Free TV's submission to the O'Farrell Review¹⁶ also reports that:

This Code also contains a series of harm minimisation measures directed to the content of gambling advertising. These robust protections in the Code provide a consistent national regime which incorporates appropriate community safeguards and limits the exposure of children to gambling advertising.

In addition to the federal rules set out above, commercial free-to-air broadcasters are required to comply with multiple state and territory regimes concerning advertisements for gambling services. Harm minimisation measures (such as warning messages and restrictions on the content of advertisements) also vary between states and territories, and jurisdictional distinctions also exist between the type of gambling activity and the way in which the gambling activity is carried out (eg online vs telephone).

Wagering providers should be free to advertise their services, and the support that provides for sport, racing, broadcasting and consumers is surely beneficial. But wagering providers are the first to agree that advertising should always conform to accepted social standards, and not promote harmful behavior, or make implicit promises that undermine those standards.

¹⁵ <http://www.acma.gov.au/Industry/Broadcast/Television/TV-content-regulation/commercial-television-code-of-practice-tv-content-regulation-i-acma>.

¹⁶ <https://engage.dss.gov.au/wp-content/uploads/2015/12/2015-0080-LTR-Illegal-Offshore-Gambling-Review-The-Hon-Barry-OFarrell.pdf>.

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The proposed Australian Association of National Advertisers (**AANA**) national code¹⁷ is important in establishing those standards within an accepted and effective complaint and enforcement framework. The proposed code would – and should – establish standards that are broadly consistent with wider advertising standards with the resulting standards open to review with experience.

The AWC argues that the Committee should let this process take its course. It is self-regulation, and self-regulation is a term that is often used pejoratively. But this process involves the AANA, the wider broadcasting and advertising industries, and an independent complaint and enforcement mechanism through the Advertising Standards Board that is demonstrably effective.

FINANCIAL TRANSACTIONS BLOCKING

Division 4 Subsection 31A relates to injunctions for the purposes of transaction blocking.

It has been argued that it should be possible and desirable to use payment blocking (and internet protocol address blocking or internet filtering systems) to simply shut unlicensed offshore operators out of the Australian market.

Each of these technical options is possible. But most of them are unlikely to be successful, either because they are trivially easy to evade (IP address blocking), or disproportionately intrusive (internet filtering, which would also impose large costs on ISPs).

It is true that there have been experiences where some banks have chosen not to process gambling and wagering payments – ie payment blocking. Banks use a coding system to identify merchant payment classes, and these classes could, in principle, be restricted.

The AWC considers that this would be an intrusive step, and one that would in principle apply to all gambling and wagering payments, not just to payments to suppliers, which is regarded as undesirable. Evasion would be easy, and compliance with Australia's international obligations would need to be considered (as would the benefits of collaboration with overseas jurisdictions).

These conclusions are supported by an expert opinion from The Centre for Internet Safety (**CIS**) hosted within the Law Faculty at the University of Canberra, which considered that:¹⁸

Financial and ISP blocking restrictions of online gambling services are inefficient, easily circumventable and drive consumers towards the black market as evidenced in markets where such measures have been

¹⁷ The AANA Discussion Paper on the proposed *AANA Wagering Advertising & Marketing Communication Code* (the Code) is available at <http://aana.com.au/self-regulation/code-development/>.

¹⁸ The Centre for Internet Safety (CIS), *IP and Financial Transaction Blocking in the context of Online Wagering*, April 2015.

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introduced. Making parallels with other online issues (from intellectual property rights through to online child exploitation) the use of financial transaction and IP blocking has not been successful in curbing illegal use.

The Australian Bankers' Association (ABA) in their 2015 submission¹⁹ to the O'Farrell Review says it does not support intervention in the banking and payments system as an effective way to regulate online wagering and gambling:

It is unclear whether the substantial technology infrastructure and payment rules changes required to the banking and payments system would deliver the benefits being sought to address concerns with online wagering and gambling. The costs involved in technology and system changes across the payments system as well as the software development, operational implementation, manual processes and administration by banks and other financial institutions to their banking systems would be substantial.

“There have been a number of reviews looking at intervention in the banking and payments system as an effective way to regulate online wagering and gambling services. To date, a case has not been made to use the banking and payments system to regulate these services with alternative responses deemed as more appropriate.

Further, the ABA's O'Farrell Review submission outlines that the transactions coding and blocking system has been compromised in the following two ways:

1. By internet gambling service providers disguising transactions by miscoding them, and
2. By cardholders who attempt to circumvent the system by using online payment providers, including third party payment methods (e.g. 'e-wallets') and other intermediaries (e.g. money transfer operators, remittance dealers, and other telegraphic transfer options).

The DBCDE 2012 Review of the IGA²⁰ concluded that while financial transaction blocking mechanisms may have value in causing a disruptive effect on the operation of prohibited gambling providers:

The key is whether there is a sufficiently cost-effective means of financial transaction blocking that would enable a significant level of disruption to the ability of prohibited online gaming providers to access Australian customers—noting that any such blocking would be capable of being circumvented by people sufficiently motivated to do so.

¹⁹ <https://engage.dss.gov.au/wp-content/uploads/2015/12/ABA-Submission-Impact-of-Illegal-Offshore-Wagering1.pdf>.

²⁰ Final Report of the Review of the Interactive Gambling Act 2001, p85.

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The Joint Select Committee on Gambling Reform inquiry also explored this very issue back in 2011 with its final report²¹ stating that the committee majority did not support the introduction of any form of financial transactions or payment controls as they did not believe that such a scheme was worth pursuing:

Setting up a system to monitor and block financial transactions to deter people from accessing overseas-based interactive gambling websites would never be completely effective, as those customers most determined to circumvent the system would be likely to do so using other methods. The committee also notes the difficulty in gaining cooperation from international financial intermediaries such as PayPal to comply with such a system were it to be introduced under Australian law. As discussed in chapter seven, given the limited effectiveness of current enforcement mechanisms to prevent Australians accessing online gambling websites, the committee believes that a total ban cannot be achieved and devoting additional resources to keep track of changing merchant identification numbers on a blacklist would not be worth the expense and effort.

Speaking at the Asian Racing Conference, the Director of Security and Integrity of the Hong Kong Jockey Club, Martin Purbrick, also dismissed control of illegal gambling through the banking systems as “irrelevant”.²²

PRE-COMMITMENT

The AWC supports pre-commitment but does not support compulsory pre-commitment as proposed in Section 61GG. Rather the AWC believes that it should be ‘compulsory to offer’ pre-commitment options. For wagering operators licensed in the Northern Territory, the mandatory offering of a voluntary pre-commitment facility is already a license condition, which should certainly be extended to all Australian wagering providers.

Voluntary pre-commitment facilities are already made available to AWC members’ customers at the time of opening an online wagering account. This responsible gambling measure is also made available throughout the life of the account, via members’ websites or by contacting trained customer relations staff.

Voluntary pre-commitment encourages responsible gambling by ensuring customers spend within their means up to a maximum amount which they have freely predetermined is appropriate for them.

Should a customer choose to decrease their voluntarily pre-committed deposit limit that reduction should become effective immediately. Any increase should require a cooling-off period.

²¹ Joint Select Committee on Gambling Reform 2011, Interactive and online gambling and gambling advertising (15.47).

²² See report <http://www.scmp.com/sport/racing/article/1906546/hong-kongs-anti-illegal-betting-model-example-world-says-asian-racing>, accessed 7 February 2016.

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Section 61GI is not supported. Whilst having a cooling off period is a sensible provision, only allowing one request for change per year may have unintended consequences including discouraging customers from decreasing their limit throughout the year.

The AWC supports the general thrust of the provisions in the Bill under Subsection 61GJ that prohibits the offering of inducements to increase betting limits. This provision, however, does assume mandatory betting limits which the AWC opposes.

Pre-commitment facilities offered in the online environment are significantly more effective than those that can be offered by land-based cash operators as only account-based online wagering operators have the ability to verify the identify of customers and to enforce any established pre-commitment limit.

All AWC members currently promote, in the responsible gambling sections of their respective websites, some form of financial limits as an effective barrier to preventing their customers betting above their chosen amount.

For example:

Sportsbet:

Sportsbet allows a customer to set a personal deposit limit. In order to maintain the highest possible standard of responsible gambling, the deposit limit is controlled exclusively by the customer. Sportsbet's customer service team cannot override the limit.

Deposit limits can be set for a 24 hour, weekly or 28 day period. The 24 hour limit means that exactly 24 hours must elapse from when a customer hits the deposit limit until they can deposit again. A weekly deposit limit refers to the amount you can deposit in any consecutive seven-day period.

Customers can edit their deposit limit in the 'My Account' section of the website under the 'Responsible Gambling' option. Once a 24 hour or weekly deposit limit is set, it cannot be removed or increased for seven days. In the case of the 28 day option, 28 days must lapse before the deposit limit can be removed or increased. If a customer reduces a deposit limit the change will take effect immediately.

A screen shot example follows:

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Responsible Gambling Limit

Current Limit You can currently deposit
\$100.00 per week

You can still deposit \$100.00
this week

New Deposit Limit \$100.00 ⓘ

Reset every 24 hours
 1 week
 1 month

[Save Limits](#)

[Learn more about Responsible Gambling >](#)

If you feel gambling is a problem for you and you would like to suspend your account, please contact our customer service team for assistance.

Is gambling a problem for you? Consider this service:

Web: <http://www.problemgambling.vic.gov.au/immediate-help>
Phone: 1800 858 858

bet365:

bet 365 provides Deposit Limits.

This facility allows bet365 customers to manage the amount of money that can deposit into their account over a 24 hour, 7 day or 30 day period.

These limits may be revised downwards at any time.

However, if a customer wishes to increase a limit they will need to return to the bet365 site 7 days after their initial request to confirm the increase. Customer Services staff are available to provide further information but are unable to override limits set by the customer.

A customer can set, amend and confirm their Deposit Limits by going to Services, Members, selecting My Account, then Responsible Gambling Controls and choosing Deposit Limits when logged into their account.

Unibet:

Unibet provides pre-commitment facilities.

Research shows that gambling problems are reduced when players decide upfront how much money they are willing to spend.

Unibet offers a daily, weekly or monthly pre-commitment service. Once you set your deposit limit, you can lower the cap effective immediately. If you decide to increase your limit, this'll take seven days giving you the option to rethink your change.

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William Hill:

William Hill provides pre-commitment limits.

At William Hill a customer can control the amount they deposit and/or lose by setting deposit and/or loss limits.

- A limit can be set on deposits, losses or a combination of both.
- Limit periods can be anywhere from 1 to 7 days or for 30 days.
- Limits commence immediately and are automatically reset and start over again at the end of each limit period.
- If a deposit and/or loss limit has been set for 1 to 7 days you must wait a minimum of 7 days before you can increase or remove your limits. If you set a 30 day deposit and/or loss limit, you must wait 30 days before you can increase or remove your limits.

Betfair:

BetFair offers financial limits via deposit limits and loss limits.

Functionality is available to set Daily, Weekly or Monthly Deposit Limits. Functionality is also available to set Weekly, Monthly or Yearly Loss Limits.

These voluntary limits can be set either when a customer registers for an account or from within a customer's 'Account Profile' if they are already a customer.

PROVISION OF STATEMENTS OF AN INDIVIDUAL'S TRANSACTION HISTORY

Section 61GL relates to the provision of statements by restricted wagering services.

The AWC agrees that activity statements perform a useful budgetary function in enhancing a customer's awareness of the nature and scale of their wagering activity. However, the provisions in the Bill do not reflect customers' e-commerce preferences.

The very nature of account-based online wagering allows customers to readily access information about their wagering activity electronically at any time and from anywhere, just as consumers can access internet banking and other internet financial services.

Customers are able to search for transactions, track and monitor their wagering spending and get a comprehensive picture of their gambling behaviour.

AWC members must comply with relevant state legislation and regulations that outline the requirements in relation to the provision of activity statements. by way of example, the *South Australia Gambling Codes of Practice Notice* ²³ details their requirements for the provision of activity statements, including frequency and timing.

²³ <http://www.iga.sa.gov.au/files/GCoP13-V03-dist.pdf>.

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AWC members who are licensed in the Northern Territory must ensure that activity statements are available online and upon request by their customers and include the following information for each transaction:

- date;
- time;
- amount;
- description of the transaction;
- the account balance; and
- win/loss information.

The AWC and its members reiterate their commitment to providing customers with ready access to their account transaction information at all times as part of their suite of responsible gambling measures. In doing so, the AWC believes it is important to ensure that technology to be utilised for the delivery of activity statements rather than create additional administrative burdens that do not reflect customers' e-commerce preferences. This is appropriate given that online wagering customers use electronic means to access and use their accounts, and as such, is the most cost-effective and accessible form of delivery for these customers.

PROPOSED LEGISLATION: AREAS OF SUPPORT

There is genuine support from the AWC for the contents of the draft Bill in a number of areas. The AWC strongly supports the provision of a national policy framework, the appointment of an Interactive Gambling Regulator and the introduction of a National Self Exclusion Register.

The AWC understands that the specific requirements of many of the clauses contained in this Bill could be determined by regulation. As such, the AWC and its members would be well placed to offer its technical and operational expertise to work with Government to provide input into and develop the specifics for each clause.

ADOPTION OF A NATIONAL POLICY FRAMEWORK

The AWC strongly supports a national regulatory framework for wagering in Australia. A national regulator is needed to provide a strong, predictable framework for investment (including job creation), integrity, consumer protection, harm minimisation, and underpin returns to racing and sporting bodies.

This would accommodate the shifts in demand arising from the mobile internet and the globalisation of sports, while minimising harm and maximising benefit to Australia, individual Australians and Australian sport and racing.

All the measures in the Bill before Parliament are by definition ones which affect the whole Australian market, and which the AWC argues require continuing regulatory oversight as well as legislative reform.

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Regulatory fragmentation adds directly to costs. Nationally-consistent regulation is needed to provide a strong, predictable framework for investment (including job creation), integrity, harm minimisation, and underpin returns to racing and sporting bodies.

This is not a new idea: this approach supports the Productivity Commission's stance in its Final Report in 2010 that online and telephone wagering, along with all other online gambling activities, should be subject to a consistent regulatory regime and overseen by a specialist body.²⁴

The Productivity Commission considered:²⁵

At a minimum, regulation of online gambling needs to be national in scope. However, as Australian online gambling companies participate in global markets (and some Australians will prefer to gamble on offshore sites), Australia has an interest in consistency with international online gambling regimes. ... Where possible, regulation should be aligned with that of similarly liberalised countries such as the UK, ...

The current operating framework for providers of online gambling services is the IGA, which is administered by the Australian Communications and Media Authority (ACMA). As such ACMA, could feasibly serve as a broader regulatory body for the online gaming industry. Equally, it may be that a specially constituted body with a specific expertise in online gambling may be preferable. In either case, the regulatory body would oversee the provision of the harm minimisation measures, and could potentially examine probity measures as well.

The regulatory body should be national in scope and supported by federal legislation. That means that wherever there is conflict between the national framework and any state legislation, the Commonwealth would take precedence (as is the case in many other areas). That said, states would retain autonomy in areas not covered by the national regulatory body and, in particular, would retain the ability to ban certain types of online gambling, so long as they met the principles of competitive neutrality. For example, if a state elects to totally prohibit the provision of a particular gambling service (both online and in physical venues) on the grounds that it is associated with excessive risk of harm, it should still be permitted to do so.

... the national regulatory regime should also be applied to all remote gambling, including gambling via mobile phone and television. A federal online gambling regulator would be well placed to investigate and regulate practices such as inducements and credit betting, which are common amongst online wagering providers.

In order to appropriately respond to the wide variety of online gambling products and practices, the regulating agency should have the capacity to conduct ongoing research into the online gambling industry and the impact it has on Australian consumers. Granting access to the industry

²⁴ Productivity Commission Report, Gambling, 2010 [16.48].

²⁵ Ibid [15.32-15.34].

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data required for this kind of research should be a licensing condition for providers of online gambling products.

Such a step would have consequential benefits too.

It would enable Australia to consider requiring all providers operating into Australia to be licensed (as other countries are doing). This would help level the playing field and raise the standard of consumer protection. But it can't be done sensibly without a national regulator to act as a licensing body.

APPOINTMENT OF AN INTERACTIVE GAMBLING REGULATOR

Part 7D relates to the establishment of an Interactive Gambling Regulator and contains sections 61JA to 61JQ.

The AWC supports the provisions in the Bill which provide for the appointment of an Interactive Gambling Regulator to be responsible for a variety of functions including enforcing compliance of wagering conduct, as well as providing advice and information as proposed.

The AWC believes that appropriate de-identified wagering information such as all data on the uptake and use of harm minimisation and consumer protection measures (conforming with Australian privacy principles) should be made available to the Interactive Gambling Regulator for research purposes to support research into wagering and appropriate public policy.

Data collection has also been identified as a key to combatting the influence of offshore operators. One of the foundations of a coherent and effective response to illegal offshore wagering (whether it be at local, national, regional or international level) is information sharing and an Interactive Gambling Regulator could play a role here. Rupert Bolingbroke, Head of Trading for the Hong Kong Jockey Club, recently told the Asian Racing Federation:²⁶

“We must collect data to aid policy makers’ understanding of the overwhelming influence and reach they have, while informing the public that the illegal operators are using match fixing for profitable gains.”

ESTABLISHMENT OF AN NATIONAL SELF-EXCLUSION REGISTER (NSER)

New Part 7C relates to the National Self-exclusion Register (NSER).

The Bill proposes that a person may regulate their own interactions with restricted wagering services by applying to be included on a National Self-exclusion Register (NSER) which would be kept under the IGA.

²⁶ See Hong Kong Jockey Club, News Release, ‘Club officials discuss rising tide of illegal gambling at 36th Asian Racing Conference’, 28 January 2016, http://www.hkjc.com/english/corporate/racing_news_archive_detail.asp?newsYear=2015-16&newsMonth=1, accessed 7 February 2016.

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In the Bill, restricted wagering services would be required to check the Register, which would be kept and administered by the Regulator, before creating accounts for individuals to place bets using their services.

A fundamental criticism of existing self-exclusion arrangements is the relative ease with which consumers may seek to circumvent self-exclusion and continue to wager with other online operators and at other venues and in other jurisdictions. This undermines the potential impact of self-exclusion to problem gamblers.

As such, there exists an imperative to develop a national self-exclusion database to effect any meaningful change.

As outlined in the AWC's submission to the O'Farrell Review, the AWC supports the establishment of a national self-exclusion register, allowing customers to opt out of betting for periods of time, or permanently, with that request immediately honoured by all wagering providers, including retail providers.

Gainsbury & Blaszczynski²⁷ in their submission to the *Review of Interactive Gambling Act* support this approach suggesting that minimising gambling-related harms is best achieved if administered by a centralised agency avoiding the duplication of resources and services and allowing a central consumer protection body to operate and investigate any complaints or regulatory breaches.

By way of background, AWC members currently have policies and procedures in place for self-exclusion as part of a wider range of harm minimisation measures and to enable customers to make informed decisions about their wagering participation.

These procedures reflect the requirements of their respective licensing authorities and AWC members' commitment to responsible gambling. For example:

Northern Territory- Principle 4 of the Northern Territory Code of Practice for Responsible Online Gambling²⁸ requires that online gambling providers are to make available to their customers, the option of excluding themselves from the gambling service where the customer feels they are developing a problem with gambling.

Online gambling providers must use the self-exclusion form which has been specifically developed for Northern Territory online gambling providers and which is available on the Department of Business website. Procedures with clear, supporting documentation are to be implemented and application forms for self-exclusion must be available and easily found on the website.

The Northern Territory Code states that online gambling providers must:

²⁷http://www.communications.gov.au/__data/assets/pdf_file/0019/142570/SCU_and_US_Submission_Sept_2011_-_Review_of_Interactive_Gambling_Act_2001.pdf

²⁸ <http://www.dob.nt.gov.au/gambling-licensing/racing-commission/Documents/code-of-practice-responsible-online-gambling.pdf>.

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- ensure their website operates in a way that the submission of a completed self-exclusion form triggers appropriate procedures that block access by the customer to their gambling services. This action must be recorded in the audit log for the system or otherwise recorded in the Responsible Gambling Incident Register.
- ensure all funds are paid out to a person who has self-excluded, subject to appropriate and necessary identity checks and verifications.
- promptly offer customers who seek self-exclusion contact information for appropriate counselling agencies.
- ensure customers who have self-excluded are given support and encouragement in seeking self-exclusions from other Australian gambling providers.
- are not to send correspondence or promotional material to people who are excluded from their services or who request that this information not be sent to them.

In Tasmania, the Tasmanian Gambling Exclusion Scheme (TGES)²⁹ under the Gaming Control Act 1993 provides for both self-exclusion and third party exclusions from online wagering. Self-exclusion can be undertaken on the website or by contacting helpline staff with links to problem gambling support services also accessible online. Administration of the TGES is centralized at the Department of Treasury and Finance, Liquor and Gaming Branch.

The AWC welcomes the initiative contained within the Bill to establish a NSER as an essential means to strengthen existing self-exclusion arrangements and recognises that they and other wagering providers would need to fund such a scheme, but not manage it. That should be a task overseen by the national Regulator.

VERIFICATION OF IDENTITY OF ACCOUNT HOLDER

Section 11B relates to the meaning of verification and Subsection 61GE sets out identity verification requirements before creating an account.

The AWC supports identity verification on the opening of accounts.

All customers of AWC members are already subject to stringent checks upon opening an account, including verification of identity in line with Anti-Money Laundering and Counter Terrorism Financial legislation.

Under the Anti-Money Laundering and Counter Terrorism Financing Act 2006 (Cth), all Australian licensed wagering providers are required to verify the identity of its new customers within 90 days of account opening.

The Northern Territory Racing Commission sports bookmaker license holders are required by their licensing conditions to verify the identity of new customers within 45 days.

²⁹ Tasmanian Gambling Exclusion Scheme – excluding problem gamblers.
<http://www.treasury.tas.gov.au/domino/df/df.nsf/allsv/40D48CF36657C5F2CA257D8200177245>.

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While complying with this new requirement, the AWC and its members believe the industry can go further and reduce age and identity verification requirements on Australian online wagering sites from 90 days to 7 days of account funding in keeping with global best practise. This will allow for quicker identity and age verification of new customers - subject to being provided access to all federal and state databases.

The AWC also strongly believes that the same framework and timescales should apply to all wagering providers (online and retail) across Australia. This is not currently the case.

TRAINING OF GAMBLING SERVICE EMPLOYEES

The AWC supports the provisions in the Bill that provide for regulations to be developed to establish the minimum training requirement for gambling service employees. The AWC offers its technical expertise to work with Government to develop the specifics of the regulations in this regard.

AWC members currently ensure customer service staff are appropriately trained to use the valuable insight provided by account-based online wagering to actively provide a range of preventative and rehabilitative support to customers at risk.

These procedures again reflect the requirements of their respective licensing regulators and AWC members' commitment to responsible gambling.

For example, Principle 3 of the *Northern Territory Code of Practice for Responsible Online Gambling 2016* details a number of requirements for the training and skills development of new and continuing staff including identifying 'red flag' problem gambling behaviours, annual on-going training (approved by a reputable training provider) and the requirement to maintain a Gambling Training Register as a part of responsible gambling records. These are sensible measures, which we support, and which could readily be extended to all wagering providers as a minimum standard.

CONCLUDING COMMENTS

The AWC is calling for amendments to be made to the outdated 14 year-old IGA but does not support this Bill.

Our fundamental argument is that wagering is here to stay, and consumers will use the power and freedom the internet gives them to make choices about how, and how much they wager.

The public policy interest is in minimising the harm which can flow from wagering (both to individuals, and to sports and racing integrity), while maximizing the benefits which a well-regulated wagering sector offers, through innovation, employment, taxation, and a contribution to sports, racing and associated integrity measures.

A reformed IGA should have this regulatory balance as its objective.

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We concur entirely that regulation should be national in scale and comprehensive (covering all wagering). Compliance should be made as easy as possible. Future policies developed to regulate the wagering industry must be research-based, the regulatory regime must be competitive and any new measures must not be overly burdensome to implement. Wagering operators should meet the costs of reasonable regulation, but not be penalized for simply being in the legal wagering business.

Finally, many of the issues in the Interactive Gambling Amendment (Sports Betting Reform) Bill 2015 are already being considered by the Federal government as part of its review into the Impact of Illegal Offshore Wagering, being conducted by The Hon Barry O'Farrell.

The AWC supports the O'Farrell Review process and considers any legislative reform to the Interactive Gambling Act 2001 must necessarily await, and then afford due consideration to, the review's recommendations.

The AWC would be happy to provide further information on any of the matters raised in this submission if required.