

CHAPTER 4

ADEQUACY OF REGULATIONS

...we need cooperation between State Governments and the Commonwealth Government to develop a national coherent approach to this. What concerns me with the fragmentation that is occurring in Australia is what I call 'predatory federalism'. The States are trying to raid each other's markets and they are quite feral in other forms of gambling.¹

Introduction

4.1 In this Chapter, the Committee discusses the adequacy of measures taken by online gambling operators to deal with the following issues:

- a national cooperative model
- player protection
- money laundering
- privacy
- security
- access to minors
- proof of identity.

4.2 The Committee finds that some aspects of the regulatory models need further refinement to ensure adequate standards of consumer protection.

National cooperative model

4.3 Evidence to the Committee suggests that the nature of the relationship between States and Territories mitigates against a national cooperative model for online gaming, and that a lack of cooperation undermines consumer protection.

4.4 Professor Jan McMillen, Executive Director, Australian Institute for Gambling Research, suggested that there is a need for Federal involvement to ensure and enforce a cooperative approach:

The [Draft Regulatory Control Model for New Forms of Interactive Home Gambling] is one of intergovernmental cooperation and agreement between Australian State Governments (diversity within unity). But are State Governments likely to adhere to the agreed policies, standards and procedures over time? Or will interstate rivalry, pressures from local service providers and competition for market advantage persuade one (or

1 Professor Jan McMillen, *Official Committee Hansard*, Sydney, 15 October 1999, pp. 73-75.

more) Government to break ranks. The history of intergovernmental relations and industrial policy in Australia suggests that this is very probable, sooner rather than later. The emerging diversity and competition over tax rates confirms this view.²

4.5 Professor McMillen reiterated this point in her evidence to the Committee, where she referred to problems caused by ‘predatory federalism’:

... because of the structure of gaming regulation, what we have in this country is a highly competitive market between States, and State Governments will also compete with each other. That is the weak link in the whole structure and process of the development of this form of gambling.

What concerns me with the fragmentation that is occurring in Australia is what I call predatory federalism. The States are trying to raid each other’s markets and they are quite feral in other forms of gambling. I make no bones about that and I think that the tendency, as happens with a lot of other market forces, is to drive to the lowest common denominator. The Productivity Commission report has shown that this is happening. Fundamentally, it is market failure in other forms of gambling and I fear that the same thing will happen with interactive gambling.³

4.6 Mr Stephen Toneguzzo, Managing Director and Principal Consultant, Global Gaming Services Pty Ltd, stated that the competitiveness between jurisdictions threatens a cooperative approach to the regulation of online gaming. One way of addressing this problem is for the Federal Government to intervene:

I believe there should be a federal body responsible for overseeing issues relating to gaming where the matters are largely outside state control. However, the caveat on that is that it should not hold things up. This is moving so quickly. Considering the way that governments work - a commission of inquiry, recommendations, bodies established and research and investigations undertaken - if we put a moratorium on this while a federal body were established, I think the window of opportunity would be lost. However, I do believe the Federal Government should be acting quite quickly to ensure that the players are protected and this potentially significant export market is not eroded by petty competitiveness between the States.⁴

4.7 Mr Tony Clark, Acting Director Legislative Services, Northern Territory Department of Industries and Business, commented that there has been a strong level of cooperation, except in the area of taxation:

2 Professor Jan McMillen, Submission 46, p. 422.

3 *Official Committee Hansard*, Sydney, 15 October 1999, p. 73-75.

4 *Official Committee Hansard*, Sydney, 15 October 1999, p. 103.

I have been in the fortunate position of being on the national working party on interactive gaming and the national working party looking at interactive wagering, which were set up by the Racing Ministers Conference. In large measure, there is uniformity across the States and Territories. There is absolute insistence on probity, on certain control measures, integrity of systems and these sorts of things. Where we differ is in the usual area of tax. There are certainly some differences on the margins between, say, the legislation of Victoria, of Queensland and of the Northern Territory in respect of the implementation of the draft national model for interactive gaming, but they are very much on the margins. The core principles have been adopted by all States and Territories.⁵

4.8 Mr Desmond McKee, Manager Taxation Service, Department of Treasury and Infrastructure, Australian Capital Territory, commented on the likelihood of States and Territories adhering to the national cooperative model, given their competitive instincts:

At the moment I would say, no, I am not confident, largely because the taxation rate in the Northern Territory at the moment is eight per cent. The taxation rate that has been put in either legislation or subordinate legislation for Victoria, the ACT and Queensland is the same, and it is certainly much higher. We understand that Tasmania is running somewhere in between with their taxation rates. In those terms, no, it is not going to hold together at all.⁶

4.9 Reverend Tim Costello, Member, Inter Church Gambling Taskforce, commented that the competitive nature of the gambling industry poses a threat to consumer protection:

I visited Lasseters ... I was personally quite impressed with the attempts they had made there, and their limits - you can only gamble within the state. They had a much more responsible attitude. But Lasseters is not typical of this industry. Crown is nothing like Lasseters, and its approach, which we have seen in this state, will not be like that of Lasseters. What will happen, unfortunately, to Lasseters - with their limit of, I think, \$500 a month - is that, with the competition from Crown and other places and offshore sites, those standards will go. This is what competition does; it is the downward pull.⁷

4.10 The competitiveness of States and Territories and the effect that this could have on online gambling, has also received international attention. In a report prepared for the South African Government, the National Centre for Academic

5 *Official Committee Hansard*, Alice Springs, 10 November 1999, p. 165.

6 *Official Committee Hansard*, Canberra, 1 October 1999, p. 50.

7 *Official Committee Hansard*, Melbourne, 11 November 1999, p. 231.

Research into Gaming stated that ‘the industry in Australia may suffer from inter-provincial competition [and] the lack of a coherent national policy’.⁸

4.11 The Committee also notes that there is considerable divergence in some aspects of the regulatory schemes. For example, in player exclusions, advertising standards and taxation levels.

4.12 Evidence presented to the Committee indicates that the cooperative approach will continue to come under pressure. Mr Stephen Toneguzzo commented on ways that the threat to the national cooperative model could be addressed:

One concern that I have is the potential for the various States and Territories, in competing with each other, to lower the barriers to entry to attract those [tax] dollars. That is one of the reasons I believe the Federal Government should get involved. Internet gambling is commerce. The federal Government regulates communications, banking legislation, law enforcement, etc. ... But gambling is a state matter. State regulators do regulate gambling very well, and they have put Australia on the map globally in this area. However, they do not have a great deal of expertise in Internet matters.

... I believe the Federal Government should at least get involved to ensure there is consistency and clarity in regulation to counter the prospect of a state government creating some embarrassing trade situations internationally for the federal Government.

... I believe the Federal Government should be acting quite quickly to ensure that the players are protected and this potentially significant export market is not eroded by petty competitiveness between the states....It [the taskforce] should comprise the Federal Government, state regulators and industry and community representatives.⁹

4.13 Mr Peter Bridge, Chief Executive Officer, Lasseters Casino Pty Ltd, proposes a code of conduct to assist with a cooperative approach to online gambling:

We believe the Commonwealth should be concerned with the outcomes of Internet gaming, and we would like to see a Commonwealth code of conduct put forward which would set a benchmark for all Australian casinos or gaming outlets to comply with. We would like this code of conduct to ensure that only gaming operators are licensed to a certain level of probity under state or territory legislation, that privacy of players and security of financial transactions were at a level to ensure that the gambling products offered were fair and that the odds were verified and tested. We would suggest that the code of conduct ensure that access was not allowed to

⁸ *Interim Report for the National Gambling Board – Project South Africa – Internet Gaming and South Africa: Implications, Costs and Opportunities*, National Centre for Academic Research into Gaming, August 1999, p 11.

⁹ *Official Committee Hansard*, Sydney, 15 October 1999, pp. 99-103.

children under the age of 18, that support services were available to people who were developing a gambling problem, that the staff employed by gaming operators had satisfied probity checks of the highest standard, and that some sort of dispute resolution is established which would be passed on to the states to monitor.¹⁰

4.14 The Committee agrees that there is a need for an overseeing body for online gambling in Australia. The Committee therefore proposes that the Ministerial Council on Gambling undertake this role.

Ministerial Council on Gambling

4.15 The Committee notes the high standard of work performed by State and Territory regulators in enabling online gambling in Australia and is impressed with the efforts of the Officers' Working Party on Interactive Wagering and the National Working Party on Interactive Gaming. Further, the Committee is pleased to note the reputation that Australia has as a world-class gambling regulator.

4.16 The Ministerial Council on Gambling and its advisory body will provide a national focus for the work carried out to date by the working parties. That is, it will facilitate the development of a national cooperative model for the regulation of online gambling, by providing a forum for regulators from different jurisdictions to meet on a regular basis. The emphasis will be on creating a culture of agreement and cooperation between the States and Territories.

4.17 In outline, some of the functions of the Ministerial Council will be as follows:

- It will develop cooperative policies for the regulation of online gambling, with a particular focus on harm minimisation and problem gambling. The regulation of online gambling will continue to be carried out by State and Territory Governments.
- It will ensure that a national model for regulation is adopted by all Australian jurisdictions involved in the regulation of online gambling.
- It will represent the Australian online gambling industry in any international negotiations and fora.
- It will implement a moratorium on issuing further online gambling licences, pending the adoption of improved consumer protection policies.

4.18 The moratorium will provide an incentive to States and Territories to adopt the Ministerial Council's policies and may be implemented in two ways. First, each State and Territory government could use their existing powers over online gambling to temporarily block the further issuing of licences. This approach would require national cooperation to ensure that further licences are not issued by a non-participating jurisdiction, thereby undermining the moratorium. Alternatively, the

10 Official Committee Hansard, Alice Springs, 10 November 1999, p. 175.

Federal Parliament could legislate for the moratorium using, for example, its power with respect to telecommunications (section 51(v) of the Commonwealth Constitution). This approach could be more time-consuming as new Commonwealth legislation would need to be enacted.

4.19 The Ministerial Council should work closely with the National Electronic Authentication Council (NEAC). NEAC was established in 1999 to provide high level industry and community input to Government decision making on electronic authentication and e-commerce issues. Given the frequency of e-commerce transactions in online gambling (in 1997 Centrebet Internet sales accounted for 50 per cent of Australia's e-commerce), the Ministerial Council would be able to provide valuable input. It could also draw on the expertise of the membership of NEAC, particularly with respect to the issue of money laundering.

Player protection

4.20 The Committee believes that online gambling protection could be further improved for consumers. In particular, the Committee notes that there has not been the same attention paid to player protection in interactive wagering as for online gaming.

4.21 Currently, the nature of interactive wagering is similar to telephone wagering - both the Internet and telephones are used to facilitate the same types of bets. However, in the future, and with the advent of new forms of technology such as digital television, this is likely to change. Consumers will be able to place more bets on different types of events. For example, on whether a tennis player will serve an ace on the next point of the game that he or she is playing.

4.22 An exchange between Senator John Tierney and Mr Warren Wilson, Managing Director, TAB Ltd, indicates the path down which sports betting is heading:

Senator Tierney: Obviously you are working on a certain range of products with your gambling. In the future could you see online betting moving to, say, football, tennis and things like a football player kicking a goal, a tennis player serving an ace those sorts of bets?

Mr Wilson: Yes.¹¹

4.23 The Committee believes that the distinction between online gaming and interactive wagering will be diminished into the future. Betting on the outcome of a kick in a sporting match does not require the same level of judgment and calculation as betting on the outcome of the actual sporting event. Further, this type of wagering activity gives rise to a vast increase in the number of gambling opportunities, as a sporting match may be made up of hundreds of kicks for goal.

11 *Official Committee Hansard*, Sydney, 15 October 1999, p. 121.

4.24 The increased number of gambling opportunities and the diminished level of judgment and calculation involved, indicates that interactive wagering will be similar to online gaming activity into the future. Consequently, the types of player protections that apply to online gaming should apply also to interactive wagering.

4.25 Given the emergence of technology that will give rise to changes in wagering activity, government regulators in Australia should move quickly to develop a suitable model for its regulation. This could be carried out under the auspices of the Ministerial Council.

Money laundering

4.26 The Internet poses significant new challenges for governments and its law enforcement agencies. The recent attack on one of the most popular websites in the world (Yahoo) by a hacker is one example of what may be just ‘the tip of the iceberg’ for crimes within the realm of e-commerce.

4.27 The National Crime Authority (NCA) is of the view that online gambling provides criminals with the means to launder money and commit fraud. In its submission, the NCA states that it is aware of known Australian criminals who are interested in establishing and investing in online gambling ventures. Because of the very lax controls over the granting of online casino licences in some overseas jurisdictions, opportunities are created for operators to defraud players by using ‘rigged’ or unfair gaming systems and not paying winnings to customers.¹²

4.28 An operator could also seek to launder funds by remitting his/her own funds from the jurisdiction in which the online casino is based to Australia as tax free winnings, irrespective of whether gambling activity took place or not. The NCA advised that in these circumstances, Australian authorities have no power to obtain any information or records about the supposed gambling activity.¹³

4.29 Online gambling also presents opportunities for players to launder the proceeds of crime. The NCA provided the following examples:

A person in Australia could, for example deposit the proceeds of a drug sale onto his/her credit card, and then transfer the amount via the card to an online casino in a ‘tax haven’. The casino opens an account for the person and the account is credited with the amount deposited. The person gambles some of the money and the winnings (or losses) are credited (or debited) to the account. When the person wishes to withdraw the money from the account the casino sends the funds back to the person’s credit card as winnings. The drug money is now ‘clean’. If any incriminating records exist, Australian authorities cannot force their production and will have

12 National Crime Authority, Submission 65, pp. 2-3.

13 National Crime Authority, Submission 65, p. 3.

great difficulty in obtaining them, as most such jurisdictions are not cooperative with law enforcement bodies.

Money laundering could also even take place in jurisdictions that have a legal and regulated online gambling industry. A criminal could obtain a stolen or cloned credit card and pay the proceeds of crime onto the card, use the card online with a licensed Australian online sports betting agency, and then take the winnings, or cash in the funds.¹⁴

4.30 Lasseters Online subsequently advised the Committee, however, that new technology enables online credit card checks and automatically detects cases where a credit card is being used fraudulently or has been stolen.¹⁵ It also advised that money laundering is not likely to take place on a regulated online casino such as Lasseters Online, which imposes limits on the size of a gambler's account. For example, it has an initial monthly deposit limit for players of \$500. This limit is only raised as players gain trusted status with Lasseters and a history of their operation and financial transactions is evident.¹⁶

4.31 Lasseters Online also informed the Committee that its method for paying out winnings actually discourage money laundering:

... our use of account payee only cheques to pay winnings is a highly secure method of completing a transaction given the cheque is:

- written in the name of a player whose identity has been proven;
- sent to the physical address which is the verified location of the player; and
- banked into an account which has satisfied the installation's 100 point check system.

... In total, these controls and other financial and registration procedures, create a strong disincentive to issues such as money laundering.¹⁷

4.32 The NCA suggests that in order for the NCA and partner law enforcement agencies to 'follow the money trail', they must be able to confidently identify participants in gambling and to track the movement of funds:

It would assist law enforcement agencies in attacking credit card fraud in particular, if online gambling operators were to pay any winnings or cashed out credits back to the account from which the funds came.¹⁸

14 National Crime Authority, Submission 65, p. 3.

15 Lasseters Online, Additional Information 29B, p. 2.

16 Lasseters Online, Additional Information 29B, p. 2.

17 Lasseters Online, Additional Information 29B, p. 3.

18 National Crime Authority, Submission 65, p. 6.

4.33 Lasseters Online advised the Committee of the audit trails that it has established:

These accurately record when a player entered and left the casino, the games played, amount wagered, amount won/lost, and the amount deposited or withdrawn including all account details.¹⁹

4.34 However, the NCA believes that it would be unlikely that online casinos in 'tax haven' jurisdictions would provide detailed audit trails.

4.35 The Productivity Commission was unable to reach any definitive conclusion on the extent of money laundering and organised criminal activity in the gambling industry:

Different parts of the gambling industry appear to proffer different scope for laundering, and hard evidence of the extent of actual laundering activities is thin.

...There is no evidence of significant criminal activity associated with the (legalised) gambling industry. Strong probity rules have contributed to this.²⁰

4.36 Although during evidence, Mr Gary Banks, Chairman, Productivity Commission stated :

We did not have a substantial treatment of that under the heading of Internet gambling. We had looked at it in the broader context of physical gambling and had drawn the conclusion, partly based on a roundtable that the Institute of Criminology held on our behalf – that indeed money laundering was not seen to be a major issue anymore in the physical domain through AUSTRAC processes and so on. In terms of Internet gambling, there may well be larger risks. I guess we had the understanding that they were more likely to occur for the unlicensed sites than for the licensed sites. I am not sure whether that distinction was made but, for the licensed sites and certainly for the domestic sites, in principle the same kinds of processes that AUSTRAC follows with casinos and so on could be applied.²¹

4.37 The NCA believes that Australia's regulatory approach appears to be sound, however, uniform national legislation would be the preferred solution:

A tight regulatory regime, designed in consultation with the industry, protects consumers and makes it difficult for criminals to obtain licences.

19 Lasseters Online, Additional Information 29B, p. 2.

20 Productivity Commission 1999, *Australia's Gambling Industries*, Report No. 10 AusInfo, Canberra, Vol. 1, pp. 10.1-10.9.

21 *Official Committee Hansard*, Canberra, 16 February 2000, p. 268.

Stringent reporting and record keeping requirements discourage potential money launderers from using Australian online gambling services.²²

4.38 Lasseters Online similarly stated that ‘unless online gaming is effectively regulated there is a risk of consumers not being protected and criminal activity occurring.’²³

4.39 Mr Greg Melick, Member, NCA, commented on the controls that currently exist for money laundering on the Internet:

In Australia at the moment we have jurisdictional problems. It would be ideal if the Federal Police could deal with it under telecommunications, but at the moment it appears it is going to have to be the NCA in conjunction once again with federal and state partners until we get the legislative mess sorted out. When I say ‘legislative mess’, I mean there is just no legislation to deal with it, quite frankly; that is the problem. Every law enforcement agency we speak to is worried about the potential. We cannot give you too many hard examples because there are only two we know of in Australia. There have been a few in the United States. We think the Russians are into it in a big way, but we can’t prove it. There are no hard and fast examples, but it is such an easy way to do it.

Australia has been very lucky with AUSTRAC. AUSTRAC does a superb job and it is the envy of a lot of overseas law enforcement agencies. Australia is one of the areas where people might start to try to do it first because our financial reporting system is so good. But at the moment we just do not have the forensic capability to properly detect what is going on.²⁴

4.40 The NCA also makes the following recommendations:

- the existing Australian approach could be strengthened by requiring Internet service providers to disconnect unlicensed or certain foreign sites;
- a review of existing criminal offences should be undertaken to ensure that appropriate charges can be laid against persons whose crimes are committed in or sufficiently connected with Australia;
- international cooperation between police forces and governments is vital and should be encouraged; and
- technical and forensic expertise must be developed urgently by Australian law enforcement agencies to enable the effective detection, investigation and prosecution of serious crime conducted over the Internet.²⁵

22 National Crime Authority, Submission 65, p. 8.

23 Lasseters Online, Additional Information 29B, p. 4.

24 *Official Committee Hansard*, Canberra, 16 February 2000, p. 262.

25 National Crime Authority, Submission 65, p. 8.

4.41 The Committee notes the Productivity Commission's cautionary note:

... it is possible that some measures aimed at curbing criminal problems associated with gambling (such as money laundering) may simply lead to criminal behaviour elsewhere, with little aggregate impact. ... there are limits to the extent to which governments can regulate gambling, because of the need to avoid increasing the appeal of illegal forms of gaming and providers of gaming in other states and countries.²⁶

4.42 The Committee believes that money laundering on the Internet requires continued analysis, and should form a part of NEAC's considerations.

Privacy

4.43 Online gambling operators have access to large amounts of confidential information about their players. This includes information about the time that consumers spend gambling, what they gamble on, how much that they have won and lost, financial and personal details.

4.44 The Draft Regulatory Control Model stated that the regulatory models for online gambling would abide by the Information Privacy Principles set out in section 14 of the *Privacy Act 1988*, and the *OECD Guidelines on the Protection of Privacy and Transborder Data Flow of Personal Data*.²⁷

4.45 The Committee notes that some regulatory models have put in place measures to protect consumer information and notes that while there is some overlap between these measures and section 14 of the *Privacy Act 1988*, the latter provides a more comprehensive scheme for the protection of player information.

Security

4.46 The range of threats to online gambling operations pose significant risks to the privacy of individuals. Even though it may be illegal to publish information about a player, this alone does not guarantee and protect privacy. The risks are heightened by the valuable nature of the information. For example, player databases would provide valuable marketing information for many organisations.

4.47 Measures taken to guard against computer hackers and other security threats were summarised by Mr Stephen Toneguzzo, Managing Director and Principal Consultant, Global Gaming Services Pty Ltd:

Essentially, what we are looking at in terms of security is wanting to protect the privacy of the players—we are wanting to protect who those players are, how much they are gambling. That player database is a substantial asset of

26 Productivity Commission 1999, *Australia's Gambling Industries*, Report No. 10 AusInfo, Canberra, Vol. 2, p. 12.15.

27 *Draft Regulatory Control Model for New Forms of Interactive Home Gambling*, 23 May 1997, <http://www.qogr.qld.gov.au/inthogam.shtml> as at 13 October 1999, p. 13.

any operator. It is also a potential source of blackmail. And, as this industry gets more competitive, I would expect that offshore operators or offshore groups may very well attempt to steal that player database to identify who the players are and then try to market to them. So there is that issue, and with that comes not only a loss of consumer confidence but also significant political embarrassment because the regulator has let that happen. The other issue is one of denial of service, and that is that every second you are off line is a second that you are losing money. So there is that aspect, and a loss of income equals a loss of tax, fundamentally. There is also hacking a site, changing a web page, as has happened to governments here and to different corporations.

With regard to security ... It also has the potential, I would suggest, to damage trade relations, especially if, hypothetically, a database with many Americans in it was suddenly bandied around the Internet. And, make no mistake, we will be a significant target—I know we are, from the sites that are up and running now—of people of other governments, of other corporations and of just the kid at school wanting to hack in and try to prove a point. Again, this is where the Federal Government comes in. If another government tries to take my site out, what do I do? Do I counterattack—knock out their banking system?²⁸

4.48 The Committee is of the view that online gambling operators and government regulators must ensure the security of their sites, and protect consumer details. The Committee commends the various protection measures that have been implemented by organisations such as Lasseters Online and Centrebet, and believes that the area of security should be constantly monitored and developed by government regulators and the online gambling industry.

4.49 State and Territory Governments should undertake to regularly report about the steps taken to ensure the security of online gambling operations. This would involve providing details on any security breaches or threats and how they are addressed.

Access to minors

4.50 The Committee commends the current approach taken by online gambling regulators to ensure that minors cannot access online gambling sites.

4.51 The Committee notes the Productivity Commission's findings on access by minors to online gambling sites:

... underage access is not an insurmountable problem with Internet gambling, even in an uncontrolled environment. The motivation and capacity for unsupervised and regular gambling by minors on the Internet is weak:

- A minor cannot make any financial gain if money is won (unless the parent endorses the gambling). A consumer under the age of 18 can only legally obtain a credit card as a secondary card holder on an adult's account. If a minor uses an adult's credit card or account details to gamble, the winnings are paid by cheque, or credited to the account holder and cannot be accessed by the minor.
- The minor would also need to know a password to access the gambling supplier.
- Gambling by a minor can be easily detected by parents. Money for gambling withdrawn from accounts or credit cards will be listed on account statements.²⁹

4.52 Although it could be argued that if a minor did happen to access a site, they would be unable to access winnings, the Inter Church Gambling taskforce counters:

There are some arguments that state that since a minor would be unable to access the winnings of any gambling activity, they would not subsequently become interested in gambling on Internet sites. However, many sites contain 'practise' modes of gambling where money is not exchanged, and this poses enough of a threat to minors. The ability to become acquainted with gambling in an environment identical to the one where money is exchanged can train and condition minors into patterns of gambling which can result in significant problems once they become old enough to gamble 'for real' and with money.³⁰

4.53 The Committee believes that further precautionary policies can be implemented to reduce the appeal of online gambling to minors. For example, the regulation of advertising for online gambling should ensure that minors are not targeted directly or incidentally by advertising.

4.54 Several online gambling operators were asked about instances in which minors had accessed their gambling products. Mr James Colquhoun, Chairman, Canbet Pty Ltd, indicates that his organisation had never has a case of gambling by a minor.³¹

4.55 Mr Michael Miller, Business Development Manager, Centrebet Pty Ltd, responded to the question of whether his organisation had been involved in any cases of gambling by minors:

Yes. That is quite funny, actually, because we sat everyone around yesterday and tried to remember the cases that we had had. We came up

29 Productivity Commission 1999, *Australia's Gambling Industries*, Report No. 10, AusInfo, Canberra, Vol. 2, p. 18.22.

30 Inter Church Gambling Taskforce, Submission 59, p. 634.

31 *Official Committee Hansard*, Canberra, 1 October 1999, p. 4.

with two in seven years of business, which I think explains why we were surprised to see gambling by minors as such an issue for this inquiry. It is not something that we have really experienced.

The first case was a 16-year-old boy who accessed his father's telephone account with Centrebet and basically impersonated him and conducted a credit card transaction using his father's credit card. It was a successful transaction; he won some money off us. His father got the credit card bill. He rang us and said, 'What the hell is this?' We said, 'You placed a bet with us a couple of weeks ago.' He said, 'I bloody well didn't,' and then the attention turned to his son. He made his son refund the winnings to us, which I think the kid was pretty upset about.

The other instance was also reasonably innocent. We got a call a few months ago from a guy who had just turned 18, and he said that as a 17-year-old, he had opened his account deliberately against our rules but without our knowledge. He wanted to own up and set the record straight because now that he was 18 he wanted to continue to operate as a Centrebet betting account. Those are honestly the only two instances of gambling by minors that we have experienced in just on seven years in business. If gambling by minors is an issue for this inquiry, I would have to suggest that, based on experience, it is less of an issue in relation to sports betting as it might be to some other forms of online gambling.³²

Proof of identity

4.56 The Committee heard evidence about the way in which a player proves his or her identity to the online gambling operator. Typically, the player will have to provide 100 points of identification, which generally equates to three forms of identification. This requirement is not contained explicitly in the legislation which regulates the online gambling operations, but is a requirement of the operator's control system.

4.57 Various witnesses before the Committee commented on their own player identification procedures. Mr Derk Swieringa, General Manager, Canbet Pty Ltd, described the authentication process required by his organisation:

The rules that are on the Web site - it is www.canbet.com.au - and you can have a look at it say that we reserve the right, which we do in nearly all cases, to ask for a photocopied copy of the credit card back and front with an ID, which is either a passport or a driver's licence. In the United States they have the same format of driver's licence pretty well as we have in which there is a photo in which we are not particularly interested and the name and age. So what we are linking is that the credit card that is used is in the same name as that in which the account has been opened, which is in the same name as the ID. Of course, if the age given on the identification shows

32 *Official Committee Hansard*, Alice Springs, 10 November 1999, p. 196.

a person is under the age of 18, we do not pay out. That is made clear in the rules right from the beginning.³³

4.58 Mr Robert Wilson, Managing Director, TAB Ltd, commented on player identification procedures for the NSW TAB:

Customers can only transact with TAB Ltd via the use of an account. To establish such an account, the customer must provide identification documentation totalling 100 points, which is the 100-point system under the banking regulations.³⁴

4.59 The Committee notes that better identification procedures may become available with the use of digital signature technology. Mr Alan Pedley, Director, World Wide Wagering and Gaming Consultants Pty Ltd, commented on the introduction and effect of digital signature technology:

Digital signature technology has been promised for a long time; it seems to be forever coming. It will be very, very good, but we will just need the playing community to catch up. As a regulator I had to be mindful of the realities of the market. While it would have been nice to insist on players having digital certificates, that would have limited the global market from millions down to hundreds in the world, because of questions about the acceptance of players to go and get digital certificates and then to install them, be it on an interactive television or the home computer. I think the Internet is still a realm of technical people. I am the only person that I know of that uses a digital certificate on my own email, and I send email to lots of technical people all the time. It is simply very immature—it is not in the marketplace. It will be great, but I think it may be four years before it will have the acceptance and the transparency for non-computer literate people just to be using them as a matter of course.³⁵

4.60 Although strict measures are currently in place to ensure the accuracy of a player's identity, there has been at least one instance in which a person has accessed an online casino under another person's identity. Mr David Ohlson, Executive Manager Special Projects, Lasseters Online, provided the detail to the Committee:

We have had only one incident, and that was on 2 May 1999. A lady advised that her cousin had used her credit card details, had supplied other information about her and had used her Internet connection to deposit \$50 at Lasseters Online. At Lasseters Online, it is very difficult, as Senator Tierney pointed out, for somebody to send somebody else's false ID through. It is the same as opening a bank account in Australia—if I fraudulently had my passports, documents and everything else, I could open up a bank account. At Lasseters, we have put a number of measures in place—not just one

33 *Official Committee Hansard*, Canberra, 1 October 1999, p. 4.

34 *Official Committee Hansard*, Sydney, 15 October 1999, p. 113.

35 *Official Committee Hansard*, Sydney, 15 October 1999, p. 94.

measure. We do not just suddenly accept the age or the facsimile; we have other measures in place. For example, we auto email the owner of the account. In this case, that was able to advise the real owner that something was happening with their account.³⁶

4.61 In order to address the issue of player identification, the Committee recommends that a 'challenge question' system be implemented by all online gambling operators. Under this system, a person will be asked six questions at the time that they enrol. The questions will be devised by each online gambling operator, but sample questions are 'what is your father's middle name?', 'what is your mother's maiden name?' and 'what is the name of the first school you attended?'

4.62 Each time the consumer accesses the online gambling site, one of these questions will be asked at random. The combination of the randomness and the private nature of the answer, together with the player's personal identification number and password, is likely to ensure that only the correct person logs on as that registered player.

Conclusion

4.63 A uniform model for regulation must apply across all Australian jurisdictions in order to ensure a high standard of consumer protection in the provision of online gambling services. Consumers should experience the same level of protection regardless of which Australian jurisdiction they choose to gamble in.

4.64 The Committee has recommended a number of policies to improve the level of consumer protection. This includes tasking the Ministerial Council on Gambling with ensuring that a consistent and uniform national regulatory model is applied.

36 *Official Committee Hansard*, Alice Springs, 10 November 1999, p. 178-79.