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Our ref:

Ms Lyn Beverley  
Committee Secretary  
Joint Select Committee on Gambling Reforms  
PO Box 6100  
Parliament House  
Canberra ACT 2600  
Australia

Dear Ms Beverley

**Inquiry into the prevalence of interactive and online gambling in Australia and gambling advertising.**

1. The Australian Crime Commission (ACC) is Australia's national criminal intelligence agency. Our purpose is to unite the fight against nationally significant crime. This involves working in partnership with other law enforcement agencies to develop a national understanding of serious and organised crime. The ACC achieves this by delivering intelligence, investigations with and for its partners, maintaining the national criminal intelligence database and Criminal Intelligence Fusion Capability, input to policy development, advice on issues related to law reform, and cross-sectoral partnerships.
2. In doing so, the ACC utilises its specialist capability based on its national criminal data holdings, coercive powers, strategic products, and national legislative and organisational framework. As a result, the ACC gives governments and partner agencies the information they need to protect Australia from nationally significant crime.
3. The lifeblood of serious and organised crime groups is money. The ability to effectively and discreetly launder money is a key capability for criminal networks. The speed, anonymity, reach, complexity and variety of criminal financing is increasing— as is the harm financial crimes cause to society.
4. Targeting the money is essential in disrupting serious and organised crime activities. By combining this information with our broader intelligence about the criminal environment, we gain deeper insights that allow us to more effectively prioritise and target the highest risk threats be they groups, individuals or facilitating methodologies. This enables us to focus resources accordingly.

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## Nexus between serious organised crime, national security and financial advantage

5. The linkage between serious and organised crime and national security has been acknowledged in a range of statements including the National Security Statement released by the Government in December 2008.

6. International investigations of terrorist groups since the September 11, 2001 attacks in the United States have confirmed terrorist involvement in organised criminal activity.<sup>1 2</sup> While there is limited evidence in Australia, internationally, organised crime is increasingly being used to fund terrorist activity and the proceeds of criminal enterprises such as drug trafficking, extortion and people smuggling have been channelled to international terrorist campaigns as state sponsorship of terrorism has declined and anti-terrorist financing legislation has had an impact on traditional sources of funds.<sup>3</sup>

### Cyber Crime<sup>4</sup>

7. Cyber crime and other forms of malicious cyber activity represent a serious threat to Australia. Cyber crime is a rapidly evolving phenomenon, with the exponential growth in the global digital economy providing enormous incentives to organised criminal groups to develop cyber crime capabilities.

8. Organised crime groups are increasingly making use of technology to fund, and carry out criminal activity. They also use these technologies to avoid law enforcement and regulatory agencies efforts to detect and disrupt their activities.

9. An increasingly large range of offences are committed using computers, the rapid pace driven by advances in technology. These crimes range from high incidence, nuisance activities such as spam emails, through to less frequent, but high-impact activities such as cyber-based extortion and fraud.

10. Advances in technology, often low cost and readily available, are increasing the effectiveness of many of these criminal activities.

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<sup>1</sup> The Philippines based Abu Sayyaf Group (ASG) for example, includes kidnapping and extortion among its methods of raising finance for its terrorist activities. By including international business executives, tourists, missionaries and journalists among its kidnapping victims, the ASG gained significant global media exposure. This notoriety has assisted the group negotiate larger ransom payments, as well as publicising its cause to a wider audience.

Intelligence now suggests that the Madrid train bombings in 2004 attributed to Al Qa'ida, were made possible logistically and financed by a drug network which trafficked in hashish and MDMA. These examples evidence an increasing synthesis between organised crime and terrorist groups, and a conscious decision by terrorist groups to engage in organised crime.

<sup>2</sup> Williams, P 2009, *Perspectives on Terrorism – In Cold Blood: The Madrid Bombings*, [www.terrorismanalysts.com/pt/index](http://www.terrorismanalysts.com/pt/index), viewed 20 May 2009; and [www.usdoj.gov/dea/pubs/news\\_releases.htm](http://www.usdoj.gov/dea/pubs/news_releases.htm), viewed 18 May 2009

<sup>3</sup> See for example Diaz, T 2009, *Terrorist Organizations Like Hezbollah Finding Big Money in Drug-Trafficking*, [www.tomdiaz.wordpress.com/2009/03/25](http://www.tomdiaz.wordpress.com/2009/03/25), viewed 18 May 2009; Carter, SA 2009, 'Hezbollah uses Mexican drug routes into US', *The Washington Times*, 27 March 2009; and Braun, MA 2008, *Drug Trafficking and Middle Eastern Terrorist Groups: A Growing Nexus?*, [www.washingtoninstitute.org/a...acePolicyWatch](http://www.washingtoninstitute.org/a...acePolicyWatch), viewed 18 May 2009 (also [sdoj.gov/dea/speeches.html](http://sdoj.gov/dea/speeches.html))

<sup>4</sup> Australian Crime Commission, *Organised Crime in Australia 2011*, pp10, 43-54, <http://www.crimecommission.gov.au/publications/oca/index.htm>, viewed 20 June 2011

11. Many cyber criminal networks use the boundaries of traditional law enforcement to their advantage, targeting users from other countries and in turn making their crimes harder to investigate.

### **Online Gambling and Crime**

12. Money laundering is a pervasive, corrupting process than can blend criminal and legitimate activities. It stretches across areas as diverse as mainstream banking, international funds transfers and foreign exchange services, gambling, shares and stocks and real estate.

13. Online gambling is an identified money laundering risk and increasingly is also acknowledged as a risk for revenue and taxation fraud. This is because of the difficulties associated with identifying the source of income and the actual geographic location where the gambling activity takes place. Australia exhibits relatively high levels of gambling, with Internet gambling increasing by approximately 11.8 per cent between 2001 and 2005<sup>5</sup>.

14. It is estimated that the regulated industry sector exposed to money laundering includes 5500 gambling and bullion entities such as casinos, TABs, hotels, clubs, online gambling providers, bookmakers and bullion dealers<sup>6</sup>.

15. The ACC works with a wide variety of Government and law enforcement agencies to combat serious and organised crime, including money laundering. This includes working with international law enforcement agencies.

16. Further assessment is required to determine the extent of organised criminal exploitation of other sectors or methods that offer opportunities for money laundering including online payment systems, online gambling and online 'virtual worlds' and gaming platforms.

### **Sports Betting, Match-Fixing and Organised Crime**

17. Internationally it has been recognised that the integrity of professional sports has been compromised, with organised criminal groups targeting professional sports.

18. The criminal groups that are exploiting professional sport overseas have a strong historical involvement in illegal gambling and gaming and this has been an important source of income for these groups. Sport has simply become a new market for these groups to exploit.

19. Some examples of the criminal groups involved in professional sport overseas are:

- Italian mafia and the fixing of matches in Serie A, the Italian soccer competition
- Eastern European criminal groups in match fixing of soccer
- Russian organised criminal groups in soccer and ice hockey

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<sup>5</sup> Australian Crime Commission, *Organised Crime in Australia 2011*, p87.

<sup>6</sup> Ibid, p49.

- The Italian mafia in the United States and their long term involvement in illegal gambling
- Japanese organised crime who are more commonly known as the Yakuza in large scale fixing of Sumo wrestling, horse racing, cycling and illegal gaming and
- Chinese organised crime or Triads in large scale illegal gambling and match fixing of soccer throughout South East Asia.

20. These criminal groups are known to also be engaged in a range of criminal offences including drug trafficking, arms trafficking, fraud, people trafficking, extortion, corruption, tax evasion, murder, kidnapping and money laundering.

21. Australia's criminal networks are able to identify and exploit opportunities for profit. Using their extensive connections and associations, they have the capacity to infiltrate any sector or industry that will help them exploit these opportunities. The ACC estimates that organised crime costs Australia up to \$15 billion a year and organised crime will look for any opportunity to exploit those sectors where there are significant monetary gains to be made. This makes professional sport an attractive target.

22. One example of an industry that has been, and continues to be, exploited is horse racing.

23. It is well established that horse racing in Australia has been infiltrated by organised crime, with significant amounts of money being laundered through the horse racing industry. This is occurring despite significant resources being devoted to monitoring the integrity of racing.

24. On 19 June 2011, Australian Sports Ministers endorsed a National Policy on Match-Fixing in Sport that aims to protect the integrity of Australian sport<sup>7</sup>.

25. This National Policy will provide the foundation for all Australian governments to work with sports and betting companies to deter and deal with corruption in sport.

26. The National Policy is underpinned by the following agreed principles:

- A nationally consistent approach to deterring and dealing with match-fixing in Australia
- Information sharing and highly efficient networks between governments, major sports, betting operators and law enforcers
- Consistent national code of conduct principles for sport, and
- Active participation in international efforts to combat corruption in sporting including an international code of conduct and an international body.

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<sup>7</sup> Sport and Recreation Ministers' Council Communique, *Ministers Sign Off on National Policy on Match-Fixing in Sport*, 10 June 2011, [http://www.ausport.gov.au/\\_data/assets/pdf\\_file/0011/436754/SRMC\\_Communique.pdf](http://www.ausport.gov.au/_data/assets/pdf_file/0011/436754/SRMC_Communique.pdf), viewed on 21 June 2011.

27. The National Policy has been endorsed by the major sporting organisations including the Australian Olympic Committee and those represented by the Confederation of Major Professional and Participation Sports and the sports betting industry.

28. The use of online gambling to facilitate criminal activity, predominantly money laundering, is a key vulnerability and the ACC supports any mechanisms that will harden the Australian sectors to serious and organised criminal exploitation.

**ACC Contact**

29. On behalf of the ACC, I thank you for this opportunity to provide comment on the Inquiry into the prevalence of interactive and online gambling in Australia and gambling advertising.

Yours sincerely

John Lawler APM  
Chief Executive Officer

24 June 2011