



## **Responsible Wagering Australia Submission to the Black Economy Taskforce**

### **Introduction**

Responsible Wagering Australia (RWA) welcomes the Australian Government's initiative in establishing the Black Economy Taskforce, and welcomes the opportunity to make this submission.

RWA represents bet365, Betfair, CrownBet, Sportsbet and Unibet. These companies – while competing vigorously in the marketplace – are united by their commitment to support the development of a strong and effective regulatory environment in Australia.

RWA members are all Australian licensed online wagering operators. All are now licensed in the Northern Territory. All are committed, not only to fully meeting their license obligations (in key areas these are more demanding than Commonwealth rules), but also to working cooperatively with all Australian jurisdictions on improvements to the regulatory environment for wagering. Crucially, we are committed to:

- Exceeding regulatory and licensing standards in terms of consumer protection.
- Delivering a strong harm-minimisation framework to wagering customers.
- Preserving the integrity of sport and racing by working closely with controlling bodies and police authorities.
- Reducing illegal offshore wagering activity by offering a safe, fair and competitive alternative to black-market wagering.
- Supporting government efforts to create a technology-neutral, fiscally responsible national framework for wagering, so as to encourage legal, responsible and licensed providers.

To take all of this forward, RWA members are committed to a Code of Conduct that sets out their shared commitment and ambition for a wagering framework in Australia which we aspire to be amongst the world's best. We believe Australians deserve no less.

## **The black economy**

The Black Economy Taskforce places an understandable emphasis on tax evasion and welfare fraud. We believe that these issues need to be placed in the wider context of some of the illegal activity that RWA members see, and in turn the work our members do, with a range of authorities to counter some of the most pernicious consequences.

This submission argues that any review of the Black Economy and its effects in Australia should include, as part of its analysis and recommendations, the offshore wagering black market and so take into account the millions of dollars of lost tax revenues (as well as other adverse effects), as identified and acknowledged by the Australian Government through the recent *Review of Illegal Offshore Wagering* and the Government's response to that Review. This submission sets out the issues we consider arise from this black market.

Within the online wagering sector, there are three key issues we believe the Black Economy Taskforce should consider, namely that:

1. Account-based wagering provides an additional audit trail to enable authorities to monitor wagering activity. Unlike traditional terrestrial wagering, online account-based wagering enables continuous, timely and proactive disclosure to the federal regulator, AUSTRAC.
2. Online, account-based wagering provides an additional source of oversight for sporting and racing integrity units to monitor and track wagering activity. Through information sharing arrangements, licensed onshore wagering operators are a vital tool for the racing and sporting codes, along with police, in protecting the integrity of their product.
3. Despite proposed amendments to the *Interactive Gambling Act 2001 (the IGA)*, we remain concerned that the activity of illegal and unregulated offshore wagering operators will continue to grow. We know that large-scale and well-resourced illegal operators will continue to offer wagering to Australians. This of course occurs outside of the Australian tax system, money-laundering controls and consumer protection frameworks. This not only has significant impacts on the return to government through tax receipts, but also the provision of product fees that licensed onshore operators contribute to racing and sporting codes. RWA urges the Government to be mindful of the need to balance the regulatory and tax burden on Australian providers with their capacity to compete with illegal offshore providers.

## **The benefits of account-based wagering**

It is a fundamental principle of taxation policy and administration around the world that tax systems should be designed so that compliance is easy, and evasion or tax fraud is not.

Money-laundering controls are a part of this framework. Controls should be applied uniformly across all onshore wagering operators in Australia. Rules for customer verification standards and timeframes should reflect best practice. We do not believe such standards presently exist as regards cash-based wagering in Australia. The AUSTRAC action against Tabcorp is evidence of this. Government must consider further controls for cash-based wagering in Australia.

One of the key benefits of a shift to online wagering in Australia is the use of account-based betting. There are a number of advantages in offering only account-based betting, the key one being that the operator is always aware of who has placed a bet. The account-based model removes the traditional anonymity of customers that continues to exist in the case of anonymous cash-based retail wagering. It provides significant advantages in detecting and controlling attempts to launder money or to engage in deceptive conduct, and it allows for more effective programs for responsible gambling.

It is also clear that account-based betting provides a superior audit trail for racing and sporting bodies to monitor betting occurring on their respective codes. Account-based betting requires the wagering operator to verify the age and identity of customers to the equivalent of 100 points of identification (the same standard required to open a bank account or apply for a passport), and ensures that his or her identity and other information (such as the devices used to access the service or the bank accounts used to deposit and withdraw funds) can be made known to racing/sporting authorities, regulators and law enforcement agencies where necessary for integrity management or law enforcement.

On this point, RWA members support the introduction of more stringent timeframes for age and identity verification of online wagering customers. We note that the conditions of a Northern Territory wagering licence mandate a 45-day period for verification to take place (with a verification standard equivalent to 100 points of identification), which significantly improves on the 90 days required under the *Anti-Money Laundering and Counter-Terrorism Financing Act 2006* (Cth). We understand the Australian Government is considering moving to a 45-day requirement as part of the National Consumer Protection Framework. We welcome this development, but more could be done. Given the advanced electronic verification systems that are employed by Australian account-based wagering operators, RWA members believe that time frame could be further reduced to 14 days, or potentially to 72 hours if operators were provided with vastly improved access to government databases – a matter clearly within the control of the Commonwealth.

Finally, account-based betting (where the operator is regulated and required to share information) serves as an effective deterrent to those intending to engage in race or match fixing due to the ability for their identities to be readily uncovered by law enforcement authorities.

## **Sports integrity: a license to cheat**

Australian sporting codes and racing bodies face a significant challenge from match fixing and associated cheating which we argue successive Australian governments have underestimated.

Australia's sport and racing industries employ tens of thousands of Australians and contribute significantly to the Australian economy and taxation system. Licensed Australian wagering operators create legitimate economic activity through employment, taxation, product fees and sponsorships.

Cheating and match fixing undermines this: not only does it undermine the reputation and integrity of Australian sport, it directly diverts revenue from sporting codes through reduced product fees and sponsorship values. It is corrosive at every level in many ways. It is important to note that integrity challenges have been identified at every level of organised sport in Australia, including minor codes and at a club level.<sup>1</sup> It is not just headline events that attract cheating.

In addition, it is a magnet for organised crime. Match fixing is intended to be financially profitable through the abuse of betting markets or of wagering customers. Licensed Australian wagering operators, including RWA members, have integrity arrangements in place with sporting codes and actively monitor betting patterns to identify anomalous behaviour, alerting sporting codes and police when this is identified. Yet sporting bodies are often under-resourced and fragmented, and policing resources are often insufficient too. Taken together these issues represent a serious, largely unaddressed threat to the viability of Australian sport.

What should be done? Sports integrity issues need to be recognised for the risks they pose, economically and fiscally, and coherent national steps taken to tackle them. This includes:

- Strong national rules on money laundering.
- A nationally-coordinated and well-resourced Sports Integrity capability: the existing National Integrity in Sports Unit is well intentioned, but under-resourced. It needs to be better linked to sporting codes and police authorities.
- Tackling illegal offshore operators (see below), not just by way of the Commonwealth's proposed changes to the IGA (though these must be pursued vigorously), but also by creating an attractive but responsible regulatory environment for online wagering in Australia to allow operators to compete with offshore operators.

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<sup>1</sup> This is evidenced by the case brought about by Victoria Police in 2013 and 2014 around the match fixing of a Victorian Premier League match. <http://www.abc.net.au/news/2014-09-22/soccer-clubs-obvious-match-fixing-sparked-questions-from-rival/5761204>

## **Tackling illegal offshore wagering: having accepted the end, the Government must accept the means**

Wagering is here to stay. It generates excitement and provides a pleasurable pastime to many. RWA members are at the forefront of calls for wagering in Australia to be properly regulated in the interests of consumers, sports and racing, and society as a whole.

The advent of the mobile internet in recent years has transformed wagering, as customers have led the dramatic shift towards mobile consumption of wagering products. The internet is inherently borderless, and the result has been that consumers have had little reason to distinguish between the licensed onshore operators in Australia, and the unlicensed illegal, offshore ones. Consumers have and will continue to choose the products they want, and seek out the best prices. There is little brand loyalty in wagering, and little regard by consumers for the relative regulatory status of operators.

In setting up the *Review of Illegal Offshore Wagering*, the Commonwealth accepted the premise that illegal offshore wagering was harmful. Through its proposed changes to the IGA, the Commonwealth is taking some welcome steps to combat the illegal offshore wagering industry and improve protections for Australian consumers, with further steps planned. We urge the Government to press ahead with its undertaking to assess the feasibility of Internet Service Provider and Financial Payment Blocking.

The effectiveness of all these measures remains to be seen; RWA members very much hope they are as effective as the Government claims they will be. Our fear is that some operators licensed in other jurisdictions will withdraw, but that the really pernicious operators, often with no effective regulation anywhere, will continue to operate as they have.

We would urge the Taskforce to work with (or be expanded to include) the Australian Communications and Media Authority (ACMA), which has been identified by the Government as the *de facto* regulatory authority for online wagering (so far as it is regulated by the Commonwealth). Both ACMA and the Taskforce would benefit from close engagement.

We are realistic: even vigorously addressed, the problems of the black market in wagering will not disappear quickly, and we consider that some enduring arrangements will be needed if this problem is to be successfully tackled. We would recommend the establishment of a permanent joint industry/government taskforce, dedicated to fighting the wagering black market, pooling the resources and insights available to operators, regulators, sports and racing bodies, and police authorities across Australia. A possible future initiative could include the development of measures that can estimate and track changes in the size of black markets, to better inform government resource allocation, decision-making and performance evaluation processes.

Notwithstanding recent efforts by government, the fact remains that RWA members – all licensed, tax-paying operators – are faced with a complex and variable regulatory landscape that impedes their capacity to compete effectively with illegal offshore wagering operators. This includes significant variations in requirements between States and Territories that increase costs, and archaic prohibitions that ban online Australian wagering operators from offering the same products as either their local terrestrial competition or offshore online competitors. If the Government is to tackle this issue seriously, it will need to be prepared to face the case for allowing a licensed industry to emerge that can compete effectively with offshore operators, so that consumers can be persuaded to use the onshore industry. It is the view of our members that the licensed offering is not sufficiently competitive in terms of products and pricing to meaningfully erode the share of offshore operators.

What has this to do with the Black Economy? Any wagering by Australians, or that relates to Australian events, that is diverted offshore takes revenue out of the Australian tax system. If the Government is to capture this revenue it must make determined efforts to change consumer behaviour. The over-regulation of Australian operators does not do this. We attach an example of a specific punter provided by Betfair, showing the GST lost when a punter switches to using offshore providers. This is not a theoretical problem; having willed the end through the *Review of Illegal Offshore Wagering* and the Government's response to the Review, the Government must now be prepared to will the means. Otherwise it effectively colludes in the very revenue loss the Taskforce is seeking to find ways to tackle. In revenue protection, it is the Government's actions that count, not its words.

17 February 2017

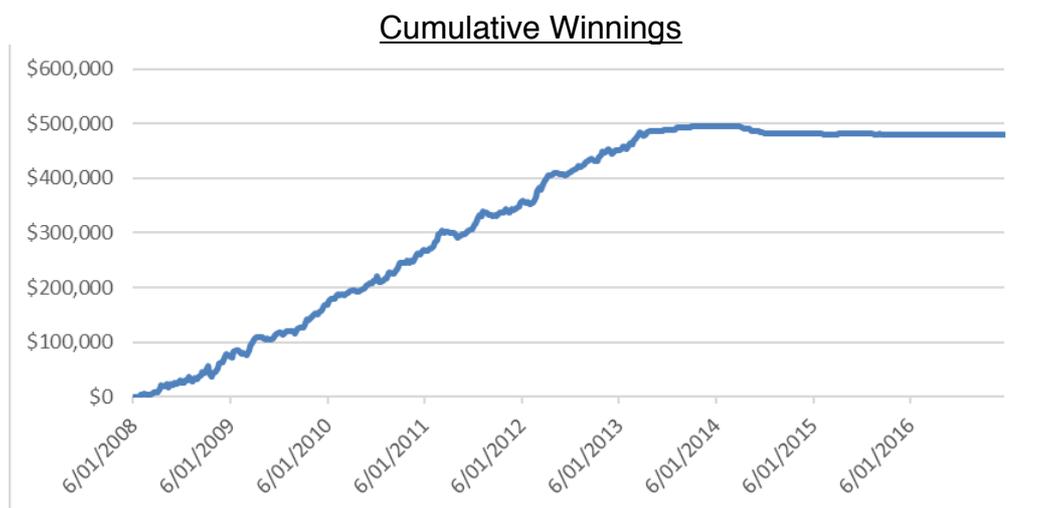
## Betfair Example Lost Turnover & Associated Loss of Tax Revenue

### Integrity

It is essential for Betfair's long-term sustainability that customers have confidence in the integrity of the markets on which they place bets, which closely aligns our interest with that of racing and sporting bodies. We invest heavily in technology and human resources to guard against gambling-related corruption on our platform.

- Our strongest weapon in protecting integrity is transparency.
- As an account-based service, Betfair is in an advantageous position to provide real-time transactions to integrity bodies and racing stewards across the country tracking every click of the mouse.
- As with other licensed wagering providers, Betfair has information sharing agreements in place with racing and sporting authorities across Australia built into race fields approvals.
- We provide industry leading tools (LiveAlertMonitor and BetMon) and significant resourcing to monitor betting, enabling us to proactively engage with stakeholders when irregular betting activity occurs.

### Snapshot of lost revenue: the harness racing punter



The above graph represents the gross player winnings of one Betfair customer on Australian Harness Racing codes. The customer was trending at \$162,000 of profit a year. Despite this trend of profit the customer completely lapsed their wagering activity with Betfair in April of 2014. It is our strong understanding that the customer has been using Citibet, an offshore illegal wagering provider, and had in early 2014 shifted all their activity offshore.

## ATTACHMENT A

The lapsing of activity highlights that price sensitivity is a key driver for consumers. With Betfair paying applicable taxes and product fees, offshore illegal operators are able to consistently offer reduced commissions to attract price sensitive customers. Since 2014, the lapse has cost:

- the Australian Harness Racing Industry = \$234,150
- GST payable of = \$54,260