

SPORTSBET PTY LTD

**SUBMISSION TO THE NEW SOUTH WALES LAW REFORM
COMMISSION'S CONSULTATION PAPER INTO
CHEATING AT GAMBLING**

6 MAY 2011

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ABOUT SPORTSBET

Sportsbet is a licensed Sports Bookmaker under regulation by the Northern Territory Racing Commission (“NTRC”). Sportsbet has been in operation since 1993 and is now Australia’s largest corporate bookmaker, with over 750,000 registered customers and an estimated 20 percent share of the Australian online wagering market. Sportsbet is a globally competitive e-commerce business that employs more than 250 people across its Darwin and Melbourne offices.

Sportsbet operates two core brands, being ‘sportsbet.com.au’ and ‘IASbet.com’, which operate from its licensed premises in the Northern Territory. Sportsbet is wholly owned by Paddy Power PLC, whose headquarters are in Dublin, Ireland. Paddy Power, which is publicly listed on both the Irish and London Stock Exchanges, has over 2,500 employees and a market capitalisation of €1.6 billion (more than AUD\$2.2 billion). Paddy Power has a policy of only operating in regulated markets.

All wagers with Sportsbet are placed over the internet or telephone. Sportsbet has no retail or physical bet acceptance facilities in Australia or elsewhere, either on-course or off-course.

In order for a customer to place a bet with Sportsbet, that customer must register an account, which must be verified by 100 points of identification and meet Federal Government Know Your Customer (“KYC”) and Anti-Money Laundering (“AML”)/Counter Terrorism Financing (“CTF”) requirements.

Customers may deposit or withdraw funds from their account via a variety of payment options including BPAY, Cheque, EFT, Credit Card, eWallets and bank deposits. Sportsbet also has the ability to offer credit facilities to approved customers.

Every bet placed with Sportsbet is tagged to a specific customer. Technology enables tracking of a customer’s name, address, location, IP address and payment method to inhibit possible fraud and money laundering.

Sportsbet is an approved betting partner of, and has integrity agreements in place with:

- Australian Football League
- Cricket Australia
- Football Federation Australia
- National Rugby League
- Tennis Australia

These integrity agreements ensure all details of bets placed on a particular event or outcome are available to the body if there is any suspected betting activity which indicates the integrity of an event has been compromised.

Sportsbet offers a wide variety of betting products, as authorised by the NTRC, on both Australian and international racing, sporting, political and entertainment events.

Sportsbet targets the mass market, with the vast majority of members classified as recreational gamblers. The average online bet placed with sportsbet.com.au in 2010 was less than \$30.

Sportsbet supports a move for licensed and regulated Australian wagering companies being allowed to offer online gaming, including games such as blackjack, roulette and poker. This would dramatically reduce the current leakage of tax revenues off-shore and would provide far greater security for Australians wishing to bet on these games.

Sportsbet takes responsible gambling seriously and would support a move for all licensed and regulated Australian bookmakers to pay a percentage of gross profit to fund problem gambling support agencies.

NEED FOR AN INDEPENDENT WAGERING BODY

Sportsbet believes a federal body is required to run a betting integrity unit with six main objectives:

1. Maintain the integrity of betting in sports
2. Protect Australian customers
3. Monitor betting and identify issues
4. Approve bet types for wagering operators
5. Liaise with governments at federal and state level, sporting bodies and wagering operators
6. Issue reports to governments and the public on issues

Sportsbet strongly advocates a national approach to regulation of gambling and online gambling, in particular, in Australia. The nature of our business – we are an e-business – is such that boundaries between Australian States and Territories have little relevance, i.e. a customer in Western Australia is no different from a customer in Queensland – each respective customer can use the internet and have access to the same services that Sportsbet provides. Sportsbet’s view is that in this environment, having different regulatory arrangements in each Australian State and Territory (as well as federally) gives rise to an enormous and unnecessary amount of red tape, thereby increasing costs to our business.

Therefore, Sportsbet has a stated policy position that such a betting integrity unit should be an agency of federal government and be staffed by experts in the field of wagering.

This unit can be funded by the beneficiaries of wagering, being bookmakers and sporting organisations, however, it should be totally independent of those who fund them.

Given Paddy Power’s experience of operating in the UK market, Sportsbet believes the national body which operates in the UK, the Sports Betting Intelligence Unit (SBIU), would be a good model to replicate. Here is a link with further information on the SBIU and its powers: http://www.gamblingcommission.gov.uk/licensing_compliance__enfo/intelligence/sbiu.aspx

Sportsbet agrees with the New South Wales Law Commission’s Consultation Paper, “Cheating at gambling” which states:

“There is obviously a need for the establishment of a regulatory system for gathering and analysing intelligence, for the purpose of identifying suspect betting activity and patterns, and for the associated purpose of releasing that information for potential disciplinary or law enforcement action, but this is similarly beyond the scope of this Consultation Paper. The Parry Report comprehensively canvasses the issues which arise in this respect. It notes the advantages of a systematic analysis (targeted intelligence) of a series of matches or events, and cross referencing of common elements or participants over ad hoc case-by-case inquiries. It also canvasses the procedures for involving a statutory regulatory authority and law enforcement in conjunction with sports controlling bodies, and for establishing information sharing arrangements.”¹

“...there appears to be a general consensus that cheating in the context of gambling requires a holistic response, involving statutory gambling authorities, law enforcement agencies, sports controlling bodies and betting agencies.”²

“A further question is whether the regulation of cheating and fraudulent conduct, in the context of gambling, would be better regulated by the establishment of a single Gambling Commission or Authority, for example, one based on the model of the UK Gambling Commission with functions and powers conferred under the Gambling Act 2005 (UK) in relation to compliance, investigation and prosecution of offences.”³

“Secondly, there is the issue of whether individual professional sports controlling bodies, whose events are the subject of betting, should be required to have internal integrity units. Alternatively, it may be preferable, and feasible, to establish a National Sports Integrity Unit that would be independent of the individual sports controlling bodies, along the lines of the UK Sports Betting Intelligence Unit, with similar powers to those possessed by that Unit.”⁴

As stated earlier, Sportsbet agrees that a holistic approach is required to maintain integrity of betting in sports and to protect Australian customers from unregulated overseas operators and illegal local bookmakers.

In light of our position of advocating a federal framework, we oppose the passing of additional state-based legislation to address these issues, in favour of a federal solution.

ALL SPORTS WAGERING SHOULD BE ACCOUNT-BASED

Sportsbet believes that many of the issues, both perceived and real, pertaining to match fixing can be resolved by ensuring that all sports wagering in Australia be account-based.

Anonymous cash betting is a major threat to a sport's integrity, as seen in the incident involving National Rugby League player Ryan Tandy on 21 August, 2010. A full 10 days after the incident, it was

¹ Consultation Paper *Cheating at gambling* (New South Wales Law Reform Commission, 2011) 3.105

² Consultation Paper *Cheating at gambling* (New South Wales Law Reform Commission, 2011) 7.1

³ Consultation Paper *Cheating at gambling* (New South Wales Law Reform Commission, 2011) 7.18

⁴ Consultation Paper *Cheating at gambling* (New South Wales Law Reform Commission, 2011) 7.37

reported that Ray Murrphy, Racing New South Wales' Chief Steward who had been brought in by the NRL to lead the investigation, had only 'started to sift through the bets last night'.

"But I do hope to get all the figures by the end of the week, as well any CCTV footage," Murrphy said.⁵

At present, investigators trying to trace those who placed cash bets with retail operators rely solely on security footage (where and when available), or simply wait for the punter to collect their winnings from the retail outlet.

Had all the bets in the aforementioned case been placed using an account, investigators could have had the information at their fingertips within minutes, as opposed to weeks.

As mentioned earlier, every bet placed with Sportsbet is tagged to a specific customer. Technology enables tracking of a customer's name, address, location, IP address and payment method to inhibit possible fraud and money laundering.

Account-based betting also facilitates a variety of controls for responsible gambling, which are not possible with cash-based retail betting. These include:

- Customers can set a daily exposure limit when opening an account or can update this at any time – subject to a 24-hour cooling down period before a second change to increasing one's exposure limit.
- Customers can self-exclude for a various periods of time or permanently
- There are compulsory information sections on all licensed operators websites

Anonymous cash betting should either be banned altogether, or severely restricted.

MATCH FIXING SHOULD BE A SPECIFIC CRIME

Sportsbet has a zero tolerance policy on corruption in sport (and racing).

Sportsbet is fully supportive of any move to make cheating in relation to sports or events a specific crime, and believes the law should apply irrespective of whether or not the behaviour results in a winning bet.

Licensed and regulated bookmakers, and punters who aren't in on the 'fix', have absolutely nothing to benefit from match fixing.

Sportsbet is currently participating in the federal government process to develop a national framework to address match fixing in sport.

⁵<http://www.heraldsun.com.au/sport/nrl/new-twist-in-ryan-tandy-bet-scandal/story-e6frfgbo-1225912091032>

BET TYPE REGULATION

Prohibition of bet types will only lead to driving customers to unregulated offshore operators, to the disadvantage of local regulated operators.

Potential integrity breaches will also go offshore and outside the control of sporting bodies and law enforcement. This is already happening with betting in running – betting on a sporting event online after an event has commenced. As identified in the discussion paper, this is currently illegal in Australia.

Technology has created the possibility for bookmakers to set controls for bet size per customer and the potential win for each bet in individual events, markets or selections, to ensure restrictions on maximum exposure. This technology can also enable the creation of real time reports when bets over a certain size are placed. The trigger level for bet types which are susceptible to potential corruption could be set lower.

At present, Australian bookmakers are at a competitive disadvantage to overseas operators and illegal bookmakers currently operating in Australia in relation to the scope of bet markets they are allowed to offer.

The New South Wales Law Reform Commission's Consultation Paper into Cheating at gambling acknowledges that Australians may place bets, regardless of legality, with overseas operators.

"Australians are, in practice, able to place bets online (irrespective of the legality involved) on sporting and other events with some overseas bookmakers. Poker and casino gaming online provided through overseas services is, in practice, also accessible to Australians notwithstanding the prohibition on the conduct of such gaming in the Interactive Gambling Act 2001 (Cth)".⁶

The Productivity Commission estimated that \$790 million was lost by Australians in 2008 to overseas gaming operators.⁷ Industry estimates now place this figure well in excess of \$1 billion annually.

ONLINE BETTING IN RUNNING SHOULD BE LEGALISED

Betting in running is currently available over the telephone and in retail outlets in Australia. However, it is not currently permitted over the internet, meaning Australians must use overseas operators to place these wagers online.

Sportsbet advocates online betting in running being legalised. There are several reasons for this, principally:

⁶ Consultation Paper *Cheating at gambling* (New South Wales Law Reform Commission, 2011) 3.49

⁷ Inquiry Report *Gambling* (Productivity Commission, 2010) 2.36

1. It is essential for the protection of integrity in sport that in running bets are placed with regulated on shore operators to facilitate monitoring
2. There would be greater security for Australian punters
3. It would give government the option of collecting taxation revenue from regulated Australian sites

Making online betting in running legal would also bring Australia into line with international practice.

The 2010 Productivity Commission Inquiry Report into Gambling highlights that current interactive gambling legislation is unable to stop Australians betting with overseas-based online bookmakers and casinos.

“...the IGA (Interactive Gambling Act 2001) has ensured that domestic consumption of online gaming services will be exclusively provided by offshore companies. This has had a number of adverse impacts.

- *Problem gamblers with a preference for online gaming have been offered minimal protection. While the number of easily accessed international websites has risen dramatically in recent years, the extent of harm minimisation features varies greatly from website to website, and generally falls short of best practice.*
- *Recreational gamblers who would have preferred to gamble on Australian sites have been subject to a greater risk of being ‘ripped off’ by some unscrupulous overseas operators. While there are many reputable gaming sites, Australians are nevertheless disadvantaged when trying to resolve disputes with overseas companies due to:*
 - *the absence of well defined international laws, as well as legal bodies to enforce them*
 - *unfamiliarity with the legal environment in the countries in which overseas companies operate*
 - *the difficulty in communicating effectively with companies based on the other side of the globe.*
- *Domestic providers of traditional forms of gambling have faced greater online competition from jurisdictions with much looser regulatory requirements.*
- *Recreational (non-problem) gamblers who are discouraged from gambling online due to the prohibition have less choice and are, accordingly, worse off.*
- *Tax revenue that would otherwise have been collected from legitimate Australian sites is now collected by foreign governments.⁸*

Recommendation 15.1 of the 2010 Productivity Commission Report into Gambling states

“...gambling forms currently exempted from the Interactive Gambling Act, should be subject to a regulatory regime that mandates:

- *strict probity standards*
- *high standards of harm minimization”*

Australian customers using overseas sites to place in running bets are also exposed to online gaming such as blackjack and roulette, which is currently illegal under Australian legislation.

⁸Inquiry Report *Gambling* (Productivity Commission, 2010) 15.18