

**Submission to the Joint Select Committee on
Gambling Reform**

**Inquiry into interactive and online gambling and
gambling advertising**

Regis Controls Pty Ltd

30 June 2011

Executive Summary

Regis Controls Pty Ltd (Regis Controls) wishes to thank the Joint Select Committee on Gambling Reform for allowing us to provide this submission which is intended to address the Inquiry into interactive and online gambling and gambling advertising.

We believe that this Committee on Gambling Reform has a once in ten year window of opportunity to recommend action on the rapidly expanding technology convergence issues which clearly if left largely unregulated will dramatically increase the existing number of Australian problem gamblers, particularly among the young underage groups, which includes the technologically adept members of the Australian population.

This submission demonstrates that the Regis Controls Smartcard based technology provides a comprehensive regulatory / payment system which effectively address both venues based and online gambling. It also mitigates Problem Gambling, criminal activities such as money laundering and underage gambling. The system described here provides a clear alternative to online credit card based gambling which encourages problem gamblers to overspend.

The Regis Controls solution covers both EGM and the newer technologies such as internet, pay TV, mobile phones and other emerging and converging channels which will target younger demographic markets in Australia. The growing evidence internationally is that these new technologies have dramatically increased gambling across the demographic spectrum and particularly among the younger generation.

If the gambling industry internationally retains the use of credit card based gambling then problem gambling will occur in more Australian living rooms. The availability of ATMs in casinos and EGM venues continues to maintain problem gambling numbers and reinforce the misery for those who are addicted and for their long suffering Australian families and friends.

There is also genuine concern about the integrity of sports betting which is also addressed in this submission.

This submission highlights the inadequacies of current online harm minimisation proposals being proposed to this Committee by the various state gambling ministers and the gambling industry.

We have added new information for the Committee's consideration along with supporting evidence.

Yours sincerely

Elik Szewach. CEO
Regis Controls Pty Ltd

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Terms of Reference

The terms of reference for the Joint Select Committee are primarily a review of the Interactive Gambling Act 2001 which was amended in 2005 and reviewed by DCITA in 2008. The Act banned interactive gambling via online but permitted some forms of wagering and lotteries via telecommunication channels.

This submission comments on the impact of interactive online gambling in Australia and the development of new technologies.

Regis Controls Pty Ltd supports:

- The proposed ban on in-play sports betting with the exception of horse racing. The practice is targeted at the younger age groups and provides a real incentive for match and live incident fixing (penalties, cricket no balls, goals missed etc.).
- More effective regulation of betting exchanges which are strongly associated with sports markets and in-play betting. This type of betting allows significant betting on credit and betting on 'losing' outcomes increases the risk of fraudulent activity. Regulation relies too heavily on post-bet evaluation of suspicious activities which some State and Territory Government regulators are currently insufficiently equipped to monitor effectively.
- Banning inducements by the media including online and via mobile and particularly commentators to bet on in-play events.
- Greater disclosure of betting involvement by persons directly associated with the event which is the subject of the bet. This should include codes of conduct by major sports bodies and mandatory disclosure by professional sports players of directly involved event betting activity and approaches by prospective third parties wishing to influence the outcome of an in-play or match event. We support criminal prosecution of players contravening a relevant Act in addition to banning and or fining of individuals by the relevant sports body.
- While there are some implications from political event betting in Australia, we consider that the vast majority of politicians and their staff are honest and seeking to serve the country. Therefore we do not support any restrictions on gambling on political events.

Online Gambling

Some 80 countries permit interactive online and the trend is for more developed countries to allow online gambling. The reasons appear to be twofold, firstly it is almost impossible to apply a workable ban and secondly the economic impact on a countries economy in terms of loss of taxation revenue and balance of payments is becoming increasingly serious.

Sweden, Finland and Norway all reversed earlier bans on online gambling and each national government itself has become the major provider of online gambling services. Each country actively encourages online gambling service providers to establish operations in their country.

Spain is the latest European country to reverse the ban on online gambling and Germany is allowing 7 national sports betting companies to operate online in 2012 (with a tax rate of 16.67 %!).

The effectiveness of a ban is perhaps best illustrated by two countries. The US currently has 7 million online gamblers, even though the practice is illegal. The US Senate is yet again currently reviewing the ban.

Germany where online gambling is also illegal has the second highest number of regular online gamblers in Europe after UK where it is legal.

A further concern is that more than 50% of interactive online gambling sites are based in countries with what can only be described as light regulation or are regarded as tax havens. These countries include Antigua, Belize, Costa Rica, Curacao, Dominican Republic and Venezuela. The ban on online advertising of gambling services is equally difficult to enforce when there are 15000 internet gambling sites based in Europe at present. The EC is currently planning to adopt comprehensive legislation covering all member countries but the economic position of some members may provide a major obstacle.

Online gambling services and the associated advertising of these and related gambling services are provided legally in some 80 countries and the number of countries deregulating these services is growing each year. It is therefore virtually impossible to filter over 20,000 of these sites.

Generally online gambling markets are growing worldwide. Estimates as to the exact size of the market vary widely. Recent projections include a survey by Merrill Lynch that suggests that the Internet gaming market is currently worth A\$60 billion per annum. (<http://www.gamingpublic.com>)

The Online Gambling Research and Markets Group expects that online gambling will reach A\$128 billion by 2015, while Merrill Lynch predicts even higher growth, to A\$175 billion by that year (Jain, H. IntruGuard Devices, Inc. (2006)).

A number of factors make substantial growth of online gambling seem inevitable;

- An increasing proportion of the population have access to the relevant technologies;
- The technologies are becoming increasingly user-friendly;
- The technologies are becoming increasingly integrated. For example, a single compact portable;
- piece of hardware functioning as personal computer, mobile phone and interactive television combined will soon be widely available;
- These systems have automated and convenient electronic billing systems which make financial transactions increasingly easy;
- Adult populations in the years to come will increasingly consist of people who have grown up familiar with playing electronic games and utilising computers in their everyday lives;
- The ingenuity of existing and emerging technology companies and remote operators is ensuring that more and more games and other vehicles for gaming are available through the new technologies;
- Spending on leisure is increasing;
- Spending on home-based entertainment is increasing;

- The burgeoning interest of some countries in Europe in providing a home for online gaming.
Source: Swiss Institute of Comparative Law (2006)

ABS statistics indicate that 11.3 million Australians accessed the internet regularly in 2006/7 and use of the internet is highest among the younger age groups. Australian children aged between 8 and 11 spend 30 minutes a day on average accessing the internet (ACMA study 2007).

Under Age Gambling

Gambling by minors in Australia is yet another area where little recent data is available. Several US research studies suggest that over 75% of 12-18 year olds have undertaken some form of gambling in the last twelve months and that teenagers are three times more likely to become problem gamblers than adults. (CT Dept of Mental Health and Addiction Services, Oregon Dept of Human Services, ComScore et al)

Also, please refer to the link below for in-depth information

<http://www.ncbi.nlm.nih.gov/pmc/articles/PMC2945873/>

The online gambling industry basically accepts that it is targeting the 18-40 year old market which has a very high internet use. Many observers believe online providers are targeting under age gamblers.

Various research studies in the US in 2006/07 indicate that:

- At least 75% of 12-18 year olds have undertaken some form of gambling in the last year
- 70% of online gamblers register with four or more sites
- Teenagers are three times more likely to become problem gamblers than adults (*New York OASIS study*). Studies into smoking indicate similar findings and the tobacco industry has long targeted teenagers.
- Depending on the US state between 3 and 5% of all calls to gambling helplines were from minors
- 172 online gambling sites offshore still accepted registration and play from US citizens after the Unlawful Internet Gambling Act was introduced
- 30 out of 37 online gambling sites which were tested registered under-age college students in the US and allowed them to gamble via the internet (also after the Act prohibiting internet gambling was introduced)

Australians can obtain a bank issued Debit card aged 16 (Visa/MasterCard) which enables them to gamble on the internet. A pre-commitment debit card can be legally purchased below the age of 16, which also allows minors to gamble on the internet without their parents' knowledge. The pre-commitment debit card is similar in concept to pre-paid phone cards (no age limit) which are widely used by teenagers in Australia.

Online gambling via 3G mobile phones is now a major growth area for the gambling industry and teenagers in Australia can gamble 24/7 again without their parents' knowledge using a pre-paid phone card.

In summary the continued growth of the gambling industry is reliant on attracting new problem gamblers. The younger the gambler the more likely they are to become a problem gambler.

The mobile phone 'competition' market also targets younger SMS users and has the potential to increase the number of young problem gamblers.

The other major implication of introducing more effective harm minimisation for EGMs is that problem gamblers are more likely to turn to online providers to gamble once their limit is reached or when they are excluded from gambling venues. Currently there are virtually no "proper" restrictions on internet gambling such as limits, speed of play, use of credit cards, warnings, use of 3G phones etc.

Teenagers can be barred from government regulated venue based and on line gambling venues by adopting pre commitment smartcards which are issued based on 100/150 point ID verification.

Impact of New Technologies

The impact of new technologies on gambling is not well understood or researched in Australia. Online gambling services by Australian based organisations was essentially banned as a result of the Interactive Gambling Act 2001 but the impact on Australians of 20,000 plus online gambling/wagering site including several thousand overseas casino type internet gambling sites is still not well understood or acted upon.

One US research study (eCOGRA 2007) suggests that Australians have the sixth highest per capita expenditure on internet gambling out of 96 countries (Note pre GFC exchange rates). Norway, New Zealand, Netherlands, Sweden and US spent more per capita. The lack of data on internet gambling by Australians is of serious concern given:

- Australians propensity to gamble and to become problem gamblers
- the large number of unregulated or lightly regulated sites
- the worldwide growth rate of internet gambling the impact on the Australian balance of payments and
- the lack of any taxation revenue for Australian Government.

There are other forms of new technology which are not generally regarded as part of the gambling industry but in our view should be treated as such and should be appropriately regulated and taxed. There are several hundred SMS competition sites often linked to television advertisements offering prizes (often fairly minimal in relation to the total cost of entry) for quizzes, footy tipping, pick the best catch etc. Many of these providers target minors who only need a mobile phone to enter and pay. A typical entry cost is \$2.20.

One recent example, where the ACCC has taken legal action, illustrates the ethics of some of the ‘competition’ suppliers. It appears that quiz entrants were charged a \$5 entry fee and an on-going subscription of six \$5 SMS messages each month. The ACCC alleges that entrants were charged a total \$85 in the first month and that no resident of Queensland, Victoria and the ACT was eligible to win (prize one laptop). These SMS ‘competitions’ caused 6000 complaints in three months of 2008 to the Telecommunications Ombudsman more than any other type of mobile phone complaint.

The process of:

a) requiring each state and territory to issue a separate permit (which does not generally address ‘the win/loss issue’ :

b) requiring the ACCC to take action in the event of misleading advertising against individual organisations after the event is clearly both ineffective and unproductive.

Gambling via pay-TV in Australia using the remote control for sports wagering/betting may well be introduced in Australia as many will argue that it is a logical extension of telephone betting but the technology convergence allows the scope for many other forms of gambling, particularly in conjunction with new and overseas based channels.

State and Territory regulatory authorities do not have a clear mandate to monitor gambling via some of the new technologies e.g. mobile phones and pay-TV and there is no overarching regulation by the Commonwealth Government covering the use of these new technologies.

Criminal Activities and Money Laundering

The ACC report into *Organised Crime in Australia 2011* suggested that the level of money laundering in Australia ‘is at least A\$10 billion a year. Although it is thought that the actual figure may be higher’. Comparatively little data particularly on enforcement appears to be available or indeed an agreed methodology. Therefore it is difficult to estimate how much is laundered via the gambling industry in Australia.

The AML/CTF Act 2006 focuses on the obligations of parts of the gambling industry, inter alia, covering customer due diligence, reporting and record keeping. Clearly the use of new technology solutions would materially assist in the enforcement of the Act and the Inquiry should incorporate proposals to extend the use of technology to reinforce anti-money laundering mechanisms in the gambling industry.

Crime prevention organisations are aware that hackers deliberately target many of the less regulated online gambling sites which often have inadequate security measures and obtain credit/debit card numbers/user names and password details of individuals and steal money first and thereafter often on- sell the cardholders’ details to third parties. The recent hacking of 70 million Sony PlayStation accounts illustrates that even the most sophisticated technology companies are vulnerable

Overview of the Regis System

The Regis Controls smartcard based Regulatory/Payment system is designed to regulate gambling including venue and online games and how monetary and debit transactions take place before the game commences, during the course of the game and at the completion of the game.

The Regulatory/Payment system may be used including in conjunction with mobile phones, smart phones, interactive television including pay-TV, online, and venue based poker machines.

This regulatory /payment system may be used for different kinds of gambling/wagering, over various channels including internet, pay-TV and mobiles.

It is important that the Australian Government adopt a regulatory system which addresses not only the most immediate cause of problem gambling i.e. EGMs but other forms of electronic distribution of gambling products.

The Productivity Commission has succinctly highlighted the issues associated with problem gambling, including credit card gambling, under-age gambling and criminal activities. Recent surveys indicate the majority of Australians support the proposed action by the Federal Government.

Action is now required by the government in addressing the problems including family debt, poverty, family breakdown and crime.

The Joint Select Committee now has the opportunity to recommend action to regulate newer and rapidly growing forms of electronic gambling. The concept of separate limits for each form of electronic gambling is not going to minimise problem gambling in the longer term. It will merely shift problem gambling between different channels of distribution.

Any regulatory system must have a high level of security in order to minimise fraud or misuse by persons having access personal information. Unauthorised access to financial transactions, details of the player and bank accounts and personal financial data must be totally restricted to prevent misuse.

Regis Controls smartcard based regulatory/transaction system can be applied within or across jurisdictions and will address both venue and remote gambling, credit card gambling, problem gambling, under-age gambling and protect financial and sensitive player information while allowing real time settlement of transactions a game basis.

Regis Controls regulatory/payment system restricts credit card gambling, limits the amount wagered per day/week/month, allows legal payment and to regulated casinos only and bars under-age gamblers and protects personal financial information.

The Regis Controls regulatory/ transaction smartcard based system addresses all the above. The IP is patent granted in Australia and in other countries.

Overview of the Operation of the Regis System.

The proposed operation of a smartcard based pre-commitment system is outlined in a series of diagrams shown on subsequent pages. The tools for minimising problem gambling which the system provides are summarised below:-

- The card has one legislated mandatory self-imposed maximum limit for the specified period (day, week, fortnight, month or year or a combination of all of these).
- The maximum limit cannot be changed until the end of the period specified in the legislation.
- Card holders can set their own lower limit before or during the specified period (but cannot increase the limit until the time period has expired).
- There is one limit which is applicable across all States and Territories and throughout all types of venues (unless the legislation determines otherwise) and through other electronic media such as online.
- The one limit can be extended to other forms of gambling including broadband, mobile, wireless etc. gambling as legislation permits.
- The limit cannot be exceeded and when reached closes down the card for a pre-set time period across all electronic forms and media used for gambling
- Depending on the policy settings, amounts below the limit not spent in the period either can be carried forward to the next period or not (preferably)
- The smartcard can only have electronic value for EGM play added by a Smart Cashier machine in a gambling venue or online for regulated internet gambling. This machine will only accept notes and/or bank and debit cards and not credit cards or line of credit accounts. The card can only be used for gambling and is prevented from accepting credit card funds.
- The smartcard is programmed not to accept any transfer beyond the limit specified (either the initial limit maximum or player specified lower limit or a government imposed limit).
- The smartcard can be either pin and/or biometrically operated. Cards can have an inbuilt thumbprint 'reader' which compares the thumbprint reading when the card is inserted with that stored in the chip when the card was issued. This safeguard prevents lost and stolen cards being used and card borrowing/sharing. The biometric data is only held on the card and not in any form of central database. We consider that this method fully complies with The Privacy Act 1988.
- Winnings can be paid onto the card for transfer to the player paid out in cash/print out or for future play. In the case of online gambling the winnings can be provided electronically to a player's bank account.
- The smartcard can be programmed to retain significant winnings for a cooling off period, payment by cheque or directly into a nominated bank account.

- The card can be programmed to give advisory or warning messages e.g. “you have now been playing for 2 hours and have lost \$xxx do you wish to continue?”
- The card can be programmed to allow counselling/explanation by trained venue staff. Staff cannot change the limit or the cooling off period.
- It is proposed that the card is issued on a 100+ point check basis by an independent organisation and comparison of databases ensures that only one card is issued to an individual, this will also eliminate the card being issued to under-age gamblers.
- Cards reported lost, stolen or damaged are barred from use anywhere and any residual value and the limit are re-issued on a new card subject to positive proof of identity (this is done on a pseudonymous basis by accessing the independent scheme operator database on a once off event authorised by the cardholder).
- The card is capable of tracking the amount of cash put into any EGM machine whether notes or coin or e-cash or into any (government regulated) online gambling site via e-cash.
- One limit can be used for both electronic and/or physical cash gambling.
- It is suggested that overseas visitors can obtain a smartcard for EGM gaming with no limit for the period in Australia subject to passport verification and proof of overseas residence (up to 25% of Australians have or are entitled to a second passport). A refundable deposit may be appropriate.
- The smartcard would be encrypted to a minimum of 3DES or higher standard (RSA) to prevent fraud and hacking, which is a similar level to bank issued smartcards.
- The smartcard system could be extended subsequently to track money laundering.
- The card would be used pseudonymously i.e. the cardholder remains anonymous unless the card is reported lost or stolen or a warrant or court order is issued.
- The card allows for self-exclusion or authorised third party exclusion e.g. court order. The card cannot operate in (government regulated) any venue based machine or (government regulated) online site for the period of exclusion.
- The card excludes minors due to the 100 point check
- The card could be used to track admittance to (government regulated) gambling venues and entry to government regulated online sites and some form of intervention could be adopted for some of the following:
 1. frequent visits (as in some European countries)
 2. undesirable or banned patrons
 3. self or third party excluded patrons

- It is suggested that a small balance reader (costing \$5) could be issued with the card on request so that the cardholder can check the residual limit and read a summary gambling results for a period and can maintain a playing/accounting record. A similar process can be adopted for online gambling.
- It is proposed that there be several smartcard issuers providing personalisation of cards and verifying 100 point checks. This could be provided on a state basis and subject to contestable government tender
- The card provides a more secure audit trail for tax collection reconciliation and ensures that far less physical cash is held on premises.
- The smartcard obviates the need for conventional ATMs in gambling venues or credit facilities for online gambling sites. The Smart Cashier machine and the card are programmed to comply with all the limits established in any future Act and the capital cost and operational cost substantially less than existing ATMs. These machines are widely used in overseas gambling venues and are operated by venue staff eliminating the need for expensive bank style ATMs. All machines would be subject to routine inspection and testing. Any remaining ATMs in casino style venues would not be able to load smartcards with value or download value from player cards. Online transfer of funds would occur in accordance with established financial institution regulations.
- It is possible to use the Responsible Gaming Card for loyalty schemes for venue based and online sites. This eliminates the need to carry and insert two cards into each machine or computer or mobile etc. used but this is clearly a policy decision for government. Multiple loyalty cards such as in Victoria could be reduced using the one smartcard. The loyalty card is usually issued on behalf of the gambling venue(s) to encourage maximum EGM use so there is a clear conflict of interest.

Note: Existing Loyalty cards do not generally have the same level of security or privacy as the proposed Responsible Gaming Card requires particularly with cashless gaming.

Providing information on a cardholder's spending (machine/game/amount of time and money spent) to the gambling venue or online provider (the rationale for a loyalty card) is totally incompatible with harm minimisation measures and privacy legislation

- It is clear that a number of western governments (e.g. Scandinavia) have or will adopt smartcards to protect citizens from the risks of unregulated and insecure online gambling sites and to protect their balance of payments. Australia would be well advised given the level of venue based and online gambling and its growth rate to ban credit card gambling extend the proposed smartcard system to secure online gambling in common with other western countries.
- It is possible to have two or more purses (and a loyalty application) held on the card. One would be only used for EGM or other electronic gambling including internet with all the harm minimisation provisions incorporated (limits, no credit account usage, etc.). The other one (purse) could be used for venue purchases e.g. meals, beverages etc. and a loyalty application covering one or both purses are feasible. This should be attached to regulatory card and not the other way around.
- It is proposed that the purse is compatible with the standard adopted by banks worldwide, Visa and MasterCard etc. which is EMV which minimises interoperability issues and could potentially allow card holders to transfer winnings directly into a bank account.

- It is possible to programme into the card compulsory breaks in play and potentially links to problem gambling support services
- It is also possible to include decision points (leading up to /prior to pre-commitment limit being reached and a card shutting down) requiring a response into the smartcard system (you have lost \$500 in 2 hours are you sure you wish to continue? etc.)
- Both self and third party exclusion can be incorporated at the venue entrance or on all machines and/or for all government regulated online sites.

Privacy Issues

Problem gamblers are very concerned about privacy often carefully hiding their losses from family and friends. The Regis patented system ensures that:

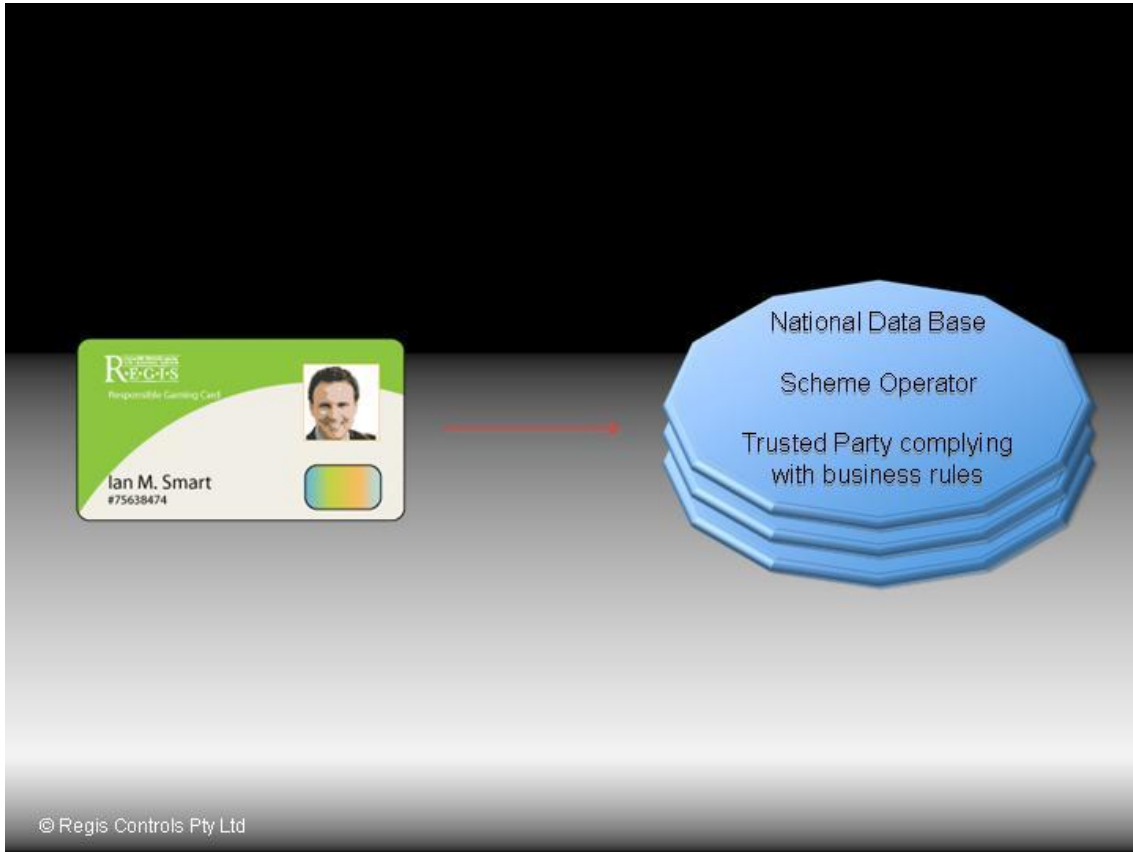
1. Only the independent scheme operator maintains the database linking the smartcard number with the details of the cardholder. The gambling service provider cannot access the cardholder's details for marketing and loyalty purposes unless the cardholder specifically wishes to link the Responsible Gaming Card with a gaming establishment's loyalty system.
2. If the cardholder specifically wishes to add one or more loyalty systems (venue and/or online) to the Responsible Gaming Card then each loyalty application can be added to the card at a venue or online.
3. The cardholder has the option of just having the card number linked to each loyalty system without the land based venue and/or online having access to personal details e.g. name and address or the cardholder can opt to provide the venue with name and address details so that newsletters, special offers etc. can be provided to the cardholder. Cardholders can add or remove personal details from a loyalty system at any time
4. Cardholders wishing to gamble anonymously at a venue with or without membership of a loyalty system can do so and all the venue can access is the results generated by card number x. The same applies to all online government regulated gambling providers.
5. If a card is reported lost, damaged or stolen the independent scheme operator is contacted by the cardholder and on positive proof of identity the existing card is barred i.e. it cannot be used by anyone and a replacement card can be issued on a secure basis.
6. It is proposed that a minimum security level set by Visa/MasterCard of 3DES or higher e.g. RSA) is adopted to prevent card skimming/cloning/hacking.
7. All participants in the proposed regulatory system would be required to comply with mandatory privacy requirements which at a minimum would comply with all current privacy and security legislation, national privacy principles and data protection which would be subject to audit.

Operation of the Responsible Gaming Card





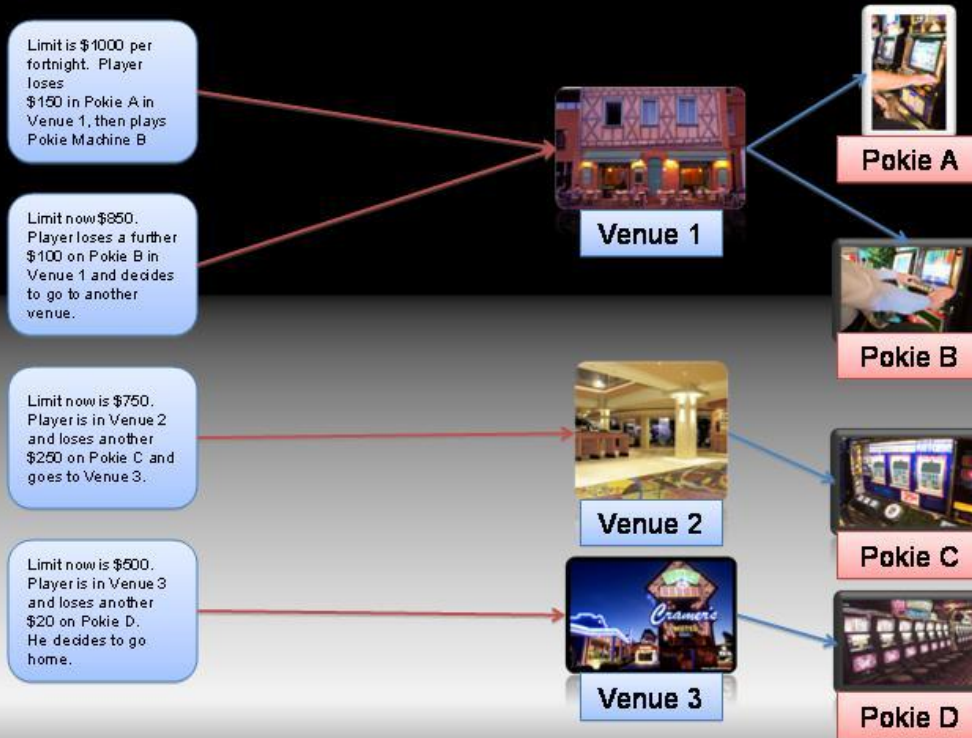
Identification documents (100-150 point check) sited and verified by trusted third party and then personal Responsible Gaming Card is issued



Some of the features that can be built into the responsible gaming card:

- Limit the amount that can be lost within a certain time frame e.g. \$1000 per fortnight (card shuts down thereafter)
- Responsible up to date messages displayed on Poker machine e.g. you have lost \$500 do you wish to continue?
- Ability to enforce a break by the player e.g. a few minutes, a day a week a month
- Ability to self exclude immediately e.g. a day a week a month or a year
- Ability to keep track of the limit and close down the card e.g. \$1000 per fortnight regardless if digital and/or real cash is used to play with
- Ability to operate on Pokies, internet, pay TV, and ban credit card betting and use by minors
- Can be PIN or biometrically operated
- Operates across all venues and all machines, internet and pay TV maintaining **one limit**

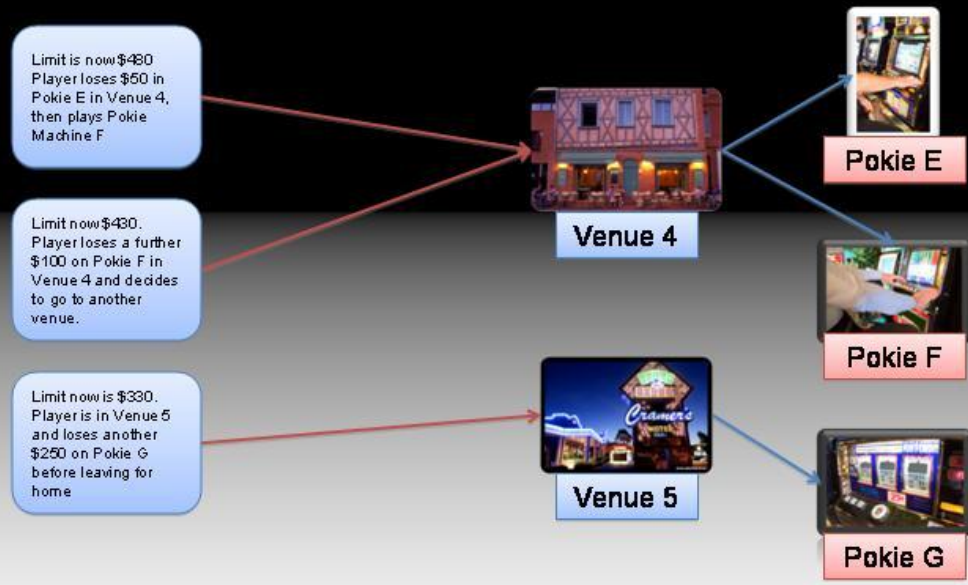
Limit the amount that can be lost within a certain time frame e.g. \$1000 per fortnight



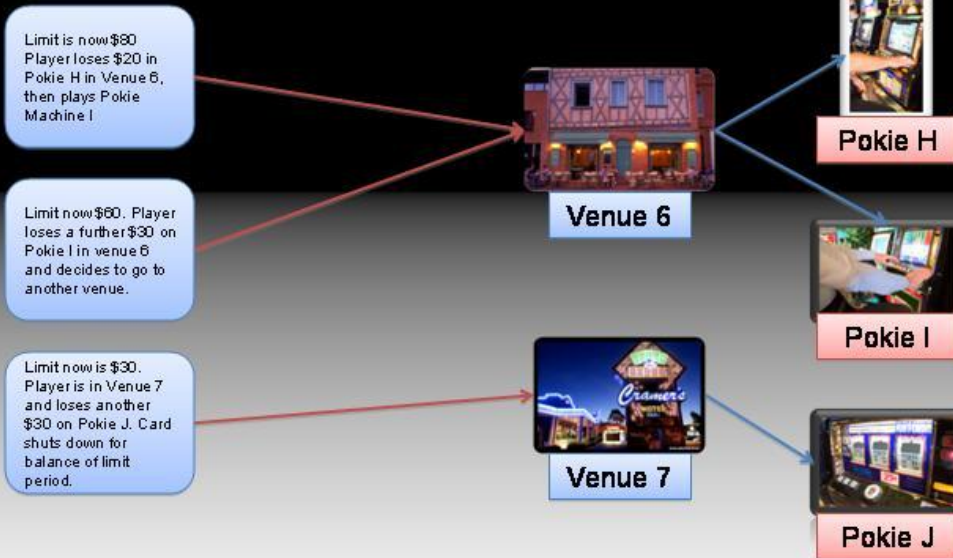
The above took place on Friday night, December 1st

© Regis Controls Pty Ltd

It is now the 8th of December (1 week later) and the player decides to try his luck again



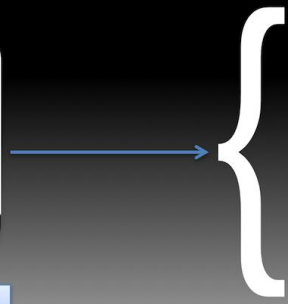
It is now the 12th of December and the player decides to try his luck again



Self Exclusion (self imposed ban)



Ian M. Smart



Self-exclude at venue or online

OR

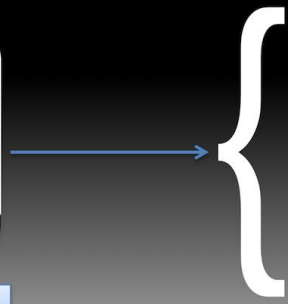


National Call Centre

How to change the limit



Ian M. Smart

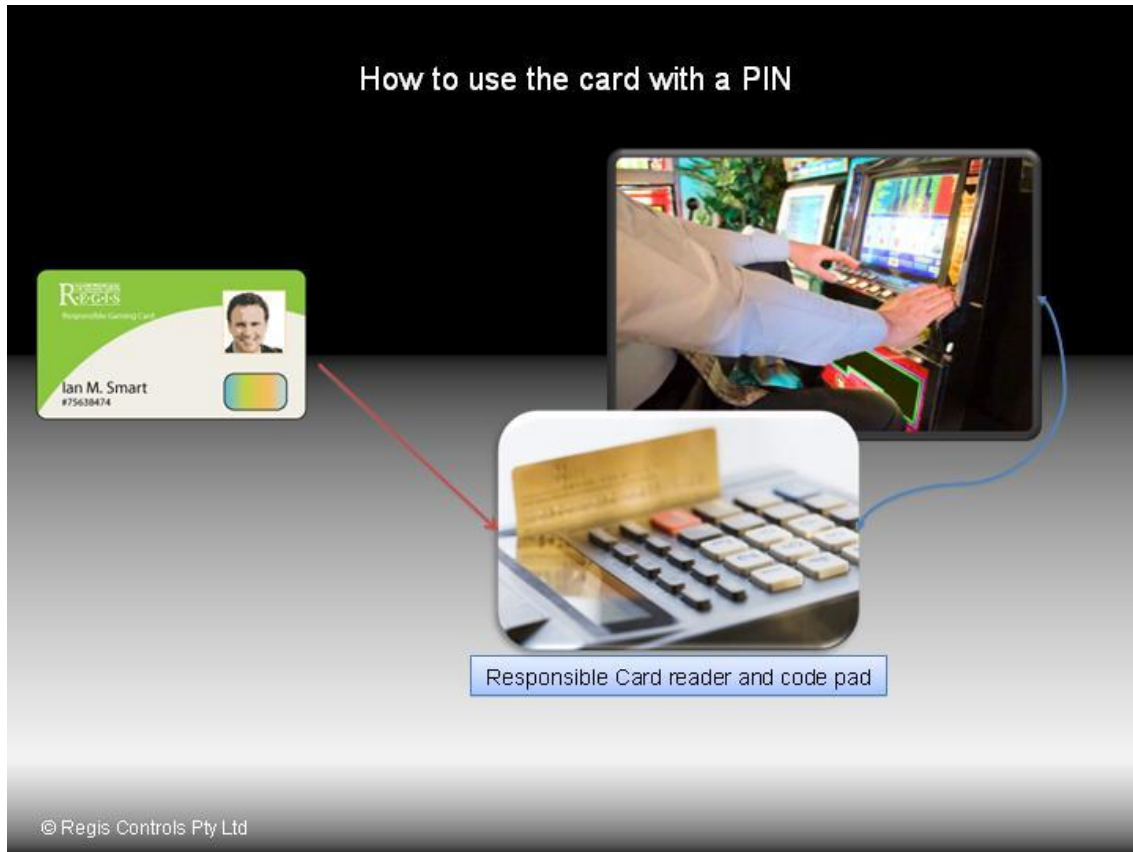


Change limit at venue or online

OR



National Call Centre



The Role of the Smartcard

The smartcard proposed for pre-commitment has eight roles and can be used for many other subsidiary roles as determined by future legislation, as follows:

- It identifies the cardholder through the use of a PIN (biometrics using a thumbprint is also possible but the current government has rejected this solution)
- It stores the monetary or other limit for the period
- It records EGM playing data and accumulated losses for a session(s) for print out later
- It stores money as e-cash
- It transfers money to either cash out via the Smart Cashier or transfers all or part to the player's bank account and receives money from the Smart Cashier
- It stores and plays warning messages to the player
- It suspends all play once the limit has been reached for the period
- It protects money on the card against loss, theft and card hacking through encryption.

The card interacts with:

- EGMs directly
- PCs (either directly if enabled or via a \$5 plug in reader)
- Smart Cashiers (directly)
- Mobile/smart phones (either directly if enabled or via a \$5 plug in reader) There is a second option for mobile phones which is to use a pre-loaded SIM card which is programmed only to operate on regulated wagering and online sites. The distribution and reloading of 'wagering' pre-loaded SIM cards would be the same as existing pre-paid phone cards except they cannot be purchased with a credit card (as per Tattslotto tickets).
- Set top boxes which operate using a smartcard to identify and bill the pay-TV owner. A pre-paid smartcard could be used and re-loaded in exactly the same manner as a pre-paid phone card

Effectiveness of Proposed Regulatory System

The table below summarises the harm minimisation measures which a proposed smartcard system would contribute based on a range of evidence of comparable systems overseas (most notably in Scandinavia).

Policy initiatives which are independent of the use smartcards such as educational initiatives, number of gambling venues and number and distribution of EGMs have not been included.

Table 1: Suggested Effectiveness of Harm Minimisation Measures using Smartcards

Policy Initiative using a Smartcard based system	Effect on Problem Gambling ¹ (est)
Smartcard monitoring of cash and electronic gambling	*****
Overall limit per period	*****
Potential restriction to regulated smartcard enabled internet gambling sites	*****
Time limit imposed	*****
Lower limit set by player	*****
Use of Smart Cashiers and no ATMs in venue	*****
Self-exclusion for a period	*****
Third party ordered exclusion	*****
Self-assessment test	*****
Regular financial reporting	*****

Barring minors	*****
Venue admittance by card	****
Warning messages	****
Compulsory breaks	****
Automatic intervention after a time or amount spent	****
Decision points during play	****
Deferral of payouts for significant wins	****
Direct payment of significant wins into bank account	***
Biometric smartcard to prevent card swapping (<i>currently ruled out</i>)	***

¹Estimated effectiveness on problem gambling based on other countries experience with the harm minimisation measures using smartcards.

***** Highly effective

*** Moderate impact

The adoption of a combination of harm minimisation measures is recommended as problem gamblers are singularly adept at getting round single restrictions e.g. If using cash gambling for EGM the smartcard system in that state or venue can be programmed to kept track of cash inserted against the limit. Countries using smartcards for machine gambling are outlined in Appendix 6.

This submission strongly recommends the introduction of a Responsible Gaming Card (smartcard) which combines a number of harm minimisation measures such as those shown above. This system is described in detail subsequently and should be applicable to all forms of 24/7 electronic gambling.

The current Joint Select Committee on Gambling Reform Inquiry into interactive online gambling and gambling advertising now has the opportunity to recommend national action to tackle problem gambling both for the venue based and online gambling industries. This may be the last opportunity for some years to reduce the billions of dollars spent annually on the social cost caused by problem gambling and the financial hardship of 1.5 million Australians.

The Committee also has information on the international trends in relation to credit card gambling and the rapid growth of newer forms of technology providing gambling and wagering products.

It is for these very reasons a regulatory/transactional smartcard based system should be implemented quickly and operated by an independent scheme operator(s). The amount of gambling losses leaving Australia is having a growing effect on Australia's trading balance and the tax revenue forgone is a cause for concern. Compare Germany a country with a healthy balance of payments but significant funding obligations to other members of the EU

which is introducing new national sports betting schemes with taxation of 16.67% with no action proposed by Australia.

The benefits to an Australian regulated industry would be a major boost to IT industry, telecommunications and associated types of companies as well employment growth not to mention protecting Australians now and into the future.

This submission suggests five key desirable outcomes as a result of this Inquiry, which supports improved methods of regulation of current and new technologies for responsible gambling in Australia

1. The establishment of a federal body to oversee ‘national’ gambling issues including harm minimisation measures, new forms of gambling including new technology based such as SMS competitions and maintenance of a central database monitoring gambling activity in Australia.
2. The central database should track and monitor key information on gambling including problem gambling expenditure and consequent social cost, gambling by minors, harm minimisation measures and unregulated online gambling
3. The introduction of further harm minimisation measures for high risk forms of gambling based on a national Responsible Gaming Card (pseudonymous smartcard) which incorporates one limit for all venues and types of play, pre-commitment, personalised messages and warnings, cardholder identification, self and other authorised exclusion, banning of minors and banning the use of credit cards, deferred payment of large winnings, compulsory breaks, links to gambling support services, etc.
4. A review of Australia’s current policy on onshore internet gambling in the light of developments internationally including potential WTO moves, taxation and balance of payments issues. Australia has highly experienced and internationally well respected gambling regulatory regimes and as such it could take a leading role in better international regulation of internet, pay TV and mobile phone gambling (as per the introduction of e-passports and ICANN).
5. Further national legislation is introduced which addresses harm minimisation measures, ATM and cash facilities in licensed venues and other issues addressed in this submission.

Elik Szewach – CEO
Regis Controls Pty Ltd

Example of Match Fixing in South Korea

Appendix 1

K-League Match Fixing Scandal Shocks Korea

Jun 5, 2011
Author: Susan Arnold



A dramatic match-fixing scandal has clouded Asia's oldest professional football league, putting into question the very integrity of the sport in South Korea.

The league in question, the K-League, was founded back in 1983 as the Korean Super League. It was renamed and expanded to its current form, with 16 teams, in 1998. It is the only professional football league in Korea.

Recently, allegations have surfaced of bribery and match fixing within the K-League. There have been six players arrested, as well as two gambling brokers. The arrests are in connection with financial benefits given to players in exchange for those players attempting to fix matches.

The scandal has led to many calls for the league to investigate and weed out any players who may be involved in the match-fixing ring. The league's general secretary, Ahn Ki-heon, has issued a deadline of June 13 for players to come forward and admit their part in any match fixing or provide information that will help with the investigation. Players may still be punished if they cooperate before the deadline, but will be treated more leniently than those who attempt to hide their part in the scandal.

Perhaps the most dramatic and tragic event related to the scandal occurred last week. Midfielder Jeong Jong-Kwan, a 29-year-old who played for third-division Seoul United, was found hanging in his hotel room, dead. The death was ruled a suicide. The player left a note behind saying that he was "ashamed to have been involved in match-fixing," and that "I did it and it's all my responsibility." Five of the arrested players have been members of Daejeon Citizen, a K-League team. The team has won one Korean FA Cup in 2001, and finished 13th in the most 2010 season.

<http://www.internet-poker.co.uk/Poker-News/General-Poker-News/K-League-Match-Fixing-Scandal-Shocks-Korea~4207.html>

Internet Advertising in UK.

Appendix 2

International news related to Credit card, money laundering, crime and poker on line gambling sites



Crackdown on foreign internet gambling operators amid addiction fears

By *Political Editor*

Last updated at 10:18 AM on 14th January 2011

Slippery slope: Experts say around a million children in Britain are addicted to gambling. A dramatic crackdown on online gambling firms could result in hundreds of foreign operators being forced out of Britain.

Culture Secretary Jeremy Hunt is planning to stop companies based overseas from advertising in this country amid mounting concern that millions are becoming addicted to gambling. He is also considering a ban on the use of credit cards for internet gaming to stop people risking money they do not have, the Daily Mail has learned.

The moves would drive hundreds of foreign firms out of this country, officials believe.

They would involve tearing up large parts of Labour's controversial 2005 Gambling Act, which is blamed by critics for a dramatic deregulation of the industry.

A senior government source said: 'Ministers are concerned about the explosion of internet gambling advertising since Labour relaxed the gambling laws.'

Changes the Government want to make would help protect the public from gambling companies that don't meet UK standards but have been allowed to profit from Labour's lax approach to internet gambling.'

Experts say around a million children are addicted to gambling and Labour's lenient gaming laws are largely to blame. They warn that vulnerable children have become hooked after casinos, bookmakers and betting websites were allowed to advertise on TV.

Under the Gambling Act, any company that holds a licence for online gaming in the UK must carry out stringent checks to prevent children playing highly addictive games. But only operators who locate their key equipment in Britain are required to be licensed by the Gambling Commission.

Banned: Culture Secretary Jeremy Hunt is planning to stop companies based overseas from advertising in this country

And a loophole in the law means that countries across Europe – and others in a so-called ‘white list’ – can advertise their services in the UK without being subject to strict regulations. They include Alderney, the Isle of Man, Antigua and the Australian state of Tasmania.

UK consumers spent £2.5 billion on internet or telephone gambling, and operators licensed by the Gambling Commission represented less than a quarter of this. ‘This means that UK consumers aren’t being as well protected as they could be,’ said the government source.

Italy and France have recently moved to license and tax firms in their own countries rather than overseas, and others, including Spain and Greece, look likely to follow suit.

‘We are the only country to permit overseas operators to advertise whilst relying on an overseas licence on issues of playing protection,’ the source added.

Mr Hunt is considering overhauling the law so that all online and telephone gambling is regulated here. All those offering services in the UK market would have to hold a Gambling Commission licence and subject themselves to the provisions of the law.

<http://www.dailymail.co.uk/news/article-1347027/Crackdown-foreign-internet-gambling-operators-amid-addiction-fears.html#ixzz1PG45WHSg>

Impact of Sports Betting in Australia

Appendix 3

Internet fuelling problem gambling, says expert

By national medical reporter [Sophie Scott](#)

Posted Fri Mar 11, 2011 11:04pm AEDT

Experts at the University of Sydney say the rise of online sports betting is fuelling problem gambling.

Professor of psychology Alex Blaszczynski says internet sports betting is changing the face of problem gamblers seeking help.

He says the image of someone sitting at the poker machines for hours is being replaced by young men gambling on the net.

"Today we are seeing many young men who are losing large sums of money from betting on sports over the internet," he said.

"They can literally lose a fortune without leaving the comfort of their own home."

Figures released by the University of Sydney's gambling clinics show a 70 per cent increase in internet sports betting clients from 2008-9 to 2010-11.

"With more and more people gaining access to higher internet speeds and wireless internet via their smart phones, you can gamble anytime and anywhere," Professor Blaszczynski said

He says with football season about to start, he expects an increase in people seeking help for problem gambling on the net.

Clinical psychologist Christopher Hunt says increased promotion of gambling through sports media was a concern. "It's difficult to watch most kinds of sporting matches these days without being made aware of the prices that various outlets are giving for bets," he said.

He says it is natural that people with an interest in sport try their luck gambling.

"Unfortunately some of these people will lose more than they planned to and become problem gamblers," he said.

<http://www.abc.net.au/news/stories/2011/03/11/3162154.htm>

Example of Alleged Money Laundering

Appendix 4

Federal police help FBI in poker fraud probe

Ben Butler

June 4, 2011

THE Australian Federal Police has been drawn into a US investigation into alleged bank fraud by online poker sites in which the FBI alleges \$US540 million (\$507 million) was laundered by an Australian payments processor.

Charges laid in New York's Southern District Court have also put a question mark over lucrative sponsorship deals held by Crown Casino, whose Aussie Millions poker tournament was this year sponsored by Full Tilt Poker, and the Cronulla Sharks, who boast PokerStars as their sleeve sponsor. "It's a US investigation, but we're assisting," an AFP spokeswoman said.

The charges, which attract jail sentences of up to 30 years and fines running into the millions of dollars, have also sparked a public rift between Full Tilt and its star player, Phil Ivey, who has filed a lawsuit in Nevada alleging the company owes gamblers more than \$US150 million in unpaid winnings.

Public allegations Full Tilt has been implicated in money laundering also caused him "public ridicule, humiliation, and loss of personal and professional reputation," Mr Ivey said in a complaint filed with the Clark County District Court on Wednesday.

In April, the FBI unsealed a grand jury indictment charging 11 people, including the founders of Full Tilt, Pokerstars and another large online poker site, Absolute Poker, with bank fraud, money laundering and illegal gambling.

At the same time, US authorities launched a civil suit against the poker sites and some of the companies that processed their payments claiming a total of at least \$2 billion.

In its indictment, the FBI alleges Intabill, a British Virgin Islands-registered company associated with bankrupt Australian information technology entrepreneur Daniel Tzvetkoff, "processed at least \$543,210,092 of transactions for the poker companies from mid-2007 through March 2009".

US authorities charged Mr Tzvetkoff with money-laundering offences last year, but he has since been released on bail and is reported to be one of three confidential witnesses who are co-operating with the FBI investigation.

While Mr Tzvetkoff is not named in the case brought by US authorities, the indictment alleges Intabill had a central role in processing payments for the poker companies.

The FBI alleges "Intabill disguised the gambling transactions as the transactions of dozens of phony financial service merchants".

Read more: <http://www.smh.com.au/technology/technology-news/federal-police-help-fbi-in-poker-fraud-probe-20110603-1fl3r.html#ixzz1PJMr1MtH>

Overview of Proposed EC Legislation

Appendix 5

EUROPEAN COMMISSION - GREEN PAPER - On on-line gambling in the Internal Market

Extract

To date across the Member States the instruments that have been used to try to limit excessive “problem gambling” in on-line services are those applied to all gambling, viz.,

- (1) Age limits,
- (2) Self-limitation (financial and time) and self-exclusion,
- (3) Information/warnings/self-tests (more easily applied on-line than off-line),
- (4) **No credit**,
- (5) Reality checks,
- (6) Diligence obligation for the on-line operator, and
- (7) Other (e.g. limits on commercial communication – restrictions on the use of certain media, sales promotions and sign-up bonuses or free practice games).
- (8) Restricting certain forms of games or bets that are considered to be most risky (e.g. casino games or in sports betting restricting bets to final results only).

Countries Adopting Smartcards for Machine Gambling Appendix 6

There are an increasing number of countries which have or are planning to adopt harm minimisation measures using smartcards for poker machines (also called VLTs in US and Canada and slot machines and EGMs elsewhere) and more recently internet gambling.

US

Beginning in 1988 the US Government and various States negotiated with the Indian tribes to allow casinos with poker machines into Indian reservations. The agreement ensured that no cash can be inserted into poker machines. There are 367 casinos with annual revenue of AUD\$ 25 billion currently covered by the Indian Gaming Regulatory Act. A smartcard is used in all these establishments.

The Act also has a series of harm minimisation measures (time limits, minimum percentage payout, maximum wager per spin, etc.)

Various surveys and tests conducted in the US during the last 5 years indicate that using a smartcard rather than cash does not increase the average spend per session or the frequency of gambling.

South Africa

Smartcards are used for gambling on poker machines in casinos in South Africa e.g. Sun City and are used 100%. Independent surveys across South Africa indicate that there is 96% acceptance of smartcards by patrons. There are no ATMs allowed in any gambling venue under South African law.

Austria

In Austria poker machines are only permitted in casinos by government legislation. All casinos in Austria used smartcard operated poker machines and there are a series of harm minimisation measures including player tracking.

Norway

The Norwegian government owns the major operator of poker machines (some describe it as a monopoly) which were re-introduced a few years ago, having been banned.

Smartcards are used exclusively for the national lottery, for gambling venues and for Internet gambling via the government owned site Norsk Tipping. Players are issued with a smartcard and a reader, which plugs into any computer and can only use the smartcard at gambling venues.

There are a series harm minimisation measures built into the system e.g. \$180 maximum bet per 24 hours on the Norsk Tipping internet site.

The Norwegian government became so concerned at the amount of money that Norwegians were spending on overseas internet gambling sites that it introduced and now runs its own internet gambling. The government issued 1.75 million smartcards in less than 2 years. The total population of Norway is 4.6 million so more than 50% of the adult population now has a smartcard and a reader for gambling.

The Government run gambling web site attracts 16-24 year olds who have double the rate of problem gambling compared with older groups.

Many local authorities in Norway are so concerned about gambling venues (controlled by the central government) and the effects of problem gambling that they are threatening liquor licensing bans.

Denmark

The Danish government is the major provider of gambling services through Danske Spil which issues smartcards to customers. Denmark may well have the most comprehensive harm minimisation measures including: Restrictions on the type of games (based on actual results red danger games can be banned i.e. those games most used by problem gamblers)

- Limit on units per day
- ALL gaming limits
- Players can set lower limits
- Self-exclusion etc.

Netherlands

The Dutch government requires all Dutch customers of casinos (the only legal venue for poker machines) to use their national ID smartcard to gain entry to a casino. All Dutch citizens are required to carry an ID card under separate legislation.

If a customer visits casinos more than 20 times a month they are automatically approached by trained casino staff and asked to sign a self-exclusion contract. The procedure is monitored by government inspectors to ensure that casinos are properly facilitating harm minimisation measures for problem gamblers.

Canada

Saskatchewan Gaming Corporation has introduced a Player Club card (smartcard) which is used to monitor at risk gambling behaviour during poker machine play and trained staff are required to intervene.

Nova Scotia

The Nova Scotia government conducted a 6 month harm minimisation trial using magnetic cards (not USB) which was monitored by Focal Research. 71% of regular players adopted one or more of the harm minimisation measures (spending limit, play limit, 2 day exclusion etc) and 65% of these players continued to use one or more harm minimisation measure beyond the trial.

The average expenditure per player reduced by 15% during the trial but Focal Research reported that there appeared to be little impact on high risk gamblers and the amount of the money spent (it was a voluntary trial) .

The government recently signed a contract (estimated by the contractor as AUD\$ 7-9.3 million or the equivalent of \$2500-3320 per machine) with Techlink Entertainment, a major supplier of poker machines, poker machine type games and internet games to fit 2800 poker machines which allows players to set their own limits.

The President and CEO of Techlink Entertainment when announcing the contract was quoted in the local media as saying:

- The system developed by Techlink targets players who are at risk of developing a gambling addiction. Mr Xidos defines those gamblers as the type to occasionally overspend.
- While none of the cards will identify the players, Techlink can track which types of games people like to play and how they choose to spend their money. That's extremely valuable information for game creators, Mr Xidos said. Techlink might sell that information or use it for its own software Mr Xidos said.

Other Canadian Provinces

A separate and much larger government owned organisation Atlantic Lottery operates a series of gambling products and is owned by four provincial governments New Brunswick, Nova Scotia, Prince Edward Island and Newfoundland/Labrador. It announced recently that it was considering issuing responsible player cards for all VLT (poker machine) users. The card would be a smartcard and "can be programmed by the player to limit how much they're spending and

how long they are playing”.... “They can even cut themselves off and keep a record of VLT use”

Sweden

The largest gaming company in Sweden, Svenska Spel, is owned by the Swedish government and has an annual turnover of AUD\$ 3.7 billion (comparable to Tabcorp). The population of Sweden is only 9 million or 43% of the population of Australia.

Svenska Spel issues a smartcard to customers and over one million use one each week. The card provides a series of harm minimisation measures for both poker machines and internet including limits per session, per day, per week or month and maximum play time per day/week/month and self-exclusion.

Svenska Spel launched internet poker in 2006 and achieved 100,000 registered players in the first 4 weeks, which ‘exceeded all expectations’.

The Swedish government ‘wanted to transfer existing internet gamblers from the unregulated market to the regulated market’. Players can also use mobile phones to gamble on the internet with Svenska Spel and it is not clear how minors are excluded.

An Overview of Regis Controls Pty Ltd

Appendix 7

In 1998 the members of Regis Controls Pty Ltd recognised the social problems caused by problem gambling in Australia and developed a patented system based on a Responsible Gaming Card (using smartcard technology) to provide a series of harm minimisation measures.

Patents were granted in 1999/2000 for a regulatory smartcard poker machine system for Australia, New Zealand and UK.

Regis is a small independent 100% Australian company with NO funding by the gambling industry or provision of gambling services and no plans to change this. It does not provide gambling equipment, services or systems.

Work commenced in 1998 on a potential solution to minimize the incidence of problem gambling on poker machines and via internet. The company was formed in 2000 and brings together skills in:

- Smartcard technology (including 12 years’ experience consulting to Commonwealth and State Governments and the UK Government)
- Electronic Security systems
- Electronic payment systems and
- A/V equipment, systems design and graphic design

This system provides socially responsible gaming in the Australian physical and electronic space, to regulate EGM and interactive gambling.

Extensive discussions took place with the gaming industry in the period 1998 to 2003 but the concept did not generate much enthusiasm within the industry. Discussions with the anti-

gambling lobbyists were also held over ten years and achieved a high level of support by organisations and individuals.

Submissions have been made to a number of State Government inquiries and discussions have been held with:

- Commonwealth, State and Territory politicians, officials and regulators with direct involvement in gambling
- Overseas Governments
- Gambling service providers in many other countries
- IT service providers and smartcard technology suppliers
- International Gaming Testing Houses and Testing Authorities
- Anti-gambling and privacy lobby groups.
- Australian law enforcement agencies such as Austrac and others

The REGIS system has been demonstrated to various interest groups including: -

- The InterChurch Council on Gambling;
- State Gaming Regulators;
- Major IT&T companies;
- Internationally approved Testing Organisations for the Gambling Industry; and
- International banks.
- Australian law enforcement agencies
- Australian Casino Association

The overwhelming response of these organisations to the REGIS system is that it is technologically and commercially feasible and has a number of unique features compared with other regulatory systems most of which rely on self-regulation and are independent of one another.

Regis has also provided legal notification of its patents to relevant federal and state/territory government bodies, gambling service providers and other gambling industry participants. There has been no challenge to any part of the Regis patents during the past ten years in Australia, New Zealand or Great Britain.

Finally Regis as an organisation which has spent over ten years researching electronic systems which provide practical harm minimisation measures for EGMs and internet gambling and holds regulatory system patents in Australia and elsewhere and would like to offer further input to the committee during the next few months in order to achieve a viable solution to protect problem gamblers in Australia.