

A Submission to the Senate Community Affairs Committee
Inquiry into Poker Machine Harm Minimisation Bill 2008.

By

REGIS CONTROLS PTY LTD

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Dear Secretary,

Regis Controls Pty Ltd would like to indicate its support for this Bill and requests that this submission be accepted by the Committee in full and published. This submission directly relates to the abstract of the Poker Machine Harm Minimisation Bill 2008, namely smartcard usage and the promotion of responsible gaming practices by the adoption of technical requirements for those organisations which manufacture, sell and/or operate gaming and poker machines in Australia.

We consider that the information provided in this submission will reinforce the Committee's understanding of how the smartcard section of the Bill can be best implemented. This submission sets out how smartcard technology can assist in not only addressing Problem Gambling but can also provide key preventative measures in protecting those at risk of becoming Problem Gamblers.

Regis Controls Pty Ltd is the licensee of Australian patents 771278 and 776756, which were filed in 1999 and 2000.

Regis Controls Pty Ltd does not provide gambling services or loyalty card schemes and is not funded or have any shareholding in or held by gambling service providers or gaming machine manufacturers. It therefore considers that it does not have a conflict of interest in making available licensing of its patented technology.

The directors of Regis Controls Pty Ltd are happy to discuss this submission and its patents with the Committee and its officers as appropriate.

Yours sincerely

Mr. E. Szewach C.E.O

Miss L. Horten Director

Regis Controls Pty Ltd Submission to the Senate Community Affairs Committee

Introduction

In early 2000 the Commonwealth Senate Select Committee inquiry on on-line gambling invited the Twenty Twice consortium, headed by Regis Controls Pty Ltd, to present in person the Regis* patented pre commitment smartcard technologies for which Regis is the licensee as the directors hold Australian patents number 771278 and 776756 concerning pre commitment smartcard technologies.

The directors of Regis presented to the Committee its technological solution specifically designed to protect Problem Gamblers and the prevention measures available using the smartcard system for those at risk.

**(Regis is an acronym for Responsible Electronic Gaming via Instant System and Regis smartcard IP is a regulatory national pre commitment player tracking system)*

The members of Senate Committee were: Senator Jeannie Ferris, Senator Mark Bishop, Senator Paul Calvert, Senator Brian Harradine, Senator Kate Lundy, Senator Julian McGauran, Senator Natasha Stott Despoja and Senator John Tierney.

The presentation by Regis was well received by the Senate Committee and there were several follow up meetings.

The following is an extract and can be found on page 76 of The Parliament of the Commonwealth of Australia “NETBETS”, Report by the Senate Select Committee on Information Technologies March 2000. The committee’s comments relate directly to this current Bill as reference to EGM application is highlighted in its commentary.

Extract below (Underlining and bold highlight is ours)

Technology to implement harm minimisation policies

3.1 In its submission to the Committee, the Twenty-Twice Consortium detailed its recently registered patent for “Regulatory methods and means pertaining to the Australian and other national and international gaming establishments”.¹ The patent is for a new form of technology that may facilitate the implementation of harm minimisation policies.

3.2 The patent is essentially for a smart card that is used by consumers to gamble on any computer networked gambling activity. Therefore, it applies equally to EGMs (which have a closed computer network) as it does to online gambling. The smart card can set a limit on the amount that a person can gamble. Also, it can be programmed to exclude a person from participating in gambling activities. If the smart card was the

1 Twenty Twice Consortium, Submission 66

only means by which EGMs and online gambling could be accessed, then any gambling limits and player exclusions would be wide ranging.

3.3 The provisional patent includes the following specifications:

The application is installed into a smart card chip which regulates the amount that can be deposited into the player's smart card purse and spent within any given month or other fixed period of time.

Any winnings can be either transferred from the card to the player's bank/casino account or further played with or collected by the player from the casino or gaming establishment by any other arrangement that is mutually agreeable to both the player and the casino or gaming establishment and excluding any identified problem gamblers and underage gamblers;

A further feature to be installed in the licensed gaming venue(s) is the ability to bar problem gamblers' "smart cards and/or magnetic stripe cards" either issued by a bank or gaming establishment or any other related third party entity. The facility would deny a player from accessing their accounts or game entry access held at any casino or other gaming establishment(s) thus denying the problem gambler the ability to bet or play games should they so be directed by an appropriately designated body such as a court or social welfare agency. This non-access period could be for days, weeks, months or years or in certain cases for life. This regulatory feature will be based on the recognition of a personal cardholder number(s) which is automatically accepted or rejected at all betting establishments that are subject to regulatory licensing;^{2[2]}

3.4 The Committee is pleased to note that new technologies are being developed that facilitate the implementation of harm minimisation policies' *Hansard March 2000*

End of Extract **Twenty Twice Consortium, Submission 66*

The Australian Government resolved not to allow onshore online gambling via the internet although a large number of countries have permitted this form of gambling which has increased the number of Problem Gamblers in Australia.

Over the last nine years Regis Controls has been invited to submit and attend a number of States and Federal Government Inquiries into Problem Gambling.

Most recently, in March 2008, we were asked to appear before the Victorian Government Legislative Council Select Committee Enquiry into Gaming Licensing in Victoria

Regis Controls has met with the following governments and organisations over the last nine (9) years, who have all been given an overview and copies of our patent:

- Commonwealth, State and Territory politicians, gaming officials and regulators, with direct involvement in gambling
- Overseas Governments
- Gambling service providers in Australia and many other countries
- IT Service providers and smartcard technology suppliers
- International Gaming Testing Houses and Testing Authorities
- Major Banks
- Anti gambling and privacy lobby groups.
- Australian Intelligence Agencies recognise the capabilities of Regis smartcard technology to help fight money laundering, crime and provide Compliance with Austrac requirements area.
- Gaming Industry representatives
- Regis has had many articles and editorials written about its regulatory smartcard pre commitment player tracking system in the media during recent years

Detailed technical discussions have been held with major IT organisations who have confirmed the potential feasibility of the system and in one case developed a pilot system. Broader implementation requires relevant legislation by Australian Government.

Submission

The advantages of a pre commitment regulated smartcard system are that the player is positively identified and authenticated to a personalised smartcard which is unique to that player.

The system can allow players to participate in gaming across all machines in ALL venues keeping to the one (1) limit, offering a safety net to both the problem gambler and recreational gambler by way of a single pre commitment on losses.

The proposed Bill for a National smartcard with pre commitments conforms to the requirements of the AML/CTF RULES where every gambling provider must guarantee that the player is who they purport to be. The National smartcard system will flag a player who makes more than \$10,000 in cash transactions (multiple transactions on multiple machines in one or more venues) in a twenty four hour or other defined period thus providing immediate compliance with this requirement.

A National Smartcard System will immediately improve the self exclusion process by encouraging players to apply appropriate limits as a first step rather than having to be subject to an immediate exclusion process. However, should the player request, the system can self exclude instantaneously through out all venues nationally as well be more effective in banning minors and the use of credit cards.

*Venues can hold specific cards for overseas visitors against proof of identity which are issued on a temporary basis and accounted for when returned.

BENEFITS OF A REGULATED PROBLEM GAMBLING SYSTEM

- No cost to government (outsourced system)
- Assists problem gamblers and a safety net for recreational gamblers
- Bans under age gamblers
- Compatible with banks and gambling organisation strategies
- Gambling industry funds national infrastructure
- Establishes Australia as the leader in regulating poker machines and other forms of continuous gambling

FUNCTIONS OF THE SMARTCARD

Live venue/Online function

- Identify and authenticate player as the cardholder (pin and/or biometric)
- Identify and authenticate regulated venue/casino
- Operates cash only (not credit) for gambling
- Secure end-to-end system encryption (3xDES or higher)
- Limits amount spent in ALL venues/forms of continuous gambling

Live and online functions

- Limit amount gambled per pre determined time period
- Capable of regulating internet/broadband forms of gambling (a rapidly growing market)
- **Via poker machines**
- Via live casinos
- Provision of Membership card(voluntary / mandatory)
- Provision of loyalty systems(voluntary)

WHAT DOES THE PLAYER DO?

1. Individual applies to any regulated venue or casino
2. Venue/Casino checks application including evidence of identity and submits the application to a Regulatory Authority providing, inter alia:

- Personal data
- Proof of age
- Daily/Fortnightly/Monthly limit
- Proof of identity
- Other requirements to be determined by the Regulatory Authority

3. Daily/Fortnightly/Monthly limit (based on Government established guidelines)

Potential validation methods include:

- Similar process to a 100 point credit check
- Calibration
- Self regulation
- Other methods

4. Scheme operator issues card (paid for by gambling industry)

- Personalised smart card & balance key ring (latter if requested enables the player to track the amount spent and balance against the limit at any stage)
- Pin and/or biometric (to be determined)
- Instructions on use and daily/fortnightly/monthly limit

5. Player participates in playing at a venue and the card tracks amount spent by machine/time period and provides feedback to the player (you have won/lost \$xx in this session/day/time period)

BACKGROUND TO REGIS & REGIS CONTROLS PTY LTD

- A combination of Australian organisations providing expertise in
- Smartcards
- Communications and security
- Original Patent **lodged March 1999** patent, no. **776756** “Gaming systems and methods”
- Provisional Patent covering Regulation lodged 2000 (granted in Australia and NZ. UK in 2001)
- Company formed in 2000 REGIS (responsible electronic gaming via instant system)

FEATURES OF REGIS PATENT

- Limits amount gambled
- Bans minors
- Stops credit card betting
- Provides secure encrypted transactions
- Ensures player's privacy
- Identifies and authenticates the player and gambling provider
- Operates for poker machines, casinos and other forms of electronic gaming including internet and broadband if required
- Records transactions & provides a secure financial audit trail
- Allows loyalty schemes (voluntary) and
- Complies with Government transaction reporting

The Regis system also complies with Privacy Act obligations.

In the current business world it is mandatory that all organisations that hold personal information be required to comply with confidentiality and the Privacy Act. These requirements are now part of regular business rules and the implementation of smartcard technology to monitor player activities such as; allowing players to impose limits on themselves as well as to allow them to self exclude does not raise special privacy issues. Recreational gamblers should not have any issues in complying with these requirements.

(Please note any legislation governing technology which uses biometric scanning must ensure the protection of such information which may be held by gaming organisations.)

In order for the requirements proposed in the Bill to operate efficiently and for the limits to be effective in preventing and addressing problem gambling, the cards would need to be the only method for any one to access a machine and all players including those who bet one dollar or less should also be included in the scheme.

HOW MUCH WOULD A SYSTEM SUCH AS REGIS SYSTEM COST?

- How much would such a system cost government? Very little as the only significant costs would be a Regulatory Authority and appropriate communication with all stakeholders (much of this cost could be recovered from the industry through licensing). Other costs such as smartcards, smartcard readers and transaction processing should be paid by the gaming industry. Regis believes that such a system would reduce operational costs for gaming venues through savings in fewer machine faults e.g. coin jams, cash processing costs and shrinkage.
- What would a pilot cost? \$500,000-1million depending on the size of the town selected
- How soon could a pilot be implemented? 18 months or less if one State/Territory provided an existing trial.

- Regis considers that there could be operational cost reduction to the industry over 5 years if it were to go completely cashless and smartcards for all players would be in the vicinity **of \$ 50m per annum** (machine coin jams, skimming, cash handling costs etc).

POSSIBLE NEXT STEPS FOR DEVELOPING A REGULATORY SYSTEM

- Development of a trial of a system in a country town
- Further discussions with State and Territory Governments

A National Smart Card system can also offer the ability to conduct data mining which can be tailored for use by researchers in modeling and/or profiling and/or research purposes for problem gambling studies and only permitted to authorized organisations by an appropriate government body. The identity of players is protected by secure encryption and can be kept private from any research body. Information pertaining to the cardholders own gambling activity (statements) can be forwarded to them upon the cardholders request or periodically.

The Regis system can operate nationally for the protection of all players and the convenience of Governments to ensure effective application of a pre set loss limit policy, conform to the Privacy Act, compliance of AML/CTF rules, ban minors, provide self exclusion mechanism and address credit card usage.

We agree with aims and approach of the Bill and believe it is now time for action in these increasingly uncertain economic times. We wish to advise the Committee that should you require further information we are more than happy to accommodate any request or a potential meeting. Copies of the two Australian patents are attached for the information of the Committee's staff.

Regis Pty Ltd does not intend to become a scheme operator of a smartcard based harm minimisation scheme or a supplier of gambling services and suggests that a tender process would be the most appropriate method of selecting a suitable organisation(s) for an initial trial and/or further rollout of the system.

Regis would make information available to any potential bidders for the role of scheme operator on the basis of equality and transparency.

Yours sincerely

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Miss Lisa Horten

Director Regis Controls Pty Ltd & Twenty Twice Holdings Pty Ltd

