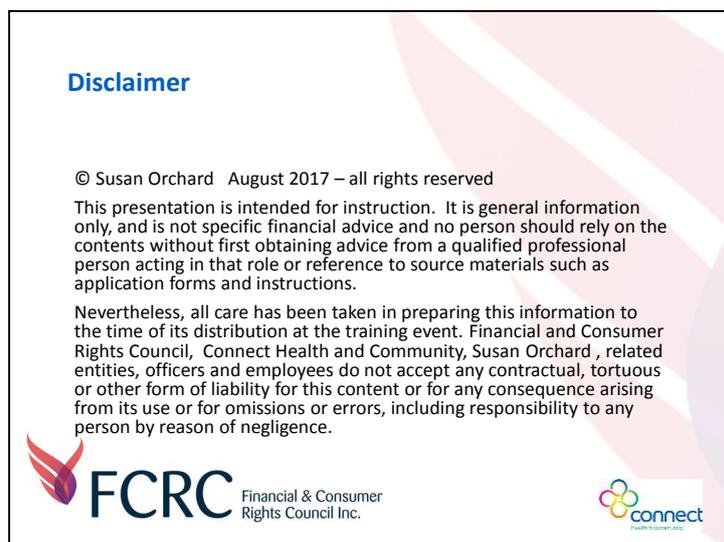


Slide 1



Training provided by Connect Health and Community in conjunction with Financial and Consumer Rights Council and the Victorian Responsible Gambling Foundation. August 2017.

Slide 2



Slide 3

Agenda

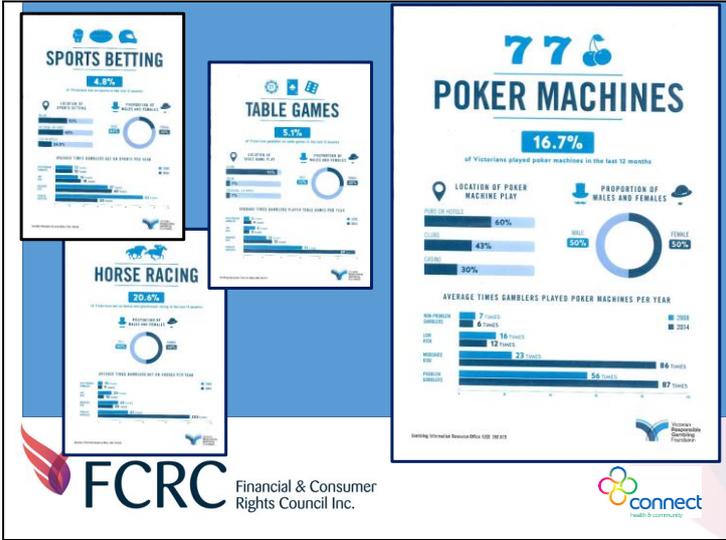
- Rise in online gambling
- New developments in online gambling
 - Products
 - Virtual currency
- Speculative activity
 - Identifying gambling behaviour
- Tools to limit access
- Current and future regulatory framework



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Slide 4



SPORTS BETTING

4.5%

TABLE GAMES

5.1%

HORSE RACING

20.6%

77 POKER MACHINES

16.7% of Victorians played poker machines in the last 12 months

LOCATION OF POKER MACHINE PLAY

Area	Percentage
Inner Melbourne	60%
Outer Melbourne	43%
Other	30%

PROPORTION OF MALES AND FEMALES

Gender	Percentage
Male	52%
Female	50%

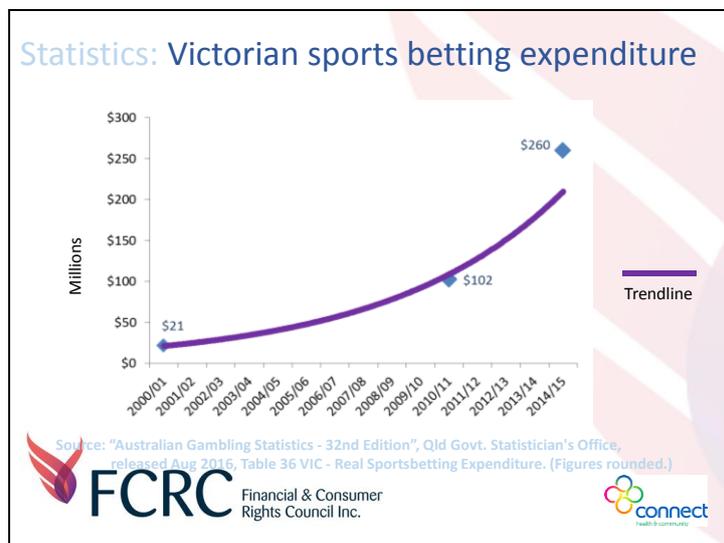
AVERAGE TIMES GAMBLERS PLAYED POKER MACHINES PER YEAR

Category	2018	2014
Non-Problem Gamblers	7 times	6 times
Low Risk	18 times	12 times
High Risk	23 times	16 times
Problem Gamblers	56 times	87 times



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You can see the dramatic rise in sportsbetting in this graph.

In 2001, Victorian expenditure was \$21 million and that has risen significantly to \$260 million by 2015.

N.B.

Sports betting: The wagering on approved types of local, national or international sporting activities (other than the established forms of horse and greyhound racing), whether on or off-course, in person, by telephone, or via the internet.

'Real' variables: Refers to data that have had the effects of inflation removed. This is achieved by specifying a base year (in this instance 2014–15) and 'deflating' each previous year by the CPI (see Table 1). This means that all data in a table showing real values may be compared directly, the effects of inflation having been removed.



Google play

A recent change in policy has seen Google Play app store open it self up to real money gambling apps. While this change is initially being rolled out in the UK, France and the Republic of Ireland other markets are being considered. A number of providers have lodged applications in these markets and this is expected to grow.

<https://www.gamblinginsider.com/news/3770/will-google-play-store-open-the-app-floodgates>

Electronic Bingo

The development of tablet technology has moved into the bingo hall. Traditionally a person may have had 6 – 10 cards to manage costing between \$10 -\$40 per book. The use of electronic devises and automation has reduced the need to track each card. This has made it easier for players to increase the gambling spend on each sitting increasing the risk of problem gambling.

Lottoland

Lottoland is an online gambling tool whereby the gambler is betting on the outcome of lottery rather than entering the lottery. This is explained in this clip from The Checkout :

<https://www.youtube.com/watch?v=9aDzdmSgMBs>

<http://www.insidegambling.com.au/editions/6/feature/what-is-lottoland>



Use of virtual currencies

- What are virtual currencies?
- How do they work
- Is it legal to use them to gamble
- How is this facilitated

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With the use of virtual currencies growing in the community it is important for Gamblers Help workers to understand the impact this can have on our clients and the ways that they access gambling.

What are virtual currencies

Definitions

- A digital representation of value
 - A medium of exchange
 - A unit of account
 - A store of value
- Does not have legal tender status
- Not 'fiat' or real currency i.e. coin or paper money or e-money
- E-money is electronic transfer of currency with legal tender status



A virtual currency was defined by the Financial Action Task Force (FATF), an inter-governmental body established in 1989 by a Group of Seven (G-7) Summit in Paris, as: *[A] digital representation of value that can be digitally traded and functions as (1) a medium of exchange; and/or (2) a unit of account; and/or (3) a store of value, but does not have legal tender status (i.e., when tendered to a creditor, is a valid and legal offer of payment) in any jurisdiction. It is not issued nor guaranteed by any jurisdiction, and fulfils the above functions only by agreement within the community of users of the virtual currency.*

Virtual currency is distinguished from fiat currency (a.k.a. 'real currency', 'real money', or 'national currency'), which is the coin and paper money of a country that is designated as its legal tender; circulates; and is customarily used and accepted as a medium of exchange in the issuing country. It is distinct from e-money, which is a digital representation of fiat currency used to electronically transfer value denominated in fiat currency. E-money is a digital transfer mechanism for fiat currency—i.e., it electronically transfers value that has legal tender status.

Other terms are commonly used such as cryptocurrency or bitcoin.

FATF, *Virtual Currencies—Key Definitions and Potential AML/CFT Risks*, 2014, p. 4.

<http://www.fatfgafi.org/topics/methodsandtrends/documents/virtual-currency-definitions-amlcft-risk.html>; see also Attorney General's Department, *Submission 42*, p. 5. The objectives of the FATF are to set standards and promote effective implementation of legal, regulatory and operational measures for combating money laundering, terrorist financing and other related threats to the integrity of the international financial system.

What are virtual currencies

Types of virtual currency



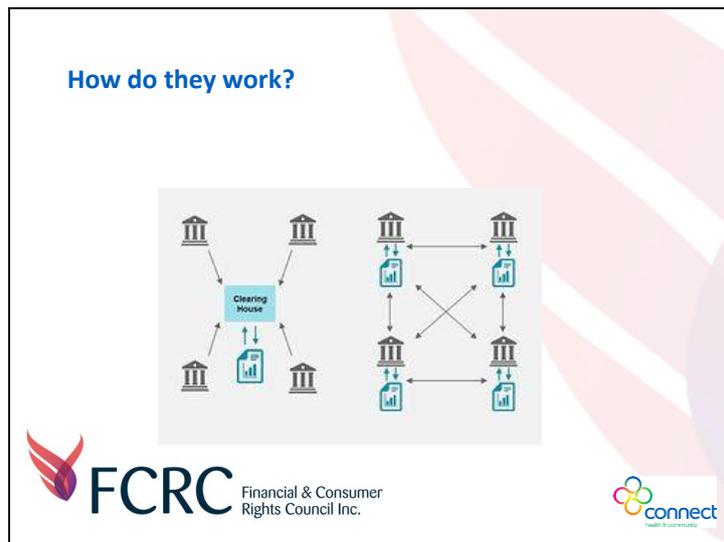
- Convertible – can be exchanged for real currency
 - E.g. bitcoin
- Non- convertible – cannot be exchanged for real currency
 - E.g. money used in virtual domains i.e. World of Warcraft gold



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There are two types of virtual currency those which can be exchanged for real currency are known as convertible digital currencies e.g. bitcoin. While non- convertible digital currencies can only be used in a particular virtual domain e.g. World of Warcraft Gold. Clients may report that they are unable to withdraw winnings this is indicative a non-convertible virtual currency is being used.



In the same way that people convert Australian dollars to British Pounds in the real currency market, a price is set and real currency can be used to electronically purchase virtual currencies. Others may accept virtual currency in exchange for goods and services in the traditional economy i.e. to pay for breakfast in a café.

In the real world this takes place via the banking sector with a clearing house acting as a third party intermediary. (example 1)

These intermediaries provide reporting to government through Austrac and enable the policing of who is buying and selling currencies. This facilitates law enforcement surrounding the flow of money.

In the virtual currency environment a 'distributed ledger' system, referred to as a block chain, is used to record and verify transactions. This is managed by complex algorithms applying cryptographic techniques. The explanation of this is outside the scope of this discussion. The tools used to facilitate this are the computers used by those entering into transactions and the data miners which independently verify transactions. Transactions are matched between the parties, by earlier parties in the transaction chain and data miners. The purpose of the check is to confirm the record has not been tampered with and accurately reflects transactions. These are fast paced processing algorithms and do not require manual interventions. Data miners are paid a fee in the virtual currency for providing this service.

The cross verification process (example 2) has enabled the removal of the third party intermediary. This makes the policing of those entering into transactions difficult and facilitates the use of these currencies in illegal markets.

In general governments have been slow to acknowledge and regulate these currencies.

However, the UAE have introduced legislation to regulate, and in some instances to prohibit, the use of these currencies.

<http://www.bitcoingambling.net/uae-creates-strict-virtual-currency-regulation/>

Is it legal to use them to gamble

- Australia
- Other jurisdictions – linked to regulation of gambling site
 - India; China; UK

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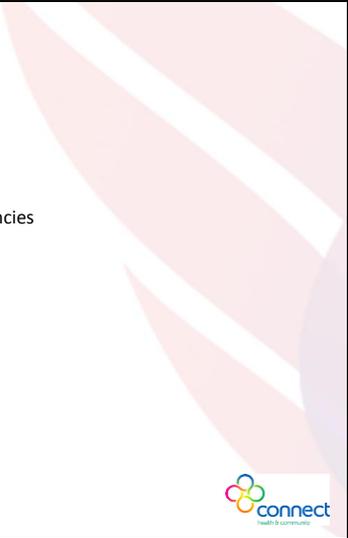
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In Australia there is no specific legislative prohibition on gambling using virtual currencies. This has fueled the increasing market in e-sports betting, i.e. betting on virtual sporting events. In turn there have been reports of match fixing and black market betting. With the legislative frameworks not keeping pace with gambling innovations this has attracted illegal activity.

World wide governments are seeking to make legislative changes to regulate these online gambling activities and the use of virtual currencies. The challenge facing governments is to make legislation which is flexible enough to regulate products and markets which are yet to develop as well as those currently available.

India and China have prohibited gambling sites which are not regulated by their gambling authorities operating this has restricted the use of virtual currencies. However, in other jurisdictions the legislative environment focuses on legal currencies and permit these forms of online gambling. This has led to an increasing number of online gambling providers using virtual currencies. Consumers may find it difficult to determine if the currency used is convertible or non-convertible.

<https://venturebeat.com/2017/02/13/the-growing-need-to-regulate-virtual-currencies-in-esports/>



How is this facilitated?

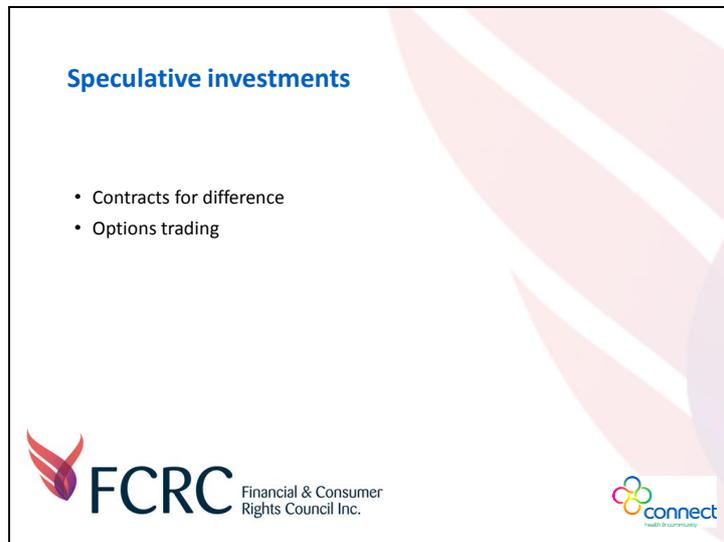
- Primary markets
 - Online brokers which sell currencies
 - In game purchases
 - Online wallets
 - Physical ATMs
- Secondary markets
 - Illegal traders

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While an intermediary is not required for virtual currency transactions a number of service organisations acting as wallets and ATMs have developed to facilitate the use of convertible virtual currencies to buy goods or access real currency via ATM's.

There are also secondary markets which enable people to buy and sell gaming currency and game tools. These are often illegal markets which are not recognized by the game providers. It is noted that Valve, the operator of Steam accounts, has been subjected to a lawsuit for knowingly allowing and supporting illegal gambling by allowing Americans to link Steam accounts to third party websites. In response to this Valve requested gambling sites cease these operations.



Speculative investments

- Contracts for difference
- Options trading

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While any investment is speculative in nature. Some are more volatile and expose the client to an increased risk of loss as well as increase profit when successful.

Investors in contracts for difference and options trading are speculating that the underlying asset class will increase or decrease in the period of the transaction. The investor does not own the underlying investment i.e. shares or cash they are merely investing in a product derived from this market. This has led to the term derivatives.

Some clients will present with losses incurred through investing. Many of the product providers will require clients to make call payments to cover losses and difficulties arise when there is no money to do this. The financial counsellor may need to look at statements and other information to determine if the trading reveals gambling behaviour. This may be frequent low cost high risk transactions or investments with volatile underlying markets.

It is noted that in some jurisdictions these products contain gambling warnings and are regulated as such

Identifying online gambling

- From the bank statements you have been provided
 - Is there evidence of online gambling?
 - What are the indicators you have identified?



Restricting access to online gambling

- General tools
 - Net nanny - \$90 US
 - K9 Web protection - free
- Gambling specific tools
 - Gam block - \$60 - \$280
 - Betfilter - \$70 – \$120



Software and apps which

Gambling blockers come in two forms the first are general tools which provide the user the ability to set access permissions and parental controls. The second are those which specifically target gambling websites.

None of these are able to prevent a person gambling and do not provide protections from in game gambling as discussed earlier

<http://www.gamcare.org.uk/get-advice/what-can-you-do/blocking-software>

Restricting access to online gambling

- Banks
 - Some banks restrict access to credit transactions for gambling

What other measures could assist?




Credit card companies that charge the cash advance rate for gambling transactions

Card providers typically categorise gambling transactions as cash advances because they are often “cash equivalents” or “cash substitutes” (ie. where you spend money to get another form of money). These transactions attract a cash advance fee and the higher cash advance interest rate. Cash advances are also commonly exempt from any interest-free period, which means interest starts accruing on your gambling transaction from the day it takes place. In this table you can find out which providers allow gambling transactions and the range of cash advance interest rates for personal credit cards.

Bank provider	Gambling Transactions	Cash Advance
Rate (varies by card)		
American Express	Prohibited	N/A
ANZ	Cash advance rate	20.99% p.a. - 21.74% p.a.
Bankwest	Cash advance rate	21.99% p.a.
Bank of Melbourne	Cash advance rate	20.24% p.a. - 21.49% p.a.
Bank of Queensland	Prohibited	N/A
CommBank	Cash advance rate	21.24% p.a.
Citi	Prohibited	N/A
CUA	Cash advance rate, but online binary betting is prohibited	21.74% p.a.
HSBC	Cash advance rate	21.99% p.a.
NAB	Cash advance rate	21.74% p.a.
St.George	Cash advance rate	20.24% p.a. - 21.49% p.a.
Suncorp Bank	Prohibited	N/A
Virgin Money	Prohibited	N/A
Westpac	Cash advance rate	20.74% p.a. - 21.49% p.a.

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Questions



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Slide 18



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