



Australian Government
Department of Social Services

A National Consumer Protection Framework for online wagering in Australia

Decision Regulation Impact Statement



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About this Decision Regulation Impact Statement

The Commonwealth Department of Social Services (the Department) has prepared this Decision Regulation Impact Statement (RIS) in consultation with state and territory government officials. The Commonwealth Department of Communications and the Arts, the Department of the Treasury, the Australian Transaction Reports and Analysis Centre (AUSTRAC), the Attorney-General's Department and the Department of Education and Training have also provided assistance.

The development of this Decision RIS has been guided by the *Council of Australian Governments (COAG) Principles of Best Practice Regulation*, to ensure that regulatory processes at the national level are consistent with principles of best practice regulatory process.

The purpose of this Decision RIS is to recommend a preferred policy option for each of the measures under the National Consumer Protection Framework for online wagering (National Framework), for a final decision by Ministers, noting Ministers may take a different position to the options outlined. The Decision RIS is a point in time document, providing analysis for the different implementation options and the impacts for each measure, as presented in the Consultation RIS publicly released in May 2017. This process included written submissions and face-to-face discussions in June and July 2017.

The Decision RIS identifies the nature of the problem to be addressed, outlines the alternative policy options considered for each measure, and provides an impact analysis of each of the options based on feedback and indicative costs for implementation.

The Commonwealth, state and territory government officials appreciate the significant time and effort of all stakeholders across the community sector, academia, industry, and individuals to progress this important reform agenda.

The National Framework will provide Australians with stronger and more consistent consumer protections when they gamble online.

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Executive summary

Online wagering is the fastest growing form of gambling in Australia, facilitated by rapid developments in digital technologies, ease in accessibility and increased convenience. This has led to a considerable rise in the number of active online wagering accounts in the last 10 years, increasing four-fold during the period 2004 to 2014 from 200,000 to 800,000, noting many people have more than one account.

The borderless nature of the internet has presented unique challenges for online wagering regulation in Australia. This is demonstrated by Australia being home to nine jurisdictions that licence gambling, with more than 60 pieces of legislation underpinning the regulatory environment. The regulatory framework for online wagering in Australia is subsequently fragmented, inconsistent and can impose increased compliance burdens for wagering operators. Protections across Australia should be brought up to date and applied consistently with international best practice standards.

On 7 September 2015, former Commonwealth Minister for Social Services, the Hon Scott Morrison MP, asked the Hon Barry O'Farrell to undertake a review of the impact of illegal offshore wagering (O'Farrell Review). The O'Farrell Review found that online wagering is expanding at a rate of 15 per cent per year.

Of particular concern to governments, the O'Farrell Review also found that problem gambling in the online market was three times higher than for other forms of gambling. The rate of gamblers in the online environment considered to be 'at-risk' of gambling harms (including low-risk, moderate-risk and problem gamblers) was more than double that for all gamblers.

The Commonwealth Government's response to the O'Farrell Review accepted in full or in-principle 18 of the 19 recommendations. Further, accepting that no single policy reform could be expected to deal conclusively with illegal offshore wagering, a multifaceted approach was committed to by the Commonwealth Government. This includes establishing the National Framework with state and territory governments, amending the *Interactive Gambling Act 2001* (IGA) to clarify the intent of the law and provide stronger regulatory enforcement mechanisms for the Australian Communications Media Authority (ACMA), and considering introducing other disruption measures to curb illegal offshore wagering activity.

Extensive consultation has been undertaken in the development of this National Framework. The purpose of this Decision RIS is to bring together all the feedback and outline the recommended measures that are to form the National Framework. This includes analysis of the available information and evidence, as provided through the Consultation RIS process for the National Framework. The preferred option put forward aims to balance the regulatory impacts against the consumer protections, and ultimately to inform a decision by Government.

The National Framework also balances the consumer protections required against the potential impact on industry, noting that it is preferable to have online wagering operators and customers onshore, within the licensed and regulated market.

A comprehensive Consultation RIS was released publicly in May 2017, inviting submissions from all stakeholders, particularly those likely to be impacted in the wagering industry, as well as community sector advocates and academics in the field. The consultation process was designed to gauge support for each of the measures, and to provide feedback and evidence on the best possible implementation options for each. Consultations also informed the estimate of regulatory cost impacts, and ultimately, provide a base from which to analyse the impacts of the National Framework. For some measures, options were refined from the option presented in the Consultation RIS, based primarily on the feedback from stakeholders. This is indicated in relevant chapters.

Since releasing the Consultation RIS, amendments made to the IGA have passed in Parliament, receiving Royal Assent in August 2017, and taking effect in September 2017. Two of the measures in this Decision RIS: banning lines of credit; and discouraging links between payday lenders and wagering operators, have been pursued under Australian Government processes, and were assessed as part of the IGA amendments. Analysis of the consultation feedback and implementation has been included in this Decision RIS, for completeness. Considerations on the feasibility of implementing other disruption measures, including financial payment blocking and Internet Service Provider (ISP) blocking, are continuing across governments.

Regulatory cost impacts in this Decision RIS have been based on the evidence provided by stakeholders during the Consultation RIS process and other targeted consultations. The information provided has been helpful and the Department thanks stakeholders for their willingness to engage in this process.

The National Framework is intended to apply broadly to all forms of online wagering services which are not prohibited under the IGA. This covers wagering by any remote telecommunication service - that is, internet, telephone, television, radio or other electronic or telecommunication service. In practice, online wagering is generally synonymous with, but not limited to, account-based betting.

Across the measures of the National Framework, this Decision RIS has considered a range of regulatory and non-regulatory options. The options presented to stakeholders through the Consultation RIS process included a spectrum of implementation options, from retaining current arrangements, to imposing minor or more significant regulatory impacts. As a result of the ongoing consultation with all stakeholders and across governments, the options for some measures were revised. This is shown in the respective chapter for these measures.

The summary table on the following pages provides a snapshot of the National Framework measures in this document, outlining the preferred option and a brief justification for this preference, based on the analysis undertaken. An overarching recommendation for the National Framework, as a whole, has not been made due to each measure being distinct, with the preferred approach set out in each relevant chapter. An overview of the regulatory costs for each National Framework measure, for all options being considered, is provided at [Appendix A](#).

Commonwealth, state and territory gambling ministers have met three times to discuss policy and agree in-principle key measures under the National Framework. Although this has guided the measures that fall into this RIS, as well as the options presented, this Decision RIS has been undertaken to inform the final decision and agreement to be made between ministers on the most appropriate implementation approach for each measure.

A final decision on the National Framework will be made through joint Commonwealth, state and territory ministerial agreement and subsequent endorsement by all governments. It is anticipated that the National Framework will be implemented over a 12-18 month timeframe, allowing appropriate transition time for industry and regulation to be updated.

A final key aspect of the National Framework will be its agility in keeping pace with changes in international best-practice consumer protections for online wagering, as well as research and evidence over time. A research and evaluation strategy is being developed, to assess the effectiveness of the National Framework as a whole. An overarching governance committee, with cross-government representation, will be responsible for ongoing management, review and updating of the National Framework following endorsement by all governments.

Summary table of preferred options for each measure

Measure	Preferred option (including responsibility, and timeline)	Rationale for preferred option	Regulatory cost impact for preferred option*
National self-exclusion register	<p>Option three</p> <p>Centralised system approach.</p> <p><i>Commonwealth Government to coordinate and implement within 12 months following Commonwealth, state and territory agreement.</i></p>	<ul style="list-style-type: none"> • Broad support from consultations across all stakeholder groups. • Least estimated regulatory cost burden to implement for individuals and business, above current arrangements. • Meets objectives of the Government Response to the O’Farrell Review (Recommendation 4). 	\$0.07 million a year
Voluntary, opt-out pre-commitment system	<p>Option two</p> <p>Standardised approach - nationally consistent features at the operator level.</p> <p><i>State and territory governments to implement within six months following Commonwealth, state and territory agreement.</i></p>	<ul style="list-style-type: none"> • Consultation showed overall support for a nationally consistent approach to pre-commitment. This would reduce overall compliance costs of adhering to several sets of requirements. • Regulatory cost estimate acknowledged as being a high estimate, with realised costs expected to be lower because of concurrent system updates. • Meets objectives of the Government Response to the O’Farrell Review (Recommendation 5). • Government officials agreed to consider the feasibility of option three (centralised system) within three years. 	\$10.07 million a year

Prohibition on lines of credit by online wagering providers	<p>This measure has been pursued under Australian Government processes, and has been legislated for through the <i>Interactive Gambling Amendment Act 2017</i>.</p> <p><i>The prohibition of lines of credit being offered by online wagering providers commenced on 17 February 2018.</i></p>		
Offering of inducements consistent with responsible gambling	<p>Option two</p> <p>Minimum standards for restricting inducements.</p> <p><i>State and territory governments to implement within six months following Commonwealth, state and territory agreement.</i></p>	<ul style="list-style-type: none"> • Although some stakeholder sectors sought a full ban, there is broad industry support to restricting certain types of inducements which are known to cause harm. • Market competition can be maintained, and jurisdictions are not prevented from applying more stringent regimes. • Lower estimated impact than existing practices for wagering operators. 	\$0.11 million a year
Activity statements on demand and on a regular basis	<p>Option two</p> <p>Standardised approach, provided at the operator level.</p> <p><i>State and territory governments to implement within 12 months following Commonwealth, state and territory agreement, subject to trialling and testing.</i></p>	<ul style="list-style-type: none"> • Support from stakeholders, including industry, for standardised approach to providing statements (testing and trialling of different features for activity statements will inform the format and content). • Lowest estimated regulatory cost impact, above current requirements. • Clear, consistent transaction summary information is a simple and effective tool for facilitating customers' self-reflection. • Aligns with the Government response to O'Farrell Review (Recommendation 8). 	\$6.35 million a year

Prohibition on lines of credit by online wagering providers	<p>This measure has been pursued under Australian Government processes, and has been legislated for through the <i>Interactive Gambling Amendment Act 2017</i>.</p> <p><i>The prohibition of lines of credit being offered by online wagering providers commenced on 17 February 2018.</i></p>		
Consistent gambling messaging	<p>Option two</p> <p>Consistent generic messaging.</p> <p><i>State and territory governments to implement within 12 months following Commonwealth, state and territory agreement, subject to trialling and testing.</i></p>	<ul style="list-style-type: none"> Stakeholder support for national consistency in gambling messaging (noting trialling and testing will likely inform features and ensure its effectiveness as a consumer protection measure). Minor regulation impacts to businesses and governments to set-up the regulation and legislation. Significant overall reduction in regulatory cost burden on wagering providers, to adhere to only one set of regulations. Meets objectives of the Government Response to the O’Farrell Review (Recommendation 13). 	-\$18.98 million a year (saving)
Staff training	<p>Option three</p> <p>Mandatory online training program and annual refresher.</p> <p><i>State and territory governments to implement within 12 months following Commonwealth, state and territory agreement.</i></p>	<ul style="list-style-type: none"> Most stakeholders supported nationally consistent training program/module for the responsible service of gambling. No estimated impact on individuals or community sector. Lowest estimated cost impact for industry, above status quo. Centrally developed course module, national consistency. Meets objectives of the Government Response to the O’Farrell Review (Recommendation 10). 	\$1.14 million a year

Prohibition on lines of credit by online wagering providers	<p>This measure has been pursued under Australian Government processes, and has been legislated for through the <i>Interactive Gambling Amendment Act 2017</i>.</p> <p><i>The prohibition of lines of credit being offered by online wagering providers commenced on 17 February 2018.</i></p>		
Reducing the current customer verification period	<p>Option three</p> <p>Reduction to a 72-hour to 14-day timeframe.</p> <p><i>Commonwealth Government to implement within three months following Commonwealth, state and territory agreement.</i></p>	<ul style="list-style-type: none"> • Wide support from consultations across all stakeholder groups to reduce the customer verification timeframe. • No regulatory impact estimated for individuals or the community sector. • An initial cost impact for industry to reconfigure internal systems to meet the reduced timeframe only. • 14-day period is the preferred option, with feasibility of moving to 72-hour period to continue to be explored. • Meets objectives of the Government Response to the O’Farrell Review (Recommendation 9). 	\$0.9 million a year
Payday lenders	<p>This measure has been pursued under Australian Government processes, and has been legislated for through the <i>Interactive Gambling Amendment Act 2017</i>.</p> <p><i>Prohibiting online wagering operators from sharing customer information and referring consumers to payday lenders commenced on 17 February 2018.</i></p>		
Account closure	<p>Option two</p> <p>Information on account closure process clearly included in customers ‘My Account’.</p> <p><i>State and territory governments to implement within six months following Commonwealth, state and territory agreement.</i></p>	<ul style="list-style-type: none"> • Stakeholder positions on this measure are varied, even in the same sector. • Provides consistent level of information to customers, ensuring a clear and easy process to follow. • No expected regulatory impact on individuals or the community sector, with minor impact on industry that is not considered onerous. 	\$0.17 million a year

Prohibition on lines of credit by online wagering providers	<p>This measure has been pursued under Australian Government processes, and has been legislated for through the <i>Interactive Gambling Amendment Act 2017</i>.</p> <p><i>The prohibition of lines of credit being offered by online wagering providers commenced on 17 February 2018.</i></p>		
Approach to regulating the National Framework	<p>New Option</p> <p>Joint National Framework, legislated and regulated through a mix of Commonwealth, state and territory legislation, regulations and/or state and territory licensing agreements.</p>	<ul style="list-style-type: none"> Balances divergent views of stakeholders by offering a combination of existing state and territory licensing regimes, and Commonwealth legislation. Maintains existing regulatory expertise of state and territory regulators. Largest cost to implement, but this is offset as the most workable option. 	\$4.86 million a year
		Total regulatory impact – industry	-\$2.31 million a year (saving)
		Total regulatory impact – community sector	\$0.01 million a year
		Total regulatory impact – individuals	\$7.0 million a year
		Total regulatory impact – all measures	\$4.7 million a year

* The regulatory cost impact represents the estimated cost of the preferred option, less the baseline cost estimate (except for customer verification measure, where costs would be in conjunction with the baseline). Where a negative cost is shown, this represents a regulatory cost save.

1. Background

Introduction

One of the most significant changes to the gambling environment in Australia over the past 15 years has been the increased availability of online gambling, in particular for wagering activity. The gambling market has expanded from traditional gambling modes, such as land-based and telephone gambling, to include online interactive or remote gambling.

Online wagering— including the use of mobile platforms— is the fastest growing mode of gambling in Australia and is changing the way gamblers engage with their wagering activity. This growth in online wagering through the use of mobile platforms has also been seen globally. The consensus view is that the mobile platform will continue to be the biggest growth area in online wagering in the coming years.

Due to the high level of accessibility, the immersive interface, and ease with which money can be spent online, concerns have been expressed by community, consumer representatives and academia relating to the harms online wagering may be causing. This, combined with the increasing prevalence of wagering inducements, advertising, and lines of credit offered by online operators, presents significant risks that are not shared among other gambling platforms.

Online gambling has potentially risky characteristics, including:

- the ability to gamble online, anywhere via mobile devices
- the ability for gambling operators to target individual gamblers with offers and encouragements to bet
- the ability to transfer large amounts electronically into online betting accounts
- the ability for gambling operators to offer lines of credit to gamblers.

What is online wagering?

Wagering is defined as an activity where an individual gambles on the outcome of racing, sporting and other events, or on contingencies within an event.

Online wagering refers to these forms of activity where the internet, or any other telecommunication method (such as telephone), is the mechanism for placing the wager.¹

Online wagering can be accessed through providers operating in Australia and overseas. Onshore wagering refers to gambling activities undertaken through Australian licensed wagering operators, while offshore wagering refers to gambling undertaken through providers based in other jurisdictions that are not in Australia.

¹ Commonwealth of Australia, Department of Social Services. 2015. *Review of Illegal Offshore Wagering*, p. 6.

These offshore operators are not regulated in the Australian market and are illegally offering wagering activities to Australians. Further, many of the activities being provided by these offshore operators are illegal in Australia.

Online wagering and governments

Due to the way in which digital technologies are rapidly changing Australia's gambling industry, the Commonwealth, state and territory governments are committed to limiting harms of online wagering. Further, governments aim to protect Australians from illegal offshore operators which do not provide the legal and consumer protections that Australian licensed operators do.

The Commonwealth, state and territory governments are working in collaboration to develop a National Framework for online wagering in Australia. This National Framework will put in place nationally consistent consumer protection measures for individuals using legal online wagering products in Australia. It is intended this National Framework will include telephone and online products and services, with limited exemptions.

While the National Framework applies concurrently with the fundamental protections afforded under the generic Australian Consumer Law (ACL) – the national law for fair trading and consumer protection in Australia – the National Framework's measures complement rather than duplicate the ACL. The ACL provides consumers their core rights and guarantees, in key areas including misleading or deceptive conduct, or unconscionable conduct, and allows individuals to personally seek redress when their rights are contravened.

Unlike the generic ACL, the measures within the National Framework tend to focus on reducing harm to consumers rather than providing redress after harm has occurred. These specific measures mitigate the risks of harm which are unique to gambling, in recognition that the deterrent effect of the generic ACL (such as through threat of prosecution or liability for compensation) is not adequate for achieving the same protection outcomes for consumers.

The O'Farrell Review and Government Response

On 7 September 2015, the former Minister for Social Services, the Hon Scott Morrison MP, asked the Hon Barry O'Farrell to conduct a review of the impact of illegal offshore wagering. The O'Farrell Review was conducted to investigate the size and scope of the illegal offshore wagering problem and advise on ways to strengthen Australia's regulatory enforcement, and protect Australians from illegal offshore wagering operators.

The O'Farrell Review found that illegal offshore wagering causes several problems, including:

- greater risk for consumers because legal protections are not in place and standard consumer protections are often absent
- the potential for greater sports integrity problems, as relevant betting and transaction information is not available
- less tax revenue for governments, less product and other fees for the racing and sports industries, and fewer jobs for Australians.

On 28 April 2016, the Commonwealth Minister for Communications, Senator the Hon Mitch Fifield, and the Commonwealth Minister for Human Services, the Hon Alan Tudge MP, announced the Commonwealth Government's commitment in response to the recommendations of the O'Farrell Review with the release of the Government Response. The Commonwealth Government accepted in full or in-principle 18 of the O'Farrell Review's 19 recommendations (see [Appendix B](#)).

At a high level, this commitment included:

- strengthening the enforcement of the IGA to ensure Australians are protected from illegal online wagering operators
- creating a strong National Framework that is consistent and minimises harm for Australian online wagering punters
- investigating other disruption measures, such as internet service provider blocking, to curb illegal offshore gambling activity.

The Commonwealth Government does not intend to liberalise regulation for online wagering in Australia to consider further expanding the online betting market in Australia to legalise 'click-to-call' in-play betting services.

Government Response and the IGA

To help curb illegal offshore wagering, the Commonwealth Government introduced the Interactive Gambling Amendment Bill 2016 (IGA Bill) into the Parliament on 10 November 2016. On 9 August 2017, the IGA Bill was passed by the Parliament and subsequently received Royal Assent on 16 August 2017 (now referred to as the *Interactive Gambling Amendment Act 2017*), and came into effect on 13 September 2017.

These amendments to the IGA are the Commonwealth Government's first step in implementing its response to the O'Farrell Review and have been made to respect the original intent of the IGA by:

- prohibiting a person providing regulated interactive gambling services (permitted services) to Australians unless the person holds a licence under the law of an Australian state or territory
- introducing a civil penalty regime to be enforced by ACMA, to complement the existing criminal penalty provisions
- prohibiting 'click-to-call' in-play betting services which are contrary to the intent of the IGA
- prohibiting the provision and offering of lines of credit by wagering operators either directly or via a third party, including prohibiting wagering operators from promoting or facilitating the provision of credit, other than by way of credit card (Note: A limited exemption applies for bookmakers with \$30 million or less in annual wagering turnover, and who at least partially conduct their business at an Australian racecourse)
- enabling the ACMA to notify international regulators of information relating to prohibited or unlicensed interactive gambling services
- establishing a register of regulated interactive gambling services (that is, Australian licensed wagering services) to be published on the ACMA website to raise awareness among Australian consumers
- enabling the ACMA to notify the Department of Immigration and Border Protection of the names of directors or principals of offending gambling services so they may be placed on the Movement Alert List and any travel to Australia may be disrupted.

Credit prohibitions have a six-month transition period and came into effect on 17 February 2018.

Other disruption measures

In addition to clarifying the law, the O'Farrell Review recommended the implementation of a series of other mechanisms to disrupt the illegal offshore gambling market. In line with the recommendation of the O'Farrell Review, the Commonwealth Government is consulting:

- with internet service providers to assess potential options and practicality of voluntarily disrupting access to overseas-based online wagering providers who are not licensed in Australia through the use of blocking or pop-up warning pages
- with the banks and credit card providers to assess the potential options and practicality of payment blocking strategies to address illegal offshore gambling.

The Government Response recognises, as the O'Farrell Review notes, no measure will completely eliminate the illegal offshore wagering market, but the combination of clarifying the law combined with other disruption measures will make a significant difference, as has been demonstrated by other nations. Options for addressing illegal offshore wagering were considered as part of the development of the IGA Bill and were not covered in the Consultation RIS. The Consultation RIS focused on options for a National Framework only.

Government Response and the National Framework

The Government Response commits to the establishment of a National Framework following the O'Farrell Review's findings that the Australian consumer protection regime is weak and inconsistent across the nation (refer to [Appendix B](#)). This view is also shared by leading online wagering providers in the industry who consider Australia's standards as inconsistent, with some jurisdictions falling behind international best practice.

The Commonwealth Government is committed to making fast progress on the development of a National Framework for online wagering in Australia and is working together with the state and territory governments.

At the first meeting of ministers on 25 November 2016, Commonwealth, state and territory ministers agreed that more could be done to limit the harm caused by online wagering for Australians (refer to [Appendix C](#)). Ministers gave in-principle agreement to 10 measures being included in the National Framework.

On 27 April 2017, ministers met for a second time and reaffirmed this initial commitment (refer to [Appendix D](#)). Ministers also gave in-principle agreement to details for each measure under the National Framework, and a set of actions and timelines for implementing them. Further, ministers discussed the ongoing need for consultation, ahead of finalising the National Framework.

A third meeting of Commonwealth, state and territory gambling ministers was held on 8 September 2017 (refer to [Appendix E](#)). This meeting provided ministers with an opportunity for further discussion on the measures of the National Framework, informed by the outcomes of the Consultation RIS process. Ministers confirmed in-principle agreement to the preferred options under each measure of the National Framework.

Final agreement on the National Framework between Commonwealth, state and territory gambling ministers is expected in the first half of 2018.

The overarching purpose of this National Framework is to ensure that a higher level of consumer protections is in place than there is currently, and that these protections apply consistently across all Australian jurisdictions. It also aims to allow for greater consumer choice for managing and tracking online wagering behaviour while also improving harm minimisation outcomes for Australian consumers.

National research agenda, counselling and advertising

Commonwealth, state and territory governments are committed to better understanding gambling and its related harms through a nation-wide, collaborative research effort. This includes re-establishing the Gambling Research Australia program, and ongoing collaboration on the Gambling Help Online (GHO) program.

At the second meeting of Commonwealth, state and territory gambling ministers on 27 April 2017, ministers agreed to continue collaboration on national gambling research through a new partnership agreement, commencing in the 2017-18 financial year.

This will help inform policy responses to online wagering and its impact within Australia, recognising more evidence is needed to determine the size of the problem and collect data to make informed evidence-based decisions into the future. As this does not have any regulatory impacts or costs, it was not included as part of the Consultation RIS or in this Decision RIS.

On 6 May 2017, the Commonwealth Government announced that it will work with industry to introduce further advertising restrictions on gambling advertising during the broadcasting of live sporting events. This is being implemented through a separate process by the Commonwealth Government.

2. The problem

Regulations for online wagering in Australia are inconsistent and fragmented. There are over 60 pieces of different legislation across Australia's jurisdictions that industry is required to comply with.

Consumer protections and regulations for online wagering in Australia need to be brought up to date to reflect the rapid growth in the online wagering market and the increase in the number of active online wagering accounts in Australia, recognising that consumer protections for online wagering have unique requirements compared to those needed for other gambling platforms.

This chapter will explore in detail the problem and a range of issues with online wagering in Australia, including:

- the expenditure of online wagering
- the size and growth of the market
- the borderless nature of online wagering
- the need for greater online wagering consumer protections
- the increase in problem gambling in the online context.

Expenditure of online wagering

While online wagering is presently a relatively small, but significant, part of the overall gambling market in Australia, it is the fastest growing segment. In 2013-14, overall expenditure on gambling in Australia was \$21.1 billion and wagering made up \$3.4 billion of this. Just under half of all wagering expenditure was conducted online (\$1.4 billion), and this is growing at a rate of 15 per cent per year.² The O'Farrell Review analysed figures of gambling expenditure as opposed to gambling turnover.

The O'Farrell Review revealed that expenditure in the online wagering market has grown substantially over the past 10 years, increasing around seven-fold. This was confirmed by the 2016 Australian Gambling Statistics which found that the online gambling market has experienced a 30 per cent growth in expenditure over the last 12 months.

While there is no authoritative figure, evidence suggests that between five per cent and 26 per cent of all gambling expenditure is attributed to illegal offshore wagering sites. The O'Farrell Review indicated that there is a level of ambiguity around the accuracy of figures for expenditure on, and participation in, online offshore wagering.

Determining accurate estimates of the size of the illegal offshore market is challenging due to the expansive scope of sites, operators and jurisdictions that are

² Global Betting and Gaming Consultants GBGC 2015, Interactive Gambling Dataset 2015, Isle of Man

involved. It is difficult to obtain data from providers who are not licensed or regulated under Australian law.

Some market research has shown most of the money spent on gambling in Australia is by a minority of gamblers who, while they make up only 20 per cent of Australia's gambling population, account for almost 90 per cent of the total gambling spend. The average three-month gambling spend was reported as \$330 AUD for heavy gamblers, \$45-\$329.99 for medium gamblers, and less than \$45 for light gamblers.³

While it is clear that Australians spend a significant amount of money on online wagering products, wagering operators that are licensed in Australia are subject to fees and taxes according to each jurisdiction's regulation. These levies are designed to financially assist in the provision of gambling help and counselling services which are paid for and administered by state and territory governments.

A major problem with offshore operators is their avoidance of any taxation or fees directed to the Australian system, and their subsequent avoidance of any financial obligation to gambling support services for Australians.

The O'Farrell Review estimated that in 2014, in excess of \$400 million of Australian gambling expenditure on interactive wagering went to offshore providers and resulted in approximately \$100 million in lost taxation revenue and product fees. The O'Farrell Review was also concerned that this has the potential for greater sports integrity problems, as relevant betting and transaction information is not available.

Table 1 below illustrates the different forms of gambling in which Australians spent approximately \$23.7 billion in 2015-16. This table does not differentiate interactive and non-interactive gambling forms, and does not include all gambling spent with illegal offshore wagering companies, as these are difficult to account for. However, evidence suggests that between five and 26 per cent of all gambling expenditure is with illegal offshore gambling sites.

³ Roy Morgan Research, Article no. 5596, 22 May 2014. *'Top 20% of gamblers spend 87% of total gambling dollars'*

Table 1: Gambling Expenditure in Australia 2015-16⁴

Gambling form	Gambling expenditure (\$ million)	Percentage of total gambling expenditure
Racing	2,942.764	12.4
Sports betting	920.677	3.9
Gaming	19,784.997	83.7
Total	23,648.437	

In the global online betting market, wagering represents the largest sector at approximately 43 per cent, with USD \$74.3 billion estimated to be wagered with online operators in 2012. This represents a massive growth of over 210 per cent from the USD \$23.9 billion wagered online in 2004. A presentation in April 2015 to the United Nations Congress on Crime Prevention and Criminal Justice, estimated the global sports betting market to be worth up to \$3 trillion and that the illegal amount is estimated at around 90 per cent of that sum. It is estimated that offshore wagering is a \$1 billion annual illegal business in Australia.

Additionally, there is a structural move to digital wagering (from retail) with competition driving growth. This research also shows a very high rate of brand awareness for wagering companies, with customers being loyal, having around two active accounts (57 per cent have one account).

The size and growth of the market

The number of licensed online wagering corporate bookmakers and on-course bookmakers can be difficult to determine with accuracy as it is constantly changing. In addition, the different licensing frameworks across jurisdictions mean inconsistent definitions for categories.

For the purposes of this Decision RIS, the approximate figures used reflect those understood by the ACMA as at 1 August 2017. As such, there are assumed to be 144 wagering operators captured under the scope of reform. Of this, there are approximately 49 licensed online wagering corporate bookmakers in Australia.⁵ A significant proportion of those licensed online wagering corporate bookmakers are licensed within the Northern Territory (NT).

⁴ Australian Gambling Statistics, 33rd edition, Queensland Government Statistician's Office, Queensland Treasury.

⁵ The Australian Media and Communications Authority maintains a register of eligible regulated interactive gambling services, covering licensed wagering corporate bookmakers and small on-course bookmakers. This is required to be published under section 68 of the *Interactive Gambling Act 2001*. The list can be accessed through the link: www.acma.gov.au/theACMA/register-of-licensed-interactive-wagering-services

This overall figure also includes approximately 95 small on-course bookmakers or sole traders, that provide either an account-based online or telephone (or both) wagering service. These traditional bookmakers, including sole traders, will be captured under the scope of the National Framework and have been incorporated into the relevant impact analysis sections in this Decision RIS.

Australians are among the biggest gamblers in the world, spending \$1,245 per capita in 2014. While online wagering is a comparatively small part of the total gambling market in Australia now, it is the fastest growing segment in the market.

The O'Farrell Review found that the number of active online wagering accounts in Australia grew four-fold during 2004 to 2014 from 200,000 to 800,000, and many individuals have more than one account for their wagering activity. However, based on more recent datasets contained in the Global Betting and Gambling Consultants (GBGC) Interactive Gambling Datasets 2017, the estimated number of active online sports betting accounts currently in Australia is 2,473,580. Figures from the GBGC datasets have been used to inform cost estimates in this Decision RIS.

The global market for online wagering is forecasted to maintain one-digit growth rates over the next four years, with the biggest trend on online gambling being the use of mobile devices.⁶ A UBS report estimates that the digital market, including internet and phone, grew 20 per cent in 2015 and now represents more than 50 per cent of total turnover.⁷

Legal online wagering in Australia has grown significantly due to the ubiquity of mobile devices and changes in consumer behaviour that have not only seen a move away from placing wagering bets in retail outlets but has also seen a move away from desktops to mobile platforms. In May 2015, 13.41 million Australian adults (74 per cent) were estimated to be using a smartphone compared to 12.07 million (67 per cent) in May 2014.⁸

Australia has also recently seen a shift in leading wagering companies encouraging punters to bet digitally in retail outlets, pubs and clubs due to a decline in turnover in retail outlet products, particularly for those companies that have retail exclusivity.⁹ This decline in turnover from retail outlets has also been seen globally, where consumers are attracted to leading global companies in the online gambling and betting segments, while those companies who hold retail licenses are being forced into consolidating their products and capitalise on online channels.

⁶ Research and Markets. Global Online Gambling and Betting Market 2015.

⁷ 18 July 2016. UBS Evidence Lab: Australian Gaming, p. 4.

⁸ ACMA Communications Report 2014-15, pages 3 and 42.

⁹ Adelaide Advertiser. Tabcorp to lure digital punters. 3 February 2017.

At June 2014, 207,000 Australians placed at least one sports bet via the internet in an average three months, which is almost four times the number of people who placed their sports bet at a retail betting outlet in the same period, with 53,000 placing a bet. This is compared with only 46,000 placing a bet via the internet at June 2004.¹⁰

Borderless nature of online wagering

The borderless nature of online wagering means that the online wagering market in Australia is now an interstate, national and global market. Australians can place bets with wagering operators licensed in other states more easily and frequently than ever before. However, despite online wagering essentially operating as a national market in Australia, online wagering operators remain subject to state-based licensing and regulatory systems. There is a need to harmonise these licencing and regulatory systems, as they currently vary across jurisdictions.

One of the biggest challenges with the borderless nature of online wagering is the potential for greater risks to consumers. The 2010 Productivity Commission's Inquiry into Gambling (PC Inquiry) highlighted that due to the 24-hour availability, limitless and borderless nature, and the lack of consumer protections for online wagering, there were potentially greater risks to consumers.¹¹

The Productivity Commission (PC) recommended that regulated access to domestic (or licensed international) providers would ensure operators were subjected to stringent probity and met strong consumer protection requirements.

The need for greater online wagering consumer protections

Since 2010, a number of government-initiated inquiries and reviews have made consistent recommendations that Australia needs to have greater online wagering consumer protections in place.

The PC Inquiry recommended that the Commonwealth Government implement a consumer protection regime across all Australian-regulated online gambling sites, including self-exclusion and pre-commitment. The PC also noted that there is a 'need for the Australian Government to take a greater leadership role in pushing for, or sustaining reforms' in the online wagering space.¹²

The PC advised that a suite of consumer protection measures will be more effective than a single feature. As gambling technologies are developing rapidly, policy needs to be forward looking and address the risks while taking advantage of the opportunities that the new technology provides for a competitive online wagering market.

¹⁰ Roy Morgan Research. 22 September 2014. Sports betting via the internet more popular than TAB outlets.

¹¹ Productivity Commission. 2010. *Productivity Commission Inquiry Report – Gambling*, 1(50). p. 35.

¹² Ibid, p. 39.

In 2012, the Department of Broadband, Communications and the Digital Economy released the *Review of the Interactive Gambling Act 2001* (IGA Review). The IGA Review found that the IGA is ineffective in reducing harm to problem gamblers and to those at risk of becoming problem gamblers, which is the primary objective of the IGA.

The IGA Review also recommended the effectiveness of consumer protection measures to address the harms associated with problem gambling and provided a series of recommendations related to each of the measures of the National Framework identified in this Consultation RIS.

Increase in online problem gambling

The O'Farrell Review found that the rate of problem gambling for online gamblers (across all forms of online gambling) is three times higher than the rate of problem gambling across other gambling platforms, including land-based gambling. That is, for online gambling, the rate of problem gambling is said to be 2.7 per cent with 41 per cent of online gamblers considered to be 'at-risk' gamblers (low-risk, moderate-risk and problem gamblers), whereas less than 20 per cent of land-based gamblers were considered to be 'at-risk'. This means they experience problems, to varying degrees, such as to their physical and mental health, and financial problems caused by gambling or chasing losses and are also more likely to be betting across other gambling platforms.

Many of the risk factors for problem gambling associated with online gambling are said to be heightened for gamblers who use mobile and supplementary devices. This is because offering online sports betting services through these platforms provides easy access, convenience, privacy and anonymity, better prices for consumers and the reduced salience of electronic funds and the ability to place larger bets.¹³

Importantly, the O'Farrell Review noted that there is still insufficient evidence to establish a causal link between online gambling and the increased prevalence of gambling problems, even though more and more researchers are arguing the growth of sports betting is increasingly contributing to the incidence of problem gambling.

¹³ Hing, N. Russell. A., Vitartas, P., & Lamont, M. 2015. Demographic, Behavioural and Normative Risk Factors for Gambling Problems Among Sports Bettors. *Journal of Gambling Studies*.

Who is at risk?

While it is acknowledged further research still needs to be undertaken to determine which individuals are most at risk for problem online wagering behaviours, and what behavioural indicators of responsible gambling for online wagering are, the most recent evidence suggests the demographic factors for those most at risk are:¹⁴

- male gender
- younger age
- never married
- having an undergraduate qualification
- being employed full-time or a full-time student.

Young adult males are said to be increasingly the target of gambling promotion and there is a growing normalisation of behaviour that watching sports means also gambling on sports.¹⁵ Research has shown men aged between 25 and 34 were the most likely to have placed a sports bet in any given three months and were most likely to have placed this bet on sport over the internet.¹⁶ It is suggested this is in respect to younger generations being more tech-savvy and are frequent users of smartphones.

Another study has looked at the role of peer influences for young male peer groups on the normalisation of sports wagering and found that¹⁷:

- sports betting is commonly perceived as normal, with some participants estimating up to 90 per cent of people gamble on the Australian Football League and the National Rugby League
- sports betting has a positive image not associated with guilt, in contrast to betting on the pokies, which is normally stigmatised and morally judged
- sports betting is normalised by promotions and sponsorship, and through peer discussions
- sports wagering is embedded in existing sports rituals, such as drinking alcohol and watching sport at the pub.

In May 2015, it was reported that some teenagers have accumulated debts of up to \$30,000 through online sports betting and that the number of young people asking for help in relation to online betting has doubled in three years, according to the University of Sydney's Gambling Treatment Clinic.¹⁸ The University of Sydney's Gambling Treatment Clinic warned that community attitudes towards gambling must

¹⁴ Ibid.

¹⁵ ABC News Radio, Young men increasingly becoming target of gambling marketing: study, 31 January 2017.

¹⁶ Roy Morgan Research. 22 September 2014. Sports betting via the internet more popular than TAB outlets.

¹⁷ Deans, E., Thomas, S.L., Daube, M. & Derevensky, J. 2016. The role of peer influences on the normalisation of sports wagering: a qualitative study of Australia men'. *Addiction Research & Theory*, pp. 1-11.

¹⁸ ABC News. Kerin, L. 28 May 2015. Dramatic increase in online gambling addiction among young men, treatment clinic warns.

change, particularly for young people, as the individuals who attend the clinic are in their 40s and 50s, started getting into gambling problems while in their early 20s. The reported consequences of problem gambling for individuals included loss of housing and employment, marriage breakdown and lost custody of children.

The O'Farrell Review reported that problem gambling had a significant impact on the family and friends of the individual experiencing problems. Further, the Problem Gambling Research and Treatment Centre (the Centre) found that the cycle of gambling was likely to continue through generations.¹⁹ The report found that children with parents who are problem gamblers are up to 10 times more likely to develop problems with gambling themselves than those with non-gambling parents.²⁰

Single accounts versus multiple accounts

Research has also shown differences between groups who have single internet gambling accounts compared with those individuals who hold multiple internet gambling accounts. Current estimates provided by the wagering industry in the course of the consultation process were an average of approximately 2.5 accounts per customer.

The differences revealed that multiple account holders are more highly involved in gambling, more influenced by price and betting options and have a greater risk of experiencing gambling harms. This compares to single account holders who prioritised legality and consumer protection features.

This research suggested harm-minimisation strategies should be implemented that are effective across multiple operators, rather than restricted to the use of a single gambling site, and allow individuals to track and control their expenditure to reduce risks of harm.²¹

The need for government action

It is clear that action to introduce strong, consistent and best practice consumer protections for online wagering is needed now more than ever. Protections across Australia should be brought up to date and applied consistently with international best practice standards, preventing any gaps from widening further.

If no action is taken, there is the potential that the increasing fragmentation and regulatory burden could push online wagering operators and/or consumers offshore. This could mean a rise in harms associated with problem gambling is likely to continue, without the implementation of better regulated consumer protections and tools to empower consumers to manage and track their wagering expenditure and behaviour.

¹⁹ The Problem Gambling Research and Treatment Centre, 2010, Children at risk of developing problem gambling.

²⁰ Ibid.

²¹ Gainsbury, S., Russell, A., Blaszczynski, A., & Hing, N. 7 March 2015, Greater involvement and diversity of Internet gambling as a risk factor for problem gambling. *European Journal of Public Health*. DOI: 10.1093/eurpub/ckv006.

To make this change requires the action and commitment of all governments and industry together. While gambling policy in Australia has traditionally been the regulatory responsibility of the state and territory governments, with the Commonwealth Government having responsibility for the IGA since 2001, the Commonwealth, state and territory governments are jointly committed to ensuring increased consumer protections are in place in recognition of the growing online wagering market in Australia and globally.

Much of the current legislation, regulation and/or codes of practice are out-dated and have not been substantially amended since their enactment to reflect the current and constantly evolving practices of the online wagering industry, with the exception of the NT who introduced the NT Code of Practice for Responsible Online Gambling (NT Code of Practice), which came into effect on 1 March 2016. The NT Code of Practice relates to online wagering only, including web-based, app and telephone betting on any digital device and is the most recent change from any government to date to reflect changes in the wagering market.

Additionally, a concern of the O'Farrell Review is the inconsistent application of consumer protections across Australia which has resulted in poorer outcomes for consumers. Due to vast inconsistencies, online wagering operators licensed in jurisdictions with more robust regulation, potentially experience competitive disadvantage as a result of greater compliance costs. National wagering operators have identified difficulties in adapting their products according to each jurisdiction's regulation and some have faced potential prosecution for not meeting certain jurisdictional regulations.

Immediate government action is needed as each jurisdiction has a varied approach to the range of consumer protection measures within the National Framework. In some cases, this has resulted in 'jurisdiction shopping', whereby online wagering operators search for the jurisdiction which offers the lowest regulatory and financial burdens without restricting their customer reach. The bulk of online wagering operators are licensed with the NT.

A key challenge for policy decision makers is providing consistent and effective consumer protections while also ensuring online wagering operators are encouraged to provide and promote services as being licensed within a competitive and regulated Australian market. This balance will help minimise leakage of customers to online wagering operators and offshore wagering operators.

Constraints and barriers

There are a number of practical challenges with establishing a National Framework for online wagering in Australia that need to be considered. These challenges include:

- The effectiveness of the consumer protection measures under the National Framework should not be viewed in isolation and should be considered as a

whole alongside the legislative amendments that have been made to the IGA, as well as possible disruption measures.

- The National Framework is only intended to capture wagering activity that is conducted over the phone or online, for example through websites or mobile applications. Terrestrial or land-based forms of gambling are not intended to be captured under the National Framework.
- The final approach for the implementation of the National Framework will need to take into account measures already available in states and territories, leveraging off their frameworks to design strong consumer protection standards, while also seeking to avoid a lowest common denominator approach to implementation.
- As many individuals have more than one online wagering account, the effectiveness of these consumer protection measures needs to be considered alongside each measure to help greater reduce the potential risk for problem gambling behaviours.
- The measures should not be too cost-prohibitive and increase regulatory burden for the online wagering industry in Australia, however, it is recognised that there are broader reductions in regulatory burdens for wagering operators in moving to a nationally consistent framework.
- The National Framework is built on the best available evidence, and where this is lacking, has been informed by significant stakeholder consultation. This evidence base will grow over time.
- While the O'Farrell Review and the Government Response is focused on online wagering only, a National Framework needs to be cognisant of the interaction with terrestrial forms of wagering, and take into account any existing regulatory and consumer protection requirements.
- The National Framework should be implemented in a timely manner and as soon as is practicable and requires the collaboration and commitment to action of all governments.

3. Objectives of government action

The Commonwealth, state and territory government objectives for the establishment of the National Framework are to:

- ensure there are consistent and improved consumer protections across Australia that provide a suite of tools to empower consumers, to limit any potential harmful effects from online wagering activity
- provide a forward looking national policy framework that is flexible and agile to adapt to the fast-paced changes in online wagering technologies, product service offerings, research and best practice
- minimise burdens or barriers for consumers, which may discourage them from choosing to gamble with a licensed service provider.

In April 2017, Commonwealth, state and territory ministers provided in-principle agreement to the following measures forming the National Framework. However, it should be noted that some of these initial measures have been pursued under Australian Government processes. This is indicated below:

1. A national multi-operator self-exclusion register for online wagering.
2. A voluntary opt-out pre-commitment scheme for online wagering.
3. Prohibition of lines of credit being offered by wagering providers.
This measure has been legislated for through the *Interactive Gambling Amendment Act 2017* (IGAA) and came into effect from 17 February 2018.
4. A harmonised regulatory regime to ensure the offering of inducements is consistent with responsible gambling.
5. The provision for operators to provide activity statements for online wagering on demand and on a regular basis.
6. More consistent responsible gambling messaging and gambling counselling advice across the nation (gambling counselling was not addressed in the Consultation RIS as it is being addressed separately through the Gambling Help Online Funders Group).
7. Collaborative nation-wide research effort to assist with the development and evaluation of policy responses to gambling (this measure was not addressed in the Consultation RIS as it is being addressed separately through the Gambling Research Australia Steering Committee).
8. Staff training in the responsible conduct of gambling through an approved provider.
9. Reducing the current 90-day verification period for customer verification to open a wagering account.

10. Prohibiting links between online wagering operators and payday lenders.
This has also been legislated for through the IGAA.
11. Greater national consistency in advertising of online wagering services (this measure was not addressed in the Consultation RIS as it is being addressed separately by the Commonwealth Minister for Communications and the Arts).
12. A clearly articulated process for customer-initiated account closures
(new measure included subsequent to the initial agreement, and Consultation RIS release).

Consistent with a public health approach, each consumer protection measure has a different target population from targeting at-risk and/or problem gamblers through to all online wagering consumers. Most consumers will benefit from tools that enable them to better manage their wagering online activity behaviour.

The Commonwealth, state and territory governments consider that, as best practice standards are constantly changing and evolving, this National Framework should be subject to regular reviews and updates. This includes the stronger consumer protection standards under the National Framework, reflecting the effectiveness of existing measures, changes in digital technologies and gambling platforms, changing business practices and the research and evaluation of online wagering practices and consumer protection and harm minimisation measures in Australia.

4. Consultation

Previous Consultation

Following the release of the O'Farrell Review in April 2016, the Commonwealth Government, in conjunction with state and territory governments, released a discussion paper and undertook a series of consultations with key stakeholders (including industry, the community sector, the financial sector, broadcasters and academia). This was to draw on their expert knowledge and skills in specific areas relating to a range of aspects on online wagering. These consultations aimed at gathering stakeholders perspectives before development of the proposed options in the Consultation RIS.

Consultation RIS

The Consultation RIS was released on the Department of Social Services Engage website on 19 May 2017, for a four-week consultation period, ending on 16 June 2017. All interested stakeholders were invited to make a written submission as part of this process. A number of face-to-face consultation sessions were held with a broad range of representatives from industry, academia and the community sector, as well as with some individuals who had experienced harms from gambling.

Through the Consultation RIS, feedback was sought on the options, both in terms of policy parameters and the business, community and/or individual costs to implement proposed National Framework measures. The Consultation RIS provided the platform for stakeholders to consider the impacts and costs of the options to assist in the development of the final National Framework.

The Department has also engaged the Australian Government Behavioural Economics Team (BETA), to undertake to scope a possible trialling and testing program which will further inform key reform measures (specifically, self-exclusion, pre-commitment, activity statements and consistent gambling messaging [CGM]).

The Commonwealth, state and territory governments thanks those organisations and individuals who engaged in this consultation process, and for the time and insights they were able to provide to inform the development of this Decision RIS. A copy of the Consultation RIS is available for viewing at: <https://engage.dss.gov.au/illegal-offshore-wagering-consultation-regulation-impact-statement/>.

Feedback on Consultation RIS

The following stakeholder groups participated in the Consultation RIS process:

- industry, including corporate online wagering providers, bookmakers with online operations (internet/mobile app/telephone) and their peak bodies
- the community sector, including counsellors, financial counsellors and other sectors involved in problem gambling and harm minimisation

- the academic and research community
- the financial sector
- television broadcasters
- individuals who have an online wagering account/s, or have previously held one but have experienced gambling harm
- companies with potential technological solutions
- the broader community.

Feedback from the Consultation RIS process has been used to develop this Decision RIS, including the preferred options for the measures and approach to the implementation of the National Framework, to support decision making by Commonwealth, state and territory governments.

Feedback received from the consultation process in relation to each of the measures, as well as the approach to regulation, is included in the respective chapter. This feedback has also informed the estimate of regulatory costs and impacts for each of the options presented. This work has been undertaken with advice and support from the Office of Best Practice Regulation.

Governments have continued to seek views in relation to the approach to the National Framework outside of the Consultation RIS process.

Submissions and consultation sessions summary

The Commonwealth received 29 written submissions and held approximately 25 face-to-face targeted consultations with a range of stakeholders from industry, academia, the community sector, and state and territory officials in Sydney and Melbourne in June and July 2017.

As some submissions were provided in-confidence, a list has not been provided identifying individuals and organisations who participated in the consultation process. Instead, an overview of the number of written submissions received and representation at the face-to-face consultations by sector is provided in **Table 2**.

Table 2: Summary of number of written submissions and representation at face-to-face targeted consultations by sector in June and July 2017

Sector	Number of written submissions received by sector	Representation at face-to-face targeted consultations by sector
Individual	5	6
Academia	4	4*
Industry	9	8*
Community Sector	2	1
Peak Body	7	5*
Government	2	0**
Financial	0	1
Total	29***	25***

*Note: this number represents individual organisations rather than the number of people who attended the consultation session.

**Senior officials from the Commonwealth, state and territory governments were also present at the various consultations.

***Some individuals/organisations provided written submissions as well as participating in the face-to-face consultations. Conversely, some individuals participated in face-to-face consultations only, and did not provide a written submission.

5. The National Framework options and impact analysis

Scope of the National Framework

The National Framework is intended to apply broadly to all forms of account-based interactive wagering services (for example, the internet, telephone, television, radio or any other kind of electronic service for facilitating communication) which can include large corporate bookmakers, medium to small corporate bookmakers and on-course (racecourse) bookmakers and totalisators.

It is noted that many of the options put forward for the measures of the National Framework have most relevance to wagering services operating online digital platforms. However, it is recognised that there are small corporate bookmakers and on-course bookmakers, where many only offer wagering services using a telephone. The National Framework provides flexibility for how its measures are implemented for these bookmakers who offer services using a telephone only.

The National Framework Measures

This section of the Decision RIS looks at each of the measures agreed in-principle by Commonwealth, state and territory gambling ministers for inclusion in the National Framework, and provides an analysis of each of the options considered as part of the Consultation RIS process.

Each chapter looks at a separate measure, outlining the feedback that was received through face-to-face consultations and written submissions. This feedback was instrumental in developing the estimates of cost impacts for industry, the community sector and individuals.

A preferred approach for each measure is also identified, based on the feedback received from all sectors, as well as on the analysis of the cost and other impacts that has been undertaken. This includes a preferred implementation pathway.

A summary of the indicative regulation costs for the preferred approach for each measure under the National Framework is outlined at [Appendix A](#).

There are two measures of the National Framework, that were part of the Consultation RIS process, which do not have a preferred approach identified—banning lines of credit and discouraging links between payday lenders. However, the feedback received through face-to-face consultations and written submissions has been outlined for these measures.

Since the Consultation RIS was released in June 2017, the banning lines of credit measure and payday lending measure have taken effect in Commonwealth legislation in the IGA. Accordingly, no ministerial decision is required for these measures as part of the recommendations made for Commonwealth, state and territory governments in this Decision RIS.

In addition, a new measure has been added to provide clarity around the process for customer-initiated account closures. Although not part of the Consultation RIS, a limited consultation process was undertaken for this new measure and the possible implementation options considered.

It should also be noted that the National Framework should be designed to ensure an agile and flexible approach to its ongoing administration.

5.1 A national self-exclusion register

i. Problem and options

Recommendation 4 of the O'Farrell Review stated that a national self-exclusion register (NSER) should be included in the development of the National Framework.

This was in response to concerns raised to the O'Farrell Review that if an individual wishes to self-exclude from multiple online wagering operators in Australia, generally they will need to do so separately with each operator they gamble or might gamble with. In addition, while self-exclusion is currently offered in all Australian jurisdictions, aspects of the services vary greatly between states and territories and across different gambling platforms. Currently, the offering of self-exclusion for online wagering is predominantly operator-based and not mandated across all states or territories.

A significant problem with this is the ease with which consumers could continue to gamble with other sites or operators, thereby undermining the effectiveness of self-exclusion as a tool.²² Further, as the regulation of self-exclusion for online wagering varies widely across states and territories, this gives rise to inconsistencies across jurisdictions and increased regulatory burden for industry.

The Commonwealth, state and territory governments are committed to working with industry and other key stakeholders to investigate the feasibility of implementing a multi-operator NSER for online wagering.

The system will provide a consistent approach across Australian jurisdictions which will allow consumers, particularly those at risk or already displaying signs of problem gambling behaviour, to cease their online wagering activity for a specified period of time. This will reduce potential online wagering harm.

Self-exclusion is a vital consumer protection tool, particularly for at-risk and problem gamblers. As reported in the O'Farrell Review, incidences of problem gambling for online gamblers is 2.7 per cent with 41 per cent of online gamblers considered to be 'at risk' gamblers. Further, research has found that low rates of professional help-seeking behaviour are often found in problem gamblers.

Notably, a particular study of 135 problem gamblers participating in self-exclusion found that while 75 per cent of people returned to gambling within six months, around 70 per cent reduced their expenditure by half. Other studies have shown that almost 60 per cent of gamblers who self-excluded for a six-month period had not returned to gambling at a six-month follow-up.²³ While these studies are land-based, it is not far removed that self-exclusion in the context of online wagering could also have significant benefits.

²² UK Gambling Commission. 2015. *Briefing note on the national self-exclusion scheme*.

²³ Thomas A., Rintoul A., Deblaquiere J., Armstrong A., Moore S., Carson R. and Christensen D. 2013. *Review of electronic gaming machine pre-commitment features – Self-exclusion*, Australian Institute of Family Studies.

Implementing a NSER for online wagering will ensure that a vital consumer protection tool is readily available for individuals that may be experiencing harm, and allow individuals to easily self-exclude from multiple wagering operators concurrently. A consistent approach to self-exclusion across Australian jurisdictions will also provide better consumer protection, particularly for those at-risk or already displaying signs of harmful gambling behaviour.

In the Consultation RIS, three regulatory reform options were presented for this consumer protection measure for consideration and feedback:

Option Number	Description
Option one	Current arrangements: no changes (base case)
Option two	A standardised approach for providing self-exclusion across all jurisdictions: national stronger consumer protection standards (minor regulatory impact)
Option three	Establishment of a NSER: a centralised system approach (major regulatory impact)

ii. Consultation findings

Overall, this proposal for regulation change to the self-exclusion measure received complete support. However, views on the specific aspects and features of the NSER varied.

All submissions and targeted face-to-face meetings with stakeholders in June and July 2017 confirmed support for either a standardised approach for providing self-exclusion (option two) or the establishment of a NSER with a centralised system (option three).

Broadly, the majority of stakeholders who offered their views on self-exclusion supported option three of the Consultation RIS. A centralised approach option was preferred by academia, the community sector and most industry stakeholders. This option was supported as it provided a streamlined, consistent approach to self-exclusion nationally, reducing burden for industry and customers. Several industry stakeholders even suggested that they would pursue this approach even if there were no government action on this measure.

Stakeholders that were more supportive of option two largely were so based on the view that a centralised self-exclusion system would be a time-consuming process with complexities to overcome for implementation. This would require a longer lead time and implementation delays, resulting in the continuation of the current inconsistencies for a longer time period. By contrast to option two, the centralised approach could also result in significant costs for industry, due to the process of integrating the new platform with the various systems used by wagering service providers.

Support for option three as presented in the Consultation RIS was also based on certain contingencies for many stakeholders. For example, some industry stakeholders believe that the development of a NSER should be a staged approach, and a batched distribution model should be implemented initially before a real-time model. It was emphasised that the register should only be implemented after a working proof of concept is established, in order to implement a workable and effective solution.

An important consideration is that larger industry stakeholders, as well as some community sector and academic stakeholders, strongly support the concept that self-exclusion be indefinite (or permanent) and apply across all operators, where a customer should not be allowed to select which operators to exclude from. Many believe that not mandating that the NSER automatically apply across all online wagering operators would create a competitive disadvantage.

A key industry stakeholder recommended that short-term 'time-out' tools be made available to customers through operator websites, rather than through the NSER. As many operators already offer their own self-exclusion products, and will continue to do so if a centralised NSER is implemented, this would not impose any regulatory impacts on businesses.

Some operators also indicated that non-indefinite (temporary) breaks would create a reputational and operational risk for their businesses. A potential risk associated with offering indefinite self-exclusion across all operators, identified by key academics, however, is that it could deter individuals from using self-exclusion, and also would lessen consumer choice.

Conversely, smaller online wagering operators indicated concerns that a centralised NSER (option three) could be costly and would give rise to issues such as breaching people's privacy, system failure and accuracy. While funding mechanisms for the NSER are currently being explored, it is expected that larger operators will bear a greater proportion of the costs.

Larger industry stakeholders suggested that it would take between one and a half and three years to implement a functional centralised self-exclusion register. Comparatively, a potential Information Communication Technology (ICT) vendor advised the Department that the scheme could be implemented in as little as 18 weeks. It should be noted that this 18-week timeframe does not take into account the time it would take to link operators' systems and establish interoperability.

Numerous submissions stated the difficulty of accurately estimating the costs for developing, implementing and maintaining a NSER, and that it would depend on the final complexity of the scheme. Early indications of a high-level indicative cost for the implementation of a NSER range from \$0.5 million to \$1 million. However, based on the United Kingdom's (UK) experience and some stakeholder submissions, it was indicated that the initial implementation cost of a centralised NSER could be upwards of \$3 million. Maintenance costs are anticipated to be anywhere between \$0.5 million to \$1.7 million annually, given the international experience and some advice from stakeholders.

However, the UK's multi-operator self-exclusion system is much more complex; there are over 300 licensed online wagering service providers in the UK, and their population is almost three times larger than Australia's. It is reasonable to assume that a lesser cost could be expected in the Australian context.

Academia and the community sector strongly support a centralised NSER, emphasising the importance of this consumer protection measure for problem gamblers and referral pathways to counselling services and other consumer protection tools.

A leading academic suggested that offering multiple options of self-exclusion periods would reduce barriers to take-up. Offering a range of different time periods was supported by a wide range of stakeholders.

One particular stakeholder recommended that during sign-up, a customer should be encouraged to enter a sponsor (for example, a family member or friend). At the end of their exclusion period or if a customer wishes to end their exclusion earlier, the sponsor would be notified. This received a positive response from other stakeholders.

Views on whether revocation processes should require third-party input, for example, by a medical practitioner or counsellor, were mixed. While stakeholders were broadly supportive of a third-party approving revocations, one submission suggested that any revocation or reactivation process would be costly and subjective. In their case, they believed that it would represent a material decrease in consumer protection outcomes against their current operations.

Third-party referred exclusions were generally not recommended.

There is an overarching preference that an independent third-party host and monitor the register, rather than industry.

iii. Impact analysis

This section outlines the impacts of the three proposed regulatory reform options for the NSER measure.

Option one: Maintain the status quo

This option proposes that there be no changes made to the existing arrangements for offering self-exclusion for online wagering in Australia. In practice, state and territory governments would continue to regulate licensed online wagering providers, and in the significant majority of jurisdictions, self-exclusion would continue to be applied at the individual operator level.

Summary of key regulatory impacts

Key saves/benefits

- Licensed online wagering providers have more flexibility regarding the offering of self-exclusion, given that it is currently predominantly operator-based.

Key costs/disadvantages

- In the majority of jurisdictions, it is a manual, paper-based process for consumers to self-exclude from online wagering providers. This is both time consuming and inefficient. This also imposes regulatory burden on both individuals and operators who must manually enter the excluded customers into their systems.
- There is limited consumer protection for Australian consumers, given the ease of which consumers can gamble with a different operator or on a different site when they self-exclude from only one operator. This could potentially create adverse competition impacts for industry stakeholders.
- Self-exclusion requirements will remain inconsistent across states and territories, which means that operators would continue to have to adhere to different requirements for self-exclusion depending on the jurisdiction it offers online wagering services.

The status quo is not supported for a number of reasons. As mentioned previously, the increased availability of online gambling has given rise to increased risks and potential harms for individuals. As the rate of online harmful gambling is three times higher than for other forms of gambling, strong and swift action must be taken. Maintaining the status quo would not address this issue, and many Australians would continue to struggle to exclude themselves from online gambling in an efficient manner.

Additionally, this option does not resolve the inconsistencies across Australian jurisdictions, where the O'Farrell Review found the current regulatory framework was fragmented and weak. For instance, only the NT currently offers multi-operator self-exclusions, and this is currently through a paper-based process.

Conversely, some jurisdictions do not mandate for self-exclusion for online wagering whatsoever. Not only does this inconsistency lead to additional regulatory burden for operators complying across jurisdictions, it also leads to confusion for people attempting to self-exclude.

Lastly, this option does not meet the objectives of government action or address the recommendations of the O’Farrell Review. Almost all key stakeholders across all sectors agree that something must be done in regards to self-exclusion for online wagering in Australia. Maintaining the status quo will result in a reduced range of effective products and consumer protection tools for online wagering available for customers.

As a variation of this approach, it has also been considered whether self-regulation by industry is a viable option. However, this was deemed as unsuitable, given the immediate health and safety concerns and strong public interest in this issue.

Indicative regulatory impacts per year

The table below outlines the current baseline cost for business, community organisations and individuals. As the regulation of online wagering is largely the state and territory government’s responsibility, this has been calculated on a state-by-state basis.

Under the Regulatory Burden Measurement Framework (RBMF), costs were estimated over a 10-year period and presented on an annualised equivalent basis.

Option one: Average regulatory costs				
Current costs (\$ million)	Business	Community	Individuals	Total current costs
Annual total, by sector	\$0.24 million	\$0	\$0.22 million	\$0.46 million
Total over 10 years, by sector	\$2.38 million	\$0	\$2.17 million	\$4.55 million

This baseline scenario for the self-exclusion measure acts as a benchmark against the other two options to be assessed.

If self-exclusion is mandated and self-exclusion forms are provided by state and territory governments, a general assumption has been made that individuals will use this avenue to self-exclude. This appropriately showcases the regulatory impacts imposed on both individuals and industry.

Complex exclusion application processes across jurisdictions resulted in the large majority of the regulatory costs, both for individuals and industry, under option one.

In jurisdictions where self-exclusion is not mandated by government, it has been assumed that customers will seek self-exclusion via operator's websites and is entirely voluntary and so have not been included in the costings.

Under the status quo, third-party exclusions are also shown to impose regulatory burden on both individuals and operators. For example, this process may entail one or more interviews with a state gambling regulator and additional travel time for an individual.

Option two: A standardised approach for providing self-exclusion across all jurisdictions

This option proposes there be a set of national stronger consumer protection standards for self-exclusion features for all operators, applied consistently across Australian jurisdictions.

Nationally, all licensed wagering operators would need to provide a way for an individual to apply for self-exclusion. This could be for one, multiple or all providers through a single point of contact. This could be achieved, for example, through a standardised multi-operator self-exclusion form from a state gambling regulator or an operator's website. It is likely that this option would be similar to the current paper-based NT multi-operator model.

This option could provide flexibility in consumer choice; for example, individuals are able to choose which wagering operators they would like to exclude themselves from (one, a few or all), when the exclusion period applies and for what period of time.

Specifically, the **stronger consumer protection standards** for the self-exclusion measure could include the following features:

- It will be a **quick and simple** self-exclusion application process.
- This option will **provide for multi-operator exclusion**; nationally, all licensed wagering providers would need to provide a way for an individual to apply for self-exclusion. This could be from one, multiple, or all providers through a **single point of contact**.
- Self-exclusion should **take effect immediately**, with links to the customer verification processes to ensure correct details are used for multi-operator exclusions. It may also be important to include a process to **verify the person who is applying to self-exclude**, in order to avoid perverse outcomes from a third party. This would need to be balanced against consumer protection and the potential for revocation by the customer.
- Self-exclusion will be offered on **all phone-based and web-based digital platforms**.

- It will be **effectively promoted** so consumers are educated about self-exclusion and aware of the availability of the scheme.
- Similar to the UK's experience, it is expected that the multi-operator self-exclusion system would be **industry-funded**. Specific funding mechanisms and funding implications will be further explored through consultation.
- **Consumer choice** should be integral to this system, where consumers should be able to choose who, when and for how long they wish to self-exclude. For example, the system should not self-exclude across all operators unless this is what the consumer has requested.
- This option will **offer a range of exclusion periods**; a minimum period of three months and a maximum of three years, or permanent exclusion should be offered. Within this, consumers should be given choice for which providers, when and for how long a self-exclusion will apply. Shorter exclusion periods of less than three months are not covered under this option, as this system will initially provide for longer term exclusions, however, operators are encouraged to provide other tools, such as 'Take a Break'.
- A **self-exclusion cannot be revoked immediately** and it is mandatory to have a cooling-off period that removes the impulsivity of revoking an exclusion.
- Operators will be required to **provide information on problem gambling support** services and counselling (including GHO, and face-to-face counselling services) at the point in time that an individual nominates to self-exclude.
- **Advice on exclusion options for land-based gambling** (including Electronic Gaming Machine venues, casinos and wagering venues) could be offered by online wagering providers for individuals who self-exclude.
- **Marketing or promotional material must not be provided** at any time to a consumer who nominates to self-exclude. It should not re-commence until a consumer has requested this. This links to the recommendations regarding the offering of inducements.
- In **finalising an exclusion period**, consumers could be given the option to extend the exclusion period. A customer would need to actively approach the wagering operator at the end of the exclusion period to commence online wagering again. There will be tight prohibitions on providers encouraging consumers to resume their wagering activity through marketing and promotion.
- Subject to the requirements of the Anti-Money Laundering and Counter-Terrorism Financing Rules 2007 (AML/CTF Rules), all **funds held in active accounts must be returned** to the excluded individual once all wagers/bets are settled and then the account can be **permanently closed** (for all customers including those with permanent or lifetime self-exclusion).

Summary of key regulatory impacts

Key saves/benefits

- This option provides nationally consistent self-exclusion capabilities, and harmonises regulations across all jurisdictions.
- Coordinating exclusion periods would remove part of the competitive disadvantage that some operators may experience when excluded customers circumvent single-operator exclusion.
- Multi-operator exclusion is expected to provide greater consumer protection by reducing the ability to create or access a different account and circumvent the exclusion with one operator.

Key costs/disadvantages

- There is expected to be a cost to industry in meeting the requirements in this option. In particular, some small and medium-sized operators would be required to develop or update their current systems to fulfil the requirements under this option.
- There will be a larger burden on smaller operators to comply with regulation, due to having fewer resources available and the extra workload of new obligations to meet the requirements of a multi-operator self-exclusion scheme.
- As the self-exclusion register does not operate under a centralised system under this option, inconsistencies across operators offering self-exclusion may remain, and could subsequently result in decreased consumer protections for individuals.
- Interoperability would be difficult and costly to establish between operators. Therefore, paper-based multi-operator exclusion forms (similar to the NT) are likely to be used under this option. This would result in large regulatory costs for both individuals and industry, and have potential flow-on regulatory costs to the community sector that will assist individuals to apply.
- This option does not meet the O'Farrell Review's recommendation in full for the establishment of a NSER. For example, the NSER under this option would not be administered through an independent website.

Impacts on key stakeholders

This section will further outline the impacts of option two on the key stakeholder groups: namely individuals; online wagering service providers; and the community sector.

Individuals

Overall, the main benefit of option two is the increased consumer protections for individuals who wager online. By implementing a standardised approach across Australia, the self-exclusion process would be streamlined thereby making it simpler for consumers. Consumers will also experience increased choice, as mandating self-exclusion across jurisdictions will result in all operators offering the tool including those who may not currently. This is likely to encourage or increase the uptake of self-exclusion, and in turn reduce gambling-related harms.

In addition, implementing a standardised approach for self-exclusion will indirectly benefit the wider community. The social cost of problem gambling to the community is estimated to be at least \$4.7 billion each year.²⁴

Further, it is not only the problem gambler who is adversely affected; the actions of one problem gambler can negatively impact the lives of between five and 10 others. This commonly includes family, friends and employers.²⁵ This option is therefore expected to result in better social and economic outcomes for many Australians.

However, many stakeholders may argue that option two does not go far enough in providing adequate consumer protection for individuals. Only a small number of stakeholders supported this option, with some stating that self-exclusion should be processed in a neutral space away from an operator's website to avoid triggering gambling urges.

As this option does not mandate for a centralised system, inconsistencies may arise across operators and could result in unintended negative outcomes for consumers. For example, the process in which a consumer excludes on an operator's website may differ, or the NSER may not be as well promoted on some sites in comparison to others.

It is likely that this option will be similar to the current paper-based NT multi-operator model. Not only does this mean that self-exclusion will not take immediate effect, a significant amount of regulatory burden will be imposed on individuals. This is because they will be required to perform numerous steps under this option, including submitting a paper-based form together with any identification documentation required to state and territory gambling regulators.

Industry

It is anticipated that this option would not result in significant costs to large industry operators, given that many already offer self-exclusion tools to their customers. This option would therefore leverage, at least in part, existing operator self-exclusion

²⁴ Productivity Commission. 2010. *Productivity Commission Inquiry Report – Gambling*, 1(50). p. 16

²⁵ Ibid, p.16

systems. This would reduce regulatory burden for industry, as they would no longer be required to comply with various pieces of regulation and legislation.

However, there would still be an initial cost for industry to upgrade their systems to fulfil the requirements under this option. For example, operators will need to allow for a range of different time periods, ranging from three months to permanent.

Medium-sized operators are also likely to experience a significant implementation cost, given that not all operators this size will have self-exclusion capabilities in place. While some stakeholder feedback stated that small to medium-sized operators would be expected to use third party software and systems to be able to offer self-exclusion, this may not be practical for all providers of this size.

In summary, there are likely to be substantive compliance costs, including the costs of professional services needed to meet regulatory requirements for industry to be able to offer their own self-exclusion capabilities (for example, legal advice, IT advice and cost of hosting).

Smaller businesses

If this option were to be implemented, smaller businesses are likely to experience comparatively larger regulatory impacts than large bookmakers. This was an important consideration when examining the regulatory impacts of a standardised approach to self-exclusion.

On-course bookmakers are likely to have substantial regulatory costs under option two. This is because this option mandates for all licensed wagering providers to provide a way for an individual to apply for self-exclusion. This could be from one, multiple or all providers through a single point of contact. For authorised telephone betting operators, this requirement is particularly complex. As many do not have an internet presence, they may rely entirely on paper-based systems or be forced to host their own database. Although on-course bookmakers generally have a small customer base, this is likely to be onerous.

In summary, a standardised approach similar to the current NT model is likely to impose significant regulatory burden on industry, particularly on small on-course bookmakers. This is because smaller businesses would be required to establish their own processes to be able to satisfy this option's requirements, given that there is no national register or centralised system.

Community sector

Depending on the way in which multi-operator exclusion is implemented, there may be an additional burden placed on the community sector for coordinating requests by individuals seeking multi-operator exclusion.

However, it is expected that the minor regulatory cost for coordinating requests would be negated by removing the need for staff assisting individuals applying for

self-exclusion separately with each operator. Therefore, regulatory impacts for the gambling help services are considered negligible and have not been costed.

Indicative regulatory impacts per year

The table below outlines the regulatory impact of implementing option two (estimated cost impact, less the existing baseline cost estimate).

Option two: Average regulatory costs				
Change in costs (\$ million)	Business	Community	Individuals	Total change in costs
Annual total, by sector	\$0.36 million	0	\$0.14 million	\$0.50 million
Total over 10 years, by sector	\$3.57 million	0	\$1.41 million	\$4.98 million

Currently, the NT has the most stringent approach towards self-exclusion for online wagering. Therefore, the regulatory costings for a standardised approach (option two) were generally based on their regulatory model.

For this option, the requirement for individuals to fill out a multi-operator self-exclusion form from a state or territory gambling regulator or an operator's website (similar to the NT) resulted in a significant amount of regulatory burden. It is clear that this option does not allow for an efficient application process for self-exclusion.

The regulations imposed on on-course bookmakers under this option also resulted in high regulatory costs. As there is no centralised register, they are likely to require more resourcing and ongoing administrative costs to comply with the regulations.

Option three: Establishment of a NSER: a centralised system approach

This option proposes the establishment of a NSER through a centralised system.

This option leverages the stronger national consumer protection standards in option two and improves the effectiveness of self-exclusion through the development of a national register or national database for facilitating multi-operator self-exclusion.

Based on analysis of the submissions to the Consultation RIS and feedback from key stakeholders, the features for option three were refined compared with the option put forward for initial consultation. Major deviations from the Consultation RIS were:

- The NSER should be multi-operator and apply across all operators. Based on stakeholder feedback, this recognises that the NSER, as a tool, should have the

ability to exclude across all operators to prevent harm from online wagering while allowing consumer choice and flexibility to increase uptake.

- Allow individuals to nominate a sponsor– stakeholder feedback suggested this feature would allow an individual to nominate a friend or family member as a sponsor, who would be notified when the exclusion period finished.
- A revocation process that required some involvement from a gambling counsellor– this improves the customer protection of this measure.

As a result of these changes, the features and the ICT solution for a NSER should:

- be industry-funded
- apply across all online wagering operators, subject to a review of the initial operation of the NSER, which would include consideration of any additional functionalities to ensure this feature supports the intended outcomes of the NSER
- be quick and simple to apply for and take immediate effect
- be effectively promoted so consumers are educated about self-exclusion and aware of the register
- be offered across all phone and web based digital platforms
- have consumer choice regarding the length of the exclusion period, ranging from three months to permanent exclusion
- allow individuals to nominate a sponsor
- have information on gambling support services, financial services and counselling at the point in time a consumer nominates to self-exclude, including information about land-based self-exclusion tools
- prohibit online wagering service providers from providing any marketing or promotional material during the period of self-exclusion
- ensure that all funds held in active accounts will be returned to the excluded consumer once all wagers/bets are settled, and then that the account will be closed
- provide a process for revocation of self-exclusion, with evidence that the consumer has seen a counsellor, and a further seven day cooling off period
- ensure that consumers are required to actively approach online wagering service providers to reactivate a wagering account.

The ICT solution could also be developed to include linkages with other consumer protection measures in the National Framework, for example, customer verification, voluntary pre-commitment and activity statements.

Summary of key impacts

Key saves/benefits

- This option enables full harmonisation of self-exclusion and immediate access to multi-operator exclusion, with consumer choice and flexibility around the exclusion period. This will improve the effectiveness of this tool for a broad range of consumers, not just for individuals who are experiencing gambling problems.
- This option will provide for the greatest consistency across Australian jurisdictions, and therefore result in less regulatory burden for operators who must currently comply with multiple regulations in different states and territories.
- A centralised system would realise the most benefits for individuals, as the register would provide a 'one-stop shop' for multi-operator self-exclusion, removing the need for customers to go to operator's websites to exclude and will provide self-help materials and links to professional help services.
- The majority of the administration around a NSER would be conducted through a centralised system, managed by an independent third party. This means that operators, particularly smaller businesses who currently do not have self-exclusion capabilities in place, will not be required to establish their own systems or host databases.

Key costs/disadvantages

- The initial cost for industry to upgrade their internal systems to establish interoperability with the centralised register is expected to be substantial.
- There may be a substantial burden on smaller operators to comply with regulation, due to having fewer resources available, and the extra workload of new obligations being spread among fewer people.
- Flow-on effects from this option would potentially be expected to increase the burden on the community sector as more people utilise counselling services. For example, more customers seeking a gambling counsellor's approval to revoke their exclusion. However, these are expected to be relatively minor.

Impacts on key stakeholders

Individuals

Option three provides for the most consumer protection for individuals who wager online. Studies have shown that self-exclusion schemes in physical venues are under-utilised. This was reportedly due to unnecessarily complex registration processes and the inability to self-exclude from multiple venues at once.²⁶

While these findings are based in physical venues, it is reasonable to expect that after self-excluding from one wagering site, online gamblers are likely to switch to

²⁶ Gainsbury, SM 2013, 'Review of self-exclusion from gambling venues as an intervention for problem gambling', *Journal of Gambling Studies*, vol. 30, no. 2, pp. 229-251.

other online accounts. This effect may be more pronounced with online self-excluded gamblers compared to land-based, due to greater access to online gambling opportunities.

Therefore, implementing a centralised NSER that excludes the individual from all wagering operators would ensure that problem gamblers restrict their access to all online gambling opportunities and ensure gambling-related harms are minimised.

While system flexibility is important, the *decision* to enter the national system, thus excluding nationally, and the exclusion period still meets the threshold of consumer choice while enhancing consumer protection. This approach is supported by international evidence and consultation with key stakeholders. This position would be revisited should there be any unintended consequences or if the online wagering landscape changes in Australia identified as part of a broader review of the NSER's initial operation.

The self-exclusion process would be streamlined and made simpler for consumers. Paper-based forms which must be sent to state or territory gambling regulators are not a requirement under this option, unless a customer specifically requests for this method.

Further, as self-exclusion is processed in a neutral space, this is likely to avoid triggering gambling urges that individuals may experience. A centralised site will also allow for easy access to information about gambling support services, other consumer protection tools and other broad wraparound support services.

Given that it is a national system, this option would also offer the most consistency across jurisdictions. All Australian consumers would have complete access to self-exclusion capabilities.

There is a slight risk that the requirement of seeing a gambling counsellor to revoke exclusions may cause reluctance by consumers to sign-up for self-exclusion. However, this principle aligns with some land-based practices, and on balance, provides the most protections for consumers.

Overall, there are no significant disadvantages for individuals under option three for the NSER. This is likely to substantially lessen the time needed to apply for self-exclusion, increase the uptake of this important consumer protection tool, and lead to an increase in social wellbeing, resulting in better outcomes for both individuals and the wider community.

Industry

From the analysis of submissions to the Consultation RIS, almost all major industry stakeholders supported option three of the self-exclusion measure.

During the consultation process, industry stakeholders stated that they found the current multi-jurisdictional approach inconsistent and burdensome. Implementing a

NSER will remove this regulatory burden for operators, as they would no longer be required to comply with various legislations and regulations.

A benefit to industry is that it would not have to process as many paper-based self-exclusion forms for individuals, and have to manually enter a person's details into their system under this option.

While operators will bear upfront costs to establish the NSER, it is likely that the centralised register will be maintained by a third-party, independent of industry. Given the potential for conflicting interests, this will help in ensuring appropriate separation between the functions of the NSER and wagering providers.

Further, the Commonwealth recognises that it is not specialised in regulating licensed interactive gambling providers for this kind of consumer protection measure. Given the ambitious timeframes and the complex terrain to navigate, an expert third-party entity will allow for effective and efficient operation of the NSER system.

Although there will be maintenance costs, a significant amount will be absorbed by the third-party administrator, who will be primarily responsible for obtaining funds from industry.

It is not expected, or proposed, that operators would need to notify or report to regulators. As it is currently not being recommended that operators be required to notify or report to governments on a regular or set basis, there are minor administrative costs incurred by industry in this instance. However, it is expected that the NSER administrator will have auditing powers.

It has been noted that implementing a real-time system would result in significant costs to industry. Therefore, an interim solution is being proposed; that is, industry will only be required to query the database in real-time when a new customer applies to open an online wagering account. For ongoing monitoring, a batched file exchange will occur between the operator and the register every 24 hours.

In the long-term a real-time 'push' from the NSER to operators when an existing customer self excludes should be implemented. This would immediately notify the operator when an individual signs up on the NSER.

While this is considered best-practice, this step may require a significant amount of further development to online wagering service provider systems and implications for smaller operators would need to be taken into consideration. As this would require further consultation, it is not being proposed at this stage.

It should be noted, however, that the Commonwealth has seen self-exclusion technical prototypes where the checking of a customer's details could occur in real time or via a batch system. Leading industry stakeholders believe either technical solution would be robust, scalable and workable across all types of online wagering service providers.

Smaller businesses

It is expected that the centralised NSER can be ‘rolled out’ to smaller operators with minimal development work required by smaller operators themselves. This greatly lessens regulatory burden for medium-sized operators and on-course bookmakers.

Further, it is anticipated that the funding of the NSER will be based on a tiered approach or a fee-for-service model. This will ensure that larger providers would pay a larger proportion of the cost of the system.

However, some stakeholders have raised concerns regarding the impacts a centralised system may have on small businesses. For example, many authorised telephone betting operators do not have an internet presence, and may find it difficult to query the register each time a new customer attempts to open an account or send batch files in the correct format.

Therefore, it is expected that this option would allow flexibility for smaller businesses. The NSER would provide ongoing support to both industry and people using the scheme. For example, if a customer requires assistance to register their exclusion. Potentially, as telephone betting operators generally have a small customer base, they may send a file to the administrator to check that none of their customers are on the NSER. As they often do not operate daily, this may be done at a lesser frequency than the required 24 hours; for example, every 72 hours to lessen regulatory burden.

Community sector

Regulatory impacts for the gambling help services under this option are minor. A small cost for the increased amount of individuals who will be required to provide evidence that they have seen a gambling counsellor to revoke their exclusion has been accounted for in the regulatory costings.

Indicative regulatory impacts per year

The table below outlines the regulatory impact of implementing option three (estimated cost impact, less the existing baseline cost estimate).

Option three: Average regulatory costs				
Change in costs (\$ million)	Business	Community	Individuals	Total change in costs
Annual total, by sector	\$0.14 million	\$0.01 million	-\$0.08 million	\$0.07 million
Total over 10 years, by sector	\$1.42 million	\$0.07 million	-\$0.83 million	\$0.66 million

Early indications of a high level indicative cost to implement an initial ICT solution for a NSER is \$0.5 million to \$1 million. Based on some stakeholder submissions, it was indicated that the initial implementation cost of a centralised NSER could be upwards of \$3 million.

While this initial cost is being considered, there is an assumption that the NSER will be funded through a form of tax, levy or state/territory licensing fees. However, charges attached to a regulation that are payable to government are not within scope of the RBMF. Therefore, they are not included in the indicative costs for this measure.

A large majority of the regulatory costs under this option arises from the need for large wagering operators upgrading their proprietary internal systems to support a centralised NSER. This is because industry stated that large wagering providers are more likely to use custom 'in-house' wagering platforms, and would need to develop a custom technical solution to work with the register. This in turn potentially means that larger operators face higher costs for implementation of an ICT solution.

The regulatory cost of option three is seemingly comparable to the status quo. However, it is important to consider that the costs for option three encompasses a total of 144 bookmakers, and allows for all individuals to apply for self-exclusion. In comparison, the baseline regulatory cost only encompasses 38 bookmakers, and does not include individuals in states and territories which do not mandate self-exclusion.

Some stakeholders raised concerns that by requiring confirmation from a gambling counsellor or medical practitioner to revoke their exclusion period may impose significant regulatory burden on consumers. However, regulatory costs for the proposed revocation process were comparatively minor.

iv. Preferred option

Based on the consultation findings and impact analysis, the preferred option for the implementation of this consumer protection measure is option three. This option has a net regulatory cost of \$659,427 over 10 years.

v. Implementation options

The Commonwealth has agreed to coordinate the implementation, and discussions are ongoing. The Commonwealth, with state and territory governments, aims to reach final agreement on the National Framework in the first half of 2018.

From the date of agreement by ministers, it is expected that a centralised NSER could be implemented within twelve months. This timeline considers milestones such as further consultation, agreement by governments and the engagement of a technology vendor.

5.2 A voluntary, opt-out pre-commitment system

i. Problem and options

Recommendation 5 of the O'Farrell Review stated that operators be required to offer customers an opportunity to set voluntary limits on their wagering activities, and that consumers should be prompted about setting or reviewing limits on a regular basis. The Government response committed to a voluntary pre-commitment scheme to be offered to all consumers that is mandatory for online wagering service providers to provide.

Evidence suggests people using online wagering sites may sometimes have difficulties controlling their expenditure on gambling, and end up spending more than they had originally intended. This has the potential to cause significant harm for individuals as well as their partners, families and others in the community. This measure is part of a suite of tools for all people to use to minimise the potential for harm from online wagering.

Pre-commitment is a measure that allows gamblers to determine limits on their own gambling, providing a key mechanism for improving informed consent and providing a tool for self-control. Within a pre-commitment scheme, a consumer has the ability to set gambling limits prior to the commencement of the activity (such as online wagering), allowing the consumer to be prevented from spending more than they originally intended. A voluntary pre-commitment scheme is relevant to all gamblers in providing control over their own expenditure.

Although pre-commitment is already offered by all licensed onshore wagering providers, the regulatory requirements vary by jurisdiction. In addition, the uptake of this particular tool across wagering providers is reportedly quite low, and often associated with gambling problems, rather than as a useful tool to monitor gambling expenditure over a period of time for all gamblers.

Evidence of the effectiveness of different approaches to pre-commitment is limited in the online wagering environment. Regardless, research on the effectiveness of studies focused on pre-commitment has found that it is more effective where operators have actively promoted the use of the scheme. This finding can be transferred to the online wagering space, and demonstrates that the promotion of the scheme can be equally important to the way that the tool can be accessed.

At the second meeting of Commonwealth, state and territory ministers on 27 April 2017, ministers provided in-principle agreement for a voluntary, opt-out pre-commitment scheme. An opt-out system means that consumers are prompted to set a limit when signing up to an account before wagering could occur (including choosing not to set a limit).

Providing for a consistent voluntary, opt-out pre-commitment scheme for all consumers, which is mandated for online wagering operators to provide, gives uniformity across all jurisdictions. This is also likely to make the tool easier to understand and more appealing for customers. By setting up a system where consumers have to make a conscious decision to either set limits or not set limits, it ensures all consumers are aware that pre-commitment tools exist and can be used.

It is expected that this will normalise the use of the tool and subsequently lead to an uptake of pre-commitment, reducing the stigma around its use. Further, as a responsible gambling measure, pre-commitment provides flexibility and reinforces personal responsibility, rather than eroding it.

Voluntary pre-commitment has also been considered an important consumer protection tool, both in Australia and overseas, through a number of reviews and inquiries including the IGA Review, the PC Inquiry, the Joint Select Committee on Gambling Reform Inquiry into Pre-commitment Schemes and a range of research and trials.

The following table provides a summary of the options that were identified in the Consultation RIS.

Option Number	Description
Option one	Current arrangements would be maintained: no changes (base case)
Option two	A standardised approach for providing a voluntary, opt-out pre-commitment scheme, providing stronger and consistent consumer protection standards (minor regulatory impact)
Option three	A voluntary, opt-out pre-commitment scheme offered through a centralised system (major regulatory impact)

ii. Consultation findings

Overall, this proposal for regulatory change to the pre-commitment measure received complete support. However, views on the specific aspects and features of what the pre-commitment scheme should include varied.

Based on these consultations, industry stakeholders, academics and the community sector were most supportive of option two. This option proposed a standardised approach to offering opt-out pre-commitment nationally, through a single-operator system that is easily accessible by customers and clearly promoted by operators. Consumer choice, especially around the time limit that a deposit limit could be applied, was given support from industry and other stakeholder groups.

Continuation of the current regulatory arrangements across Australia for pre-commitment was widely viewed as costly and ineffective. Most wagering operators who provided feedback also indicated that take-up of the tool under current requirements was low.

There was feedback on some of the functionality proposed under option two. In particular, industry stakeholders largely considered mandating limit types other than deposit limits as being complex and costly to implement. Limits such as loss limits were considered by industry to be confusing for customers, as well as having the potential to distort a customer's true wagering financial position. Although loss limits are an option under current requirements for some jurisdictions, this is not commonly used by operators unless mandated.

Industry also viewed the introduction of pop-up or interval messaging as unnecessary and costly, with one operator considering this feature an 'ineffective method to remind customers to set or review deposit limits or to otherwise engage with responsible wagering tools'. Another wagering operator warned that the 'frequency could become off-putting, especially for those who have set low limits', noting that there was possible scope for this tool in the future, in conjunction with predictive monitoring techniques.

Option three (a centralised system for providing pre-commitment across all operators) was not supported by industry stakeholders, with some representatives stating that it would be "administratively unworkable, cost prohibitive and unlikely to provide any better outcomes for wagering customers".

Academics and community sector stakeholders were more supportive of option three on the basis that pre-commitment could be more effective for consumers if they were able to set one limit that applied across all wagering operators, noting that there are significant considerations around the implementation of this approach. This largely relates to the frequency at which an operator's website communicates with the centralised system to recalibrate expenditure against limits.

Real-time refreshing was acknowledged by some stakeholders as likely to have a significant cost to implement with it unclear how much more effective this would be above a standardised approach. As such, some stakeholders suggested that a longer-term approach could be transitioning to a centralised system, as technological improvements occur and without as many time constraints.

Some academics also stressed the need for careful design of a standardised approach that includes education for customers about considering their overall gambling expenditure for different operators, to avoid inflating their total budget. A standardised approach could be complemented by a centralised limit setting tool for the individual.

There was support from academics for providing a prompt to review or set a limit regularly, suggesting that this should be relative to a customer's playing frequency. This was also echoed by community sector representatives. However, there was also caution against contacting customers regularly or setting up any kind of default or suggested limit, as these may have unintended consequences of encouraging customers to re-connect with gambling operators, or provide an indication of normalised level of losses.

In addition, option two would have minimal regulatory impact for most wagering operators currently licensed in Australia, and would have the least implementation impact from a timing perspective. Industry stakeholders did state that this short implementation timeframe was dependent largely on requiring deposit limits only and not introducing interval messaging as a feature.

iii. Impact analysis

This section outlines the estimated impacts of the three options considered for the pre-commitment measure on individuals, the community sector and industry. There is not expected to be a direct or measurable impact on the community sector as a result of this measure, and this sector is not included in the costings and impact analysis. There is however, expected to be a significant cost impact on both individuals and industry.

Option one: Maintain the status quo

Under the current arrangements, a range of cost drivers were identified for industry and individuals that varied considerably between jurisdictions current legislation and regulations for pre-commitment. Pre-commitment was not considered to pose an impact on individual customers unless there was a requirement to engage with the system (that is, it was opt-out, as in South Australia (SA), or was part of a registration process).

Costs to industry were determined to come from jurisdictions where setting or changing limits was understood as a manual written process, with a non-automated processing aspect. Administrative costs were also expected for operators licensed within a jurisdiction to allow for daily maintenance of the pre-commitment system and system back-up.

Summary of key regulatory impacts

Key saves/benefits

- The current arrangements do not require any significant system updates. There is also very limited impact on individuals, as there is a low rate of limit setting among wagering customers.

Key costs/disadvantages

- There is continued inconsistency in the pre-commitment scheme requirements that online wagering operators provide to consumers across different states and territories. This includes a range of costs involved with complying with the different requirements.
- There would be a lack of awareness by customers of the availability of pre-commitment as a tool, and no requirements to engage with the system.
- There will be ongoing views that this tool is something that is only for individuals with a gambling problem, rather than broader adoption as a useful budget setting device.

Continuation of the current arrangements was only supported by one submission from a smaller online wagering operator, and otherwise was considered as inconsistent for both customers and wagering operators. The support for option one was based on this being a tool that was not widely popular with customers as it could slow down their interaction with the online site.

Current take-up of pre-commitment is anecdotally quite low, with increased uptake an expected outcome of either option two or three. Also, as identified under the consultation section, industry stakeholders expressed a clear preference for moving away from the current requirements, noting there were significant costs associated with compliance across multiple regulatory frameworks for this measure. However, these costs are largely unquantifiable at the individual measure level.

Lastly, this option does not meet the objectives of government action or address the recommendations of the O'Farrell Review or agreed positions between Commonwealth, state and territory gambling ministers. Almost all key stakeholders across all sectors agree that something must be done in regards to pre-commitment for online wagering.

Indicative regulatory impacts per year

The table below outlines the current baseline cost for business, community organisations and individuals. As the regulation of online wagering is largely the state and territory's responsibility, this has been calculated on a state-by-state basis. Importantly, these costs reflect the online wagering operators licensed in states and territories in Australia, and only a small number of on-course bookmakers.

Under the RBMF, costs were estimated over a 10-year period and presented on an annualised equivalent basis.

Option one: Average regulatory costs				
Current costs (\$ million)	Business	Community	Individuals	Total current costs
Annual total, by sector	\$0.56 million	\$0	\$0.28 million	\$0.84 million
Total over 10 years, by sector	\$5.63 million	\$0	\$2.76 million	\$8.39 million

This baseline scenario for the pre-commitment measure acts as a benchmark against the other two options to be assessed.

Option two: A standardised approach for providing a voluntary opt-out pre-commitment scheme

This option proposed a standardised approach for operators to provide a voluntary, opt-out pre-commitment scheme for all customers at the operator level. This option was overwhelmingly favoured by stakeholders, particularly those from industry, as well as some academics. However, there were some components of the option two presented in the Consultation RIS that were questioned for inclusion in a standardised approach. This was on the basis that it would complicate the implementation timeline for this measure, and possibly cause delays due to the development of new and untested features to be rolled out across all operators' websites.

These suggested changes related to interval messaging and mandating limit types beyond simply deposit limits. Although some jurisdictions already provide for loss limits or spend limits, these types of limits were heard to be complex for operators to introduce, but also confusing for customers. Interval messaging is not a requirement under any current regulatory framework and therefore would require further consideration to ensure effective implementation. Broadly, stakeholders put forward the following rationale for removing these two features:

- Interval messaging, as this may have unintended consequences for persons not setting large limits and not wagering often, ultimately frustrating these customers and leading to a reduction in uptake and that this would require further testing and trialling to test its effectiveness.
- Loss limits and spend limits were removed as they can be complex and costly to implement, and confusing for customers to understand. Deposit limits are easily understood and can be implemented quickly, with other limit types optional for operators.

These untested components were agreed to be postponed until such time that effectiveness has been tested and trialled.

Based on an analysis of submissions to the Consultation RIS, and feedback from a range of key stakeholders, the preferred features of the standardised approach for voluntary, opt-out pre-commitment would comprise the following:

- be easily accessible and effectively promoted to consumers
- prompt a customer to set a limit at account sign-up process
- mandate deposit limits only, with other limits optional for operators
- limits should be binding
- decreasing of limits should apply immediately, with a cooling-off period for limit increases being seven days
- all consumers should be prompted to set and review pre-commitment limits at regular intervals, possibly every year, including to consumers who have chosen not to set a limit (subject to testing)
- options should be available for the consumer to determine the time period for their limit, including daily, weekly, fortnightly and monthly
- limit setting can be accessed online, using a mobile application, over the phone, and using a written form
- availability of the scheme should be promoted beyond initial account sign-up, with education and awareness of the scheme shown on a provider's website and in promotional material.

Summary of key regulatory impacts

Key saves/benefits

- This option would offer a nationally consistent approach to the requirements of a voluntary, opt-out pre-commitment scheme, at the single-operator level. This would reduce the overall compliance costs of adhering to variety of requirements across different jurisdictions.
- Consistency around how a pre-commitment system can be accessed on each operator's website and mobile application, making it easier to find where a limit can be accessed and applied on each operator's website or mobile app.
- An opt-out pre-commitment system is more likely to normalise limit setting behaviour for all customers and increase uptake of the tool. This may in turn reduce the unintended harm from gambling encountered by people on wagering websites.
- Lastly, this option would meet the objectives of government action and address the recommendation of the O'Farrell Review.

Key costs/disadvantages

- The shift to an opt-out pre-commitment system will have a time impact and therefore cost impact for individuals signing up to an online wagering account. There would also be another cost impact for individuals based on the requirement to review their limit every 12 months. Although unlikely, this may have the effect of turning people away from the scheme.
- It is difficult for individuals to keep track of their overall expenditure across multiple wagering accounts, without the use of an external budget tool that tracks this. This could cause customers to set limits that over all of their accounts would amount to more than they can afford to lose.
- Moving to an opt-out scheme would also have cost impacts for wagering operators needing to comply with new system requirements and provide for a consistent system across a national customer base. This functionality is already required in SA, and is not expected to be a large scale-up cost.
- Consistent system functionality across all wagering operators will have a cost impact, across all sizes of operators. Larger operators are expected to have higher costs for implementing changes due to proprietary systems needing change.
- For smaller wagering operators, the costs are expected to be lower due to the development of third party system updates, however this impact may be more significant relative to the size and customer base of these organisations.

Impacts on key stakeholders

Estimating the costs for a standardised approach to voluntary, opt-out pre-commitment (option two) considered the expected costs for different sectors, including individuals, wagering operators (including large and medium online operators, and smaller on-course bookmakers with account-based service offerings).

Individuals

For individuals, much of the interaction with the pre-commitment system under option two is considered to be through choice, and would be largely automated through the operator-level systems provided (for example, revise limit or remove limit or change time period of limit). However, as the system is opt-out at account registration, there is a direct impact on individuals as they must first decide whether or not to set a limit, and again to review their decision to set a limit every year. New account registration aligns with the average annual growth rate of 9.55 per cent based on the GBGC Interactive Gambling Report 2017 and dataset.

Based on the estimated size of the online wagering market in Australia, with active accounts averaged over the 10-year period estimated as 3.8 million, these costs represent a significant proportion of the total estimated costs for this option.

Each new account registration would prompt a customer to choose a limit, including the decision to set no limit, and this is expected to take around six minutes for each account, taking into consideration an individual would need to understand the options available to them before electing a time period, and limit for that account. In addition, the requirement for individuals to be prompted to review their limit each year is estimated to take approximately three minutes per account, allowing for consideration and reflection of the current account limit.

These two components combined equate to around 70 per cent of the total cost impacts estimated for the implementation of this measure. Although this represents a considerable amount of time for individuals, it is likely that where a customer has multiple accounts, this time would be reduced as the standardised approach would make this process clearer and easier.

On balance, the increased uptake of this tool based on all account holders being made to engage with the pre-commitment system is expected to provide a greater overall level of consumer protection for all online wagering account holders, not just for those vulnerable to gambling harms. This in turn is likely to minimise the stigma attached to use of this tool and normalise more controlled gambling behaviours. The time cost to individuals is therefore expected to be offset by these overall benefits.

Another important consideration for individuals is that the improved consistency of features available under pre-commitment, and ease of accessibility across multiple platforms make this tool more appealing and are likely to overcome some of the issues raised in consultation around confusing terms and information.

Finally, the terminology of the scheme is a matter that is likely to be subject to focus group testing to avoid linkages between this tool and problem gambling only and to improve better education and awareness of this scheme. Although the PC Inquiry and other research has found that this feature can be important for people experiencing gambling problems, it has also been shown as a useful tool for all gamblers, to assist in preventing harm before it develops, and prompting self-reflection.

Industry

For operators, the primary cost drivers are considered to be one-off costs of developing and implementing the software upgrades. This is mostly a case of scaling-up the existing functionality that is required for SA customers, and making it apply to a national customer base. These costs are considered to vary based on the size of a wagering operator, with larger operators having higher costs due to the likelihood for changes to proprietary/in-house software.

The cost estimates for operators were largely derived from the submission by one large online wagering operator, which provided a breakdown of estimated costs for the components of option two. Assumptions against the three assumed categories of wagering operators (large, medium and small/on-course bookmakers) were then applied to this.

In summary, the following cost impacts are estimated for large corporate bookmakers (n=15) and medium sized bookmakers (n=34), above the current system automation and regulatory requirements:

- scaling up opt-out pre-commitment system functionality for all customers
- providing system enhancements to offer a range of time limits for customers
- improvements to accessibility for the pre-commitment system, across multiple platforms and providing exportable formats
- yearly reminders or prompts for customers to review limits.

For smaller on-course bookmakers with account-based online or phone wagering services (n=95), the cost impact was calculated as a broader cost for implementation of a pre-commitment system compliant with the requirements nationally. This cost also acknowledges that smaller 'sole-trader' type businesses are likely to leverage existing systems and pay smaller license fees due to lower customer use.

An administrative cost for system back-up and ongoing maintenance is included for all licensed wagering operators, including the small on-course bookmaker category. This cost reflects a daily update and is carried over from the similar assumption in the baseline costs.

The costs incurred by wagering operators of all sizes are not insignificant. However, compared with the cost impact of option one (status quo), these costs are across a larger number of operators, including smaller on-course operators. The removal of interval messaging and mandating a number of other limit types from the requirements under option two also removes the need to develop newer system functionality for implementation across all operators.

In addition, during the stakeholder consultations, wagering operators also acknowledged that much of the system functionality already exists. As such, the costs of meeting the requirements under the standardised approach for this measure will vary between operators. As this range of information was not made available to undertake this RIS, assumptions were made using the available information.

Importantly, this cost impact identified expected costs of implementing standardised pre-commitment as a stand-alone system. In practice, there are expected to be significant reductions to these costs, particularly to system upgrade costs for wagering operators, which are realised through system changes across a range of measures in the National Framework. However, these are difficult to factor into the costings for each option for each measure.

Similarly, it is expected there will be considerable overall savings to wagering operators through implementing a set of nationally consistent requirements.

Compliance costs across the range of existing and new consumer protections will be reduced a lot. This is in part captured in [chapter 6](#), ‘the approach to regulating the National Framework’, but more broadly should be factored into the cost impact as a whole across all measures.

For operators, this is the option that would be preferred in order to meet the requirements of the Government Response to the O’Farrell Review, without an onerous time and cost impact.

Community sector

There are no direct regulatory impacts estimated for the community sector based on the implementation of a standardised approach for voluntary opt-out pre-commitment. There are possible flow-on effects for counsellors and those providing assistance to people experiencing harm from gambling, as the introduction of new and consistent functionality for this tool may mean more people seek assistance to address their concerns around gambling expenditure control.

Indicative regulatory impacts per year

The table below outlines the regulatory impact of implementing option two (estimated cost impact, less the existing baseline cost estimate).

Option two: Average regulatory costs				
Change in costs (\$ million)	Business	Community	Individuals	Total change in costs
Annual total, by sector	\$3.19 million	0	\$6.89 million	\$10.07 million
Total over 10 years, by sector	\$31.88 million	0	\$68.86 million	\$100.73 million

Option three: A centralised system approach

This option proposes the establishment of a national voluntary, opt-out pre-commitment scheme through a centralised system where limits set would apply across all wagering operators.

This option leverages the stronger consumer protection standards in option two and improves the effectiveness of pre-commitment tools by enabling consumers to manage their wagering activity and set their wagering limits through a centralised system that can be applied to multiple wagering accounts and communicated to all licensed wagering providers operating in Australia.

- In practice, this option allows an individual to set a pre-commitment limit to do so either through the individual online wagering operator who they have an account with, or through the central system controlled by a third party, which would then push out this information to all wagering operators (or those operators for which the consumer wishes the limit to apply to).

If an individual chooses to set a limit through the central system, this limit could apply across all of their online wagering accounts and mean that individuals would not need to set this limit for each wagering operator. However, this option would also provide consumer choice allowing an individual to select that their limit only applies to one or multiple specific providers.

Summary of key regulatory impacts

Key saves/benefits

- A single limit could apply across all licensed online wagering operators that an individual has accounts with, and mean that a customer would not need to go to every operator that they have an account with to set a limit across all if that was their preference.
- This is likely to improve the overall efficacy of a pre-commitment scheme in limiting a person's ability to breach their predetermined expenditure or deposit limit.
- The management and ongoing maintenance of a pre-commitment system would most likely be outsourced to a third party, rather than requiring each wagering operator to service their own system. This may be accompanied by a fee for service.
- Individuals would have the option to set a limit through an operator's website as well as away from the website, which may reduce impulsive decisions as a result of being exposed to opportunities to gamble.
- This option would meet the requirements of the Government Response to the O'Farrell Review, by making voluntary pre-commitment available for all consumers. Elements such as visibility and transparency for an individual's

overall gambling activity would be greatly improved due to the centralised approach.

Key costs/disadvantages

- There are considerable implementation costs and timeframes estimated for implementing a centralised pre-commitment system. Development and ongoing maintenance fees would be considerable, and expected system complexities in implementation.
- There is the possibility of pushing licensed operators to move offshore, where there are no requirements to comply with such a scheme and the expected cost.
- The shift to offshore wagering operators may also occur for individuals, especially if there are concerns around the security of private and commercial information. In addition, if an individual has set a limit and wishes to continue wagering beyond that set limit, then offshore operators will provide this option.

Impacts on key stakeholders

Individuals

There are fewer impacts estimated for individuals under a centralised system, as customers would only be required to make a decision on setting a limit that would apply to all separate wagering accounts, rather than needing to apply limits across each individual operator. During consultations, it was estimated that the average number of accounts held by each customer was between two and three; the costings assume an average of 2.5 accounts per customer. As such, cost impacts to individuals are expected to reduce each year, based on initial decision at sign-up, and annual review of an overall limit across all accounts.

A centralised system would provide greater clarity for consumers, with the ability to apply one single limit across all accounts, and be able to access this limit setting functionality through a single access point. The obligation to review a limit each 12 months would also be minimised, especially for those with multiple accounts, as only one review would be sufficient.

For individuals, there is also the possibility of a perceived concern around privacy. If real-time expenditure information is relayed to a centralised system, strong encryption and security would be required to safeguard against any issues and reassure customers of the safety of using such a system.

Industry

Indicative cost estimates for developing, implementing and maintaining a centralised system were acknowledged by industry stakeholders as incredibly difficult in the absence of system specifications. The cost impacts estimated across all wagering operators for a centralised pre-commitment system were derived from the rough estimate provided by one wagering operator in the Consultation RIS process. This estimate was provided as a centralised system encompassing both activity statements and pre-commitment, which has been halved for the purposes of this measure.

For wagering operators of all sizes, there is an assumed one-off cost for development and implementation (averaged over 10 years) and an annual ongoing compliance cost, including technology development and management and administrative staffing elements. Although this cost is likely to vary between sizes of wagering operators, it would nonetheless be quite complex and costly to implement. There is the potential for this cost impact to push licensed onshore wagering operators offshore, to avoid these requirements (noting that the IGA stipulates that it is illegal to service Australian customers if not licensed by an Australian jurisdiction).

Importantly, although the cost estimate provided was for a large operator, the requirement for operators' systems to comply with the centralised approach for pre-commitment would impose a large cost. For smaller businesses, such as on-course bookmakers with account-based online or phone operations, these costs are likely to be far in excess of what would be considered an acceptable business regulatory cost. As such, if these cost estimates were realised, there is a possibility that this approach would cause some wagering operators to cease operations.

There are also unanswered questions that remain about the frequency with which an operator's system would need to relay customer expenditure information to the centralised system. The cost impact for industry is expected to allow real-time transfer of this expenditure information, without lag. However, there may be alternative implementation options that provide for less frequent relay of information for a reduced overall cost impact.

During consultations, some academics and community sector representatives acknowledged that there were likely to be significant cost impacts for industry involved with the centralised system. It was also noted that the improved effectiveness of this system over a standardised approach (option two) may not be commensurate with the cost for developing. As such, this was recognised as more of a medium/longer-term approach, which could be transitioned to following a feasibility study and/or trialling and testing of the technology available.

The privacy aspects that may be a concern of individuals would also be an impact on wagering operators. This concern would need to be strongly guaranteed to make sure that people will continue to use the pre-commitment system.

This estimated cost for industry would be about \$75.08 million a year. A centralised system for pre-commitment is expected to have an annual cost impact of \$77.94 million. This equates to \$77.1 million per year when baseline costs are subtracted.

Community sector

There are no direct regulatory impacts estimated for the community sector based on the implementation of a standardised approach for voluntary, opt-out pre-commitment. There are possible flow-on effects for counsellors and those providing assistance to people experiencing harm from gambling, as the introduction of new and consistent functionality for this tool may mean more people seek assistance to address their concerns around gambling expenditure control.

Indicative regulatory impacts per year

The table below outlines the regulatory impact of implementing option three (estimated cost impact, less the existing baseline cost estimate).

Option three: Average regulatory costs				
Change in costs (\$ million)	Business	Community	Individuals	Total change in costs
Annual total, by sector	\$74.51 million	\$0	\$2.59 million	\$77.1 million
Total over 10 years, by sector	\$745.12 million	\$0	\$25.89 million	\$771.01 million

While the majority of stakeholders supported the standardised approach, there was some support for a centralised system. However, it was acknowledged that the benefits of this may not be commensurate with the estimated development and implementation costs. Nonetheless, state and territory government officials have agreed the feasibility of a centralised system will be considered within three years.

Costing estimates provided in the written submissions and face-to-face consultations for the Consultation RIS process for the options for pre-commitment were high level only. In particular, very little was provided or is known around on-course bookmakers and associated costs for pre-commitment being provided for all account-based customers, online or by phone.

A review of available information for implementation costs of land-based pre-commitment systems (including trials) for electronic gaming machines indicates hardware and equipment costs represent up to 80 per cent of costs around pre-commitment, with these largely unnecessary in the online wagering environment.

By contrast, system upgrades and ongoing monitoring represented are much smaller costs overall. This was the case in trials of pre-commitment systems undertaken in SA in recent years (PlaySmart trial), with similar experiences for the implementation of Victoria's state-wide pre-commitment system. In the case of the Victorian scheme, costs have totalled around \$200 million; however, this scheme applies to over 500 venues in the state.

A standardised approach for pre-commitment, in line with the preferred approach, provides national consistency for operators and customers, an expected increase in uptake of the tool, and leverages much of the existing functionality of the scheme already in SA. In practice, this approach also has low ongoing annual costs for operators once implemented, and most of the process would be easily automated. This approach satisfies the recommendations of the O'Farrell Review, and is an acceptable regulatory cost impact for wagering operators.

iv. Preferred option

Based on the consultation findings and impact analysis, the preferred option for the implementation of this consumer protection measure is option two. This option has a net regulatory cost of \$10.07 million per year. This cost is considered to be a high estimate, with the costs of system updates expected to be reduced due to implementation of a range of system updates facilitating other measures.

v. Implementation options

The Commonwealth, state and territory governments are expected to finalise the National Framework in the first half of 2018.

The preferred implementation pathway for a standardised approach to pre-commitment is for the National Framework to mandate the features for the system, and for this to be provided for in state and territory legislation and licensing conditions.

The initial system requirements would be expected within six months of the final National Framework decision. There would be flexibility for smaller on-course bookmakers to meet the requirements. Based on agreement to the National Framework in the first half of 2018, this measure would be implemented by December 2018. However, the features of this measure will be updated pending the findings of any trialling and testing to enhance the effectiveness of this measure, subject to governments' approval.

Noting the potential for enhanced consumer protection balanced against the significant costs estimated, governments will assess the feasibility and costs of a centralised pre-commitment system, following successful implementation of a provider-based scheme.

5.3 Prohibition of lines of credit offered by online wagering providers

i. Problem and options

Recommendation 6 of the O'Farrell Review stated that online wagering operators should be required to apply additional consumer protections where lines of credit or deferred settlement is available.

This recommendation was in response to concerns raised to the O'Farrell Review that the availability of credit betting, while providing convenience for many users, presents risks to those users who gamble beyond their capacity to pay.

The Government Response went further than the recommendation in the O'Farrell Review, and committed to banning lines of credit being offered for online betting altogether. The Government Response highlighted that a policy of prohibiting lines of credit exists for most other gambling products, such as pokies and casinos, and that it should also occur with the rapidly growing online wagering segment.

It should be noted that the control of credit betting differs between jurisdictions, with some already enforcing a complete ban on credit betting, while others offer various levels of regulation and control depending on product. Restrictions across jurisdictions are also inconsistent in terms of who they apply to and the conditions in which they apply.

During initial stakeholder consultations undertaken by the Commonwealth Government, several industry stakeholders raised concern with a complete ban on lines of credit and suggested consideration be given to a possible carve out for on-course bookmakers and 'VIP' customers. These industry stakeholders noted that consideration of the impact to industry is important as illegal offshore wagering operators would continue to offer lines of credit. They further argued that illegal offshore sites may become more appealing, and convenient, to use for some customers if a total ban on credit is enforced.

Some industry stakeholders highlighted that, depending on the accessibility of alternative sources of credit, this ban may also lead to individuals seeking finance or loans through undesirable credit providers. Some industry stakeholders stressed that a close examination of the current protections afforded to consumers of credit betting, compared to other forms of credit, is required to ensure a ban does not simply displace credit betting services.

Industry stakeholders representing on-course bookmakers stated that any ban on lines of credit for phone and/or internet based technology will have a significant negative impact on professional on-course bookmakers and their regular customers. They highlighted that on-course bookmakers have traditionally offered deferred settlement services to their customers, some who do not wish to make large bets in cash for reasons such as safety and convenience. They added that a complete ban on the offering of lines of credit would significantly impact many on-course bookmakers' viability within the wagering industry, and would be likely to result in many discontinuing their on-course businesses.

In the Consultation RIS, four regulatory reform options were presented for this consumer protection measure for consideration and feedback:

Option Number	Description
Option one	Current arrangements: no changes (base case)
Option two	Banning lines of credit, with an exemption for some on-course bookmakers' operations, and transitional arrangements: stronger consumer protection standards (minor regulatory impact)
Option three	Banning lines of credit, with exemptions for VIP and professional punters, and some on-course bookmakers' operations, and transitional arrangements: stronger consumer protection standards (minor regulatory impact)
Option four	Banning lines of credit for all customers , with transitional arrangements (major regulatory impact)

ii. Consultation findings

During the consultation phase in June and July 2017, stakeholders across all sectors largely reinforced the views offered in earlier consultations, where they supported a total ban on the offering of lines of credit for wagering purposes. There remained, however, differing opinions on a preferred option for exemptions for VIP customers and on-course bookmakers.

Industry stakeholders who use credit widely as part of their business model were supportive of a carve-out for VIP customers. The suggested thresholds for determining a VIP customer ranged from \$160,000 to \$250,000 in annual wagering turnover. There was also some support from academics for a VIP carve-out, who noted the risk of pushing these customers offshore if a complete ban was imposed.

There was support from the community sector, academics and some industry stakeholders for a complete prohibition of lines of credit. Some stakeholders noted that a line of credit can act as an inducement for some gamblers, including, but not limited to problem gamblers, to bet more than they can afford. It was also highlighted that it can be problematic to assume that somebody that qualifies as a 'VIP customer' on any given day will be able to service their credit facility in the future. This can lead to some wagering customers being offered credit facilities based on an incorrect assessment of their capacity to service the facility, only to be unable to pay and suffer serious financial and emotional hardship as a result.

Some stakeholders in the community and academic sectors who supported a complete ban on lines of credit suggested that a ban should also be extended to credit card deposits. However, banning credit cards for the purpose of gambling activity was out of scope when developing the National Framework.

In relation to on-course bookmakers, one industry stakeholder noted that there should be a technology-neutral approach, in other words a policy applied equally across online and terrestrial wagering operators. While they supported a complete ban on lines of credit, this stakeholder suggested that, should an exemption for on-course bookmakers be adopted, it is important that such an exemption does not create a loophole that encourages off-course and online bookmakers to establish on-course businesses to continue providing credit betting services. It was recommended any exemption for on-course bookmakers should be limited to sole-traders and include a limit on maximum annual turnover.

Some industry stakeholders recommended that a transitional period of approximately six months be incorporated into any new restrictions, allowing for the settlement of any outstanding debts.

iii. Implementation options

Since the Consultation RIS was released in June 2017, the banning lines of credit measure was enacted into Commonwealth legislation, via the *Interactive Gambling Amendment Act 2017*.

Accordingly, no further ministerial decision is required for this consumer protection measure as part of the recommendations made for Commonwealth, state and territory governments in this Decision RIS.

The Commonwealth Government included additional amendments in the IGA Bill: the banning lines of credit measure and the payday lenders consumer protection measure (refer to [chapter 5.9](#)) that were considered by the Australian Parliament in the Winter 2017 Parliamentary sitting period.

The Commonwealth Government has always been fully supportive of a ban on lines of credit including through a 2013 election commitment, and this policy issue was expedited through consideration as part of the IGA Bill.

In addition to the consultation undertaken as part of this RIS process, the Department of Communications and the Arts undertook other targeted consultations with industry and state and territory governments in July 2017. The purpose was to consult on the IGA amendments, including the banning lines of credit measure, which received comparable support to the consultation findings of the Consultation RIS process.

The *Interactive Gambling Amendment Act 2017* received Royal Assent on 16 August 2017 and took effect from 13 September 2017.

The *Interactive Gambling Amendment Act 2017* clarifies the IGA to respect its original intent of the IGA, as well as making additional amendments, including:

- prohibiting wagering operators from providing or offering credit, in connection with certain interactive wagering services, to customers that are physically present in Australia
- prohibiting wagering operators from promoting or facilitating the provision of credit (other than by way of credit card) via third parties, in connection with such services (the exception for credit cards will not apply in relation to credit cards issued by gambling service providers or by related companies)
- providing criminal and civil penalties for contravention of the credit prohibition
- providing an exemption for bookmakers earning \$30 million or less in annual wagering turnover, and which at least partially conduct their business at an Australian racecourse, to provide credit via the telephone
- providing that, where the service provider is part of a group of related companies, the annual wagering turnover of the group (rather than the individual provider) must be below \$30 million to attract the exemption
- enable the Minister for Communications to determine, by legislative instrument, additional conditions that must be satisfied before a provider may gain the benefit of an exemption
- providing an exemption that enables wagering operators to conduct 'business-to-business' credit dealings; for example, offering credit to other gambling service providers to manage risk.

Under the Commonwealth's *Interactive Gambling Amendment Act 2017*, this measure started on 17 February 2018. This date follows a transition period of six months to allow wagering operators and consumers to adjust their business and betting practices.

5.4 Offering of inducements consistent with responsible gambling

i. Problem and options

The O'Farrell Review did not specifically make a recommendation about the offering of inducements by online wagering operators. However, the O'Farrell Review did highlight industry concerns over the fragmented approach to restrictions for inducements across jurisdictions, which can increase compliance costs for wagering operators and impede their ability to service customers consistently.

On this basis, the Government Response to Recommendation 6 of the O'Farrell Review committed to considering a harmonised regulatory regime that also ensures the offering of inducements is consistent with responsible gambling.

Currently, all jurisdictions have some level of restrictions in place for inducements offered by online wagering operators, ranging from almost a prohibition approach, through to only regulating the advertising of inducements for new customers. Some jurisdictions prohibit advertising inducements to new customers, but allow loyalty programs on the proviso that they meet responsible gambling expectations.

The most stringent approaches compared to the current regulation around the advertisement of inducements are the New South Wales (NSW) or SA models. From 4 January 2016, NSW introduced regulations to prohibit gambling advertising which offers anyone an inducement to participate in any gambling activity, including an inducement to open a betting account. However, directly marketing gambling inducements to a person who is an existing wagering account holder is allowed (for example, through email). Whereas in SA, inducements can only be advertised if they are part of an acceptable and approved loyalty program.

Research has established that inducements may be associated with harm for vulnerable individuals. Qualitative research suggests that inducements make gamblers feel more in control of betting outcomes and that there is less risk associated with their gambling. Those at moderate risk, and those experiencing problem gambling, are more likely to bet more than they normally would when offered inducements.

The IGA Review examined the use of inducements and concluded that there is high potential for harm and misuse, and that there is a 'need for a vigilant approach' to their use. The IGA Review recommended against treating all inducements as simply standard advertising practice, and recommended the development of a mandatory national code of conduct for advertising by wagering providers, including inducements to bet.

The PC Inquiry noted that it is important to distinguish between the different forms of inducements. Such as those that are part of the general promotion and marketing to increase enjoyment, and those inducements that are likely to lead to problem gambling, or exacerbate existing problems, such as offering credit, vouchers, or rewards to open new accounts. The Inquiry found these difficult to justify, and recommended they be prohibited.

A report titled, *The structural features of sports and race betting inducements: Issues for harm minimisation and consumer protection 2016*²⁷, provides further analysis of the likely effects of wagering inducements on consumers and suggestions for their improved regulation. The analysis of the likely effects of wagering inducements revealed that:

- some internet gamblers seek out inducements to take advantage of ‘free’ bets and bonus deposits, opening accounts with multiple operators as a result
- young male sports bettors in particular, reported being encouraged by online advertising to switch from physical to online betting environments, to open accounts to receive ‘free’ bonuses, and to move between operators to access different incentives
- many of these sports bettors were reportedly focused on what was on offer, rather than any long-term risks or consequences
- about one-third of sports bettors and one in six adolescents agreed they felt encouraged by the in-match promotion of incentivised bets to take up these offers
- ‘risk-free’ bets were considered inducements that strongly encourage sports betting because they create the false impression that winning is certain.

A 2015 study funded by the Victorian Responsible Gambling Foundation, titled *Review and analysis of sports and race betting inducements (VRGF Review)*,²⁸ is the first known comprehensive examination of wagering inducements in Australia.

The VRGF Review found that the extensive variety of inducements offered to Australian consumers, such as bonus bets, multi-bets, play through requirements, and credit for betting may encourage the intensification of betting, leading to longer time spent betting, longer time spent ‘chasing’ losses, and riskier betting behaviour.

Additionally, the VRGF Review stated ‘the lack of research into wagering inducements currently precludes an evidence-based approach to policy’.

²⁷ Hing, N., Sproston, K., Brook, K., & Brading, R. 2016. The structural features of sports and race betting inducements: Issues for harm minimisation and consumer protection, *Journal of Gambling Studies*.

²⁸ Hing, N., Sproston, K., Brading, R and Brook, K. 2015. Review and analysis of sports and race betting inducements, *Victorian Responsible Gambling Foundation*.

Industry stakeholders have made claims that there are no discrete links between the use of inducements and the risk of harm, or problem gambling. However, the VRGF Review cited that, 'Lack of easily accessible and transparent information on the restrictions applied to inducements hinders informed choice, which is a cornerstone of consumer protection and responsible provision of wagering'.

The VGRF Review provided multiple suggestions for the improved regulation of inducements, including; banning certain types of inducements, clarifying the definition of inducements, strengthening monitoring and compliance mechanisms, and a better representation of responsible gambling objectives.

In the Consultation RIS, three regulatory reform options were presented for this consumer protection measure for consideration and feedback:

Option number	Description
Option one	Current arrangements: no changes (base case)
Option two	Minimum standards for restricting inducements: banning sign-up offers, better defining inducements in line with responsible gambling, and creating an opt-in system: stronger consumer protection standards (minor regulatory impact)
Option three	Banning all inducements: most stringent consumer protection approach (major regulatory impact)

ii. Consultation findings

Analysis of written submissions and targeted face-to-face meetings during the consultation period in June and July 2017 revealed stakeholder positions on the offering of inducements remain mixed.

One industry stakeholder has taken a strong position in favour of banning sign-up inducements. However, it is their view that providing promotional offers to existing customers is a legitimate form of marketing in a competitive marketplace, and that any form of regulation of offers to existing customers should be limited to the advertising of inducements.

Other industry stakeholders largely support a total ban on sign-up offers and restricting the advertising of other inducements if direct marketing to existing customers is allowed. It was suggested that it may be possible that funds deposited could be withdrawn without turnover requirements on the basis that such funds can only be returned to the original source.

Similarly, one industry stakeholder supports a complete ban on inducements if marketing is allowed for existing customers in order to retain customer loyalty. However, it is important to note early research findings suggest that direct marketing can influence bettors to place larger, riskier and more bets.

Some industry stakeholders state that the requirement to turn funds over before withdrawals is an important tool in limiting the likelihood of money laundering. Specifically, one stakeholder stated that turnover requirements for bonus bets should stay, but not for winnings from bonus bets. If bonus bets were treated as cash, the cost for operators would be tens of millions of dollars.

Industry stakeholders generally do not support the requirement for account holders to opt-in to receive marketing. One industry stakeholder stated that customers should be allowed a choice to opt-in or out of marketing offers at sign-up, rather than a default position with a need to opt-in.

Industry stakeholders have also stated that a prohibition should not apply to loyalty programs. This is because loyalty or rewards programs give operators a competitive edge against both domestic and offshore competitors, and believe 'they are a cost of doing business, rather than a variable incentive to customers'. Several prominent academics support this view as well, and do not believe that loyalty programs exacerbate problem gambling, as it instead rewards past behaviour, rather than encouraging future activity.

One industry stakeholder stated that they are in favour of banning all inducements (including loyalty schemes). Conversely, another industry stakeholder argued for the status quo, as it is the only option that will allow smaller operators to compete with larger companies that already have a significant portion of the market.

Some academic stakeholders recommend a complete ban of inducements. However, academia largely supports option two of the Consultation RIS, which proposes a set of minimum standards for restricting inducements. One academic stakeholder suggested that a complete ban could unduly push Australians offshore, and that the inclusion of responsible gambling messages with inducements should be mandated. Another academic stakeholder suggests that free bets should be banned. Some stakeholders in the community sector also support the banning of all inducements that are likely to undermine responsible gambling, including stake-back inducements and free bets.

iii. Impact analysis (costs, impacts and benefits above the baseline scenario)

This section outlines the impacts of the three proposed regulatory reform options for this measure, which aims to reduce the current offering of inducements, consistent with responsible gambling.

Option one: Current arrangements

This option proposes there be no changes made to the current arrangements for offering inducements for online wagering in Australia. In practice, state and territory governments continue to regulate licensed online wagering providers who provide a range of features for the offering of inducements, which will continue to be applied at the individual operator level.

Indicative regulatory costs per year

The table below outlines the estimated current baseline cost for business, community organisations and individuals.

Under the RBMF, costs were estimated over a 10-year period and presented on an annualised equivalent basis.

Option one: Average regulatory costs				
Current costs (\$ million)	Business	Community	Individuals	Total current costs
Annual total, by sector	\$0.48 million	\$0	\$0	\$0.48 million
Total over 10 years, by sector	\$4.77 million	\$0	\$0	\$4.77 million

The indicative baseline costs for this measure acts as a benchmark against the other three options to be assessed. Under the baseline scenario, inducements are shown to only impose a regulatory burden on industry. There is no current regulatory burden imposed on individuals or the community sector.

It should be noted, however, that under this option, individuals would continue to be subject to unclear terms and conditions, which may in turn hinder informed consumer choice. As stated previously, the provision of some inducements can encourage more intense betting and riskier betting behaviour. Maintaining the current arrangements could therefore have negative ramifications for individuals.

For industry, impacts mainly lie in the time spent to comply with all state and territory regulations. For example, having to put disclaimers on advertisements, geo-fencing or ensuring that they are complying with regulation.

Throughout the consultation process, industry indicated the need for operators to continually ensure ongoing compliance in their generic advertising material and website content, and also in their advertising for various gambling and sports events throughout the year which generally include the advertising of inducements.

Outcome

Maintaining the current arrangement is not recommended. Research has established that some inducements may be associated with harm for vulnerable individuals. Qualitative research suggests that inducements make gamblers feel more in control of betting outcomes and that there is less risk associated with gambling. Those at moderate risk and those experiencing problem gambling are more likely to bet more than they normally would when offered inducements, compounding the harm associated with problem gambling.

Additionally, this option does not provide for consistencies across all Australian jurisdictions and there would continue to be a highly fragmented approach to the regulation of inducements. This has negative impacts for both individuals and industry operators.

Option two: Minimum standards for restricting inducements

This option, as proposed in the Consultation RIS, included a set of core minimum standards for consumer protection around the offering of inducements by online wagering providers.

Specifically, option two as set out in the Consultation RIS, included the following features:

- prohibiting inducements to sign up to open a new account
- prohibiting the matching of customer deposits or offering of free bets
- prohibiting inducements that require any winnings to be ‘turned over’ before they can be withdrawn
- require new and existing account holders to opt-in to receive marketing material about inducements, and allowing account holders to opt-out (or unsubscribe) at any time
- require any marketing of inducements to clearly articulate all the terms and conditions pertaining to the inducement, noting that this will require further consultation
- require a better definition of inducements to aid in the distinction between inducements to gamble, and the legitimate marketing strategies used by wagering operators to promote their services– one option is to adopt the NSW definition of inducements, which states:

An inducement is an offer, whether accepted or not, that has the capacity to encourage a person to participate, or participate frequently, in gambling activity. This includes the opening of a betting account.

- the features would apply to both new and existing customer accounts

- the ban or restriction on the offering of inducements would apply specifically to direct offers by online wagering operators, without restricting other general advertising and marketing, to the public.

Based on the outcomes of the consultation process, the minimum standards under this option were refined. These changes provide clarity around what inducements would not be allowed under this option, and maintain the opt-in approach for direct marketing material to customers. The features of this option are now:

- inducements to open an account or refer a friend to open an account will be prohibited
- inducements not part of an approved loyalty program in a jurisdiction that only permits inducements as part of an approved loyalty program will continue to be prohibited
- the winnings from a bonus bet must be able to be withdrawn and not subject to turnover requirements
- all customers of wagering services must opt-in to receive direct marketing material
 - all marketing communications must contain a functional and easily accessible option to unsubscribe from receiving marketing material.

Indicative regulatory impacts per year

Individuals and community sector

If a customer wishes to receive inducements, they will be required to opt-in to receive inducements under option two. The method to opt-in may be through verbal communication via telephone betting, an operator's website, an email or a paper-based form; noting that this may be as simple as clicking one button but could be as time consuming as filling out a paper-based form, particularly for on-course bookmakers.

Industry

In implementing option two, there will likely be a one-off cost associated with operators who need to update their respective websites or mobile applications (noting that some telephone betting authorised operators will not need to complete this step).

There will also be a one-off cost for operators who need to update their promotional material, noting that the actual cost of marketing activities is not included in the indicative impacts, rather, the amount of time spent checking if their advertisements contain inducements.

On-course bookmakers are unlikely to utilise inducements or undertake the same level of marketing as medium and large operators. Further, some authorised telephone operators may not have websites or advertisements to update. Therefore, costs and time losses for on-course bookmakers are estimated to be substantially lower.

There will likely be a one-off compliance cost for all operators to develop or update their terms and conditions in relation to inducements. The Commonwealth Government has received advice that updating terms and conditions is standard practice for businesses, and is in part business-as-usual. On-course bookmakers are unlikely to offer as many inducements and their terms and conditions would be comparatively simple.

Certain industry stakeholders have indicated through submissions that the regulatory costs of creating an opt-in system for inducements would be substantive. A similar cost to the 'scaling cost' of an opt-out system for the pre-commitment measure has been assumed when costing this measure. Similar costs for on-course bookmakers have also been assumed, noting that this may entail paper-based forms/verbal communication to meet the requirements for this measure.

The table below outlines the indicative regulatory impact of implementing option two (estimated cost impact for this option, less the existing baseline cost estimate for option one).

Option two: Average annual regulatory costs				
Change in costs (\$ million)	Business	Community	Individuals	Total change in costs
Annual total, by sector	-\$0.09 million	\$0	\$0.20 million	\$0.11 million
Total over 10 years, by sector	-\$0.88 million	\$0	\$2.01 million	\$1.12 million

Summary of key impacts

Key saves/benefits

- There will be greater consistency around the offering of inducements across operators.
- This option will provide increased consumer protections to the offering of inducements.
- This option will implement a minimum standard across all jurisdictions, while also allowing the offering of certain inducements to enable continued market competition, and allowing some jurisdictions to apply more stringent regimes.

Key costs/disadvantages

- This option could result in a reduction in the amount of new customers signing up to an account with a licensed online wagering operator, which may result in a decrease in their wagering revenue.
- Although there is no definitive data, this option could have the flow-on effect of reducing broadcast advertising and, therefore, a reduction in revenue for broadcasters and sporting bodies.

Option three: Banning all inducements

This option proposes a complete ban of all inducements applied consistently across jurisdictions. This option is the most stringent approach to the offering of inducements across jurisdictions.

Indicative regulatory impacts per year

Individuals and community sector

Implementing option three is unlikely to have a regulatory impact on individuals or the community sector above the baseline scenario.

Industry

There will be a one-off cost associated with operators who need to update their respective websites or mobile applications to reflect the requirements of option three (noting that some telephone betting authorised operators will not need to complete this step).

There will also be a one-off cost for operators who need to update their promotional material, noting that the actual cost of marketing activities will not be included; rather, the amount of time spent checking if their advertisements contain inducements and the time spent to cease inducements in advertisements and promotional material.

On-course bookmakers are unlikely to utilise inducements or undertake the same level of marketing as medium and large operators. Further, some authorised telephone operators may not have websites or advertisements to update.

There will likely be a one-off compliance cost for all operators to develop or update their terms and conditions in relation to inducements. As noted above, the Commonwealth has received advice that updating terms and conditions is standard practice for businesses, and is in part business-as-usual. Based on smaller customer numbers and reach, on-course bookmakers are unlikely to offer as many inducements as corporate bookmakers, if any, and their terms and conditions would be less complex.

The table below outlines the indicative regulatory impact of implementing a ban on all inducements under option three (estimated cost impact, less the existing baseline cost estimate for option one).

Option three: Average regulatory costs				
Change in costs (\$ million)	Business	Community	Individuals	Total change in costs
Annual total, by sector	-\$0.40 million	\$0	\$0	-\$0.40 million
Total over 10 years, by sector	-\$3.96 million	\$0	\$0	-\$3.96 million

Summary of key impacts

Key saves/benefits

- This would provide the most stringent form of consumer protection with regard to inducements.
- This option aims to prevent any predatory practices by wagering operators associated with the offering of inducements to individuals.

Key costs/disadvantages

- A significant impact of banning all inducements, loyalty programs and third-party affiliates may be a significant decrease in profits made by industry, broadcasters and sporting bodies.
- This option may decrease market competition in the Australian online wagering industry and potentially push consumers to illegal offshore wagering companies.

iv. Preferred option

Based on the consultation findings and impact analysis, the preferred option for the implementation of this consumer protection measure is option two. This option would apply to both online wagering providers and affiliates.

Although ministers have given agreement in-principle to the minimum standards identified in the option, there remains no agreement on how stringent the inducements measure should be.

Under this option, jurisdictions that support additional forms of inducements being prohibited reserve the right to pursue those measures through their own regulations and licensing arrangements.

Competition Impacts

Overall, the Commonwealth does not consider that option two will have significant competition impacts. The banning of certain inducements that are shown to be harmful is not expected to have an impact on an online wagering provider's core product offering, and would not limit the ability to set the prices for their services.

Potentially, some industry stakeholders may argue that the banning of some inducements could limit the freedom of providers to market their products, resulting in unduly pushing Australians to offshore websites. However, online wagering operators are still able to advertise their brand and product offering, as further restrictions on inducements advertising are not being proposed at this time. Therefore, the ban on certain types of inducements does not affect an Australian licensed provider to compete or reduce the incentive of providers to compete.

Further, information asymmetry between a customer and online wagering provider would not occur, as the proposed restrictions would not limit the ability of consumers to decide which operator they would like to gamble with in any way. Arguably, more information will become available to customers, as terms and conditions of inducements will be made clearer and simpler. The cost of entry or exit into the Australian market would also generally be unaffected.

v. Implementation options

State and territory governments will implement this measure through legislation and licensing conditions, with the aim to have the inducements measure fully operational by within six months following Commonwealth, state and territory agreement.

5.5 Activity statements on demand and on a regular basis

i. Problem and options

Recommendation 8 of the O'Farrell Review stated that users should be regularly sent online statements detailing their wagering activity, including total wagering, winnings and losses. These activity statements should also be readily accessible through an operator's website.

In response, the Government committed to developing a universal and nationally consistent approach to empower gamblers to monitor and manage their expenditure as part of the National Framework. The statements should be transparent and easy to understand.

Activity statements refer to information that detail an individual's betting history, including the outcomes of bets, aggregate wins and losses, and deposit information. These statements can be made available to wagering account holders online, through a mobile application, sent out via email or other methods of correspondence. Activity statements typically provide a list of all transactions over a specific time period.

Although transaction history and being able to easily access online wagering activity information is generally mandated in most jurisdictions, this can often be presented in confusing ways. This includes the provision or access to long lists of transactions that are difficult for individuals to sort through to get a clear view of their gambling activity; instead acting as a deterrent to understanding their gambling expenditure.

There is considerable data and evidence showing that gamblers, including those who exhibit harmful gambling behaviours, are far more likely to remember wins and forget losses. Data from the Household, Income and Labour Dynamics in Australia expenditure survey shows that people significantly underestimate their gambling spending, and face difficulties remembering losses. This can hide harmful gambling behaviours until it becomes ingrained.

The information that is currently provided to customers on online wagering sites is inconsistent across operators and jurisdictions. This combined with a lack of clear and concise information for customers can mean the information available can be difficult to use, and does little to empower individuals around accurately understanding their gambling expenditure.

Activity statements (and access to transaction information) are an important consumer protection tool as they can provide accurate and, clear information on an individual's online wagering expenditure. By standardising requirements nationally and across all providers, and still having activity statements delivered at the operator level, consumers are able to have this consistent information available to them regularly and on-demand.

Account activity statements have been considered as an important consumer protection tool through a number of reviews and inquiries including the IGA Review and the PC Inquiry and also through research. In addition, some recent research findings indicate that the majority of gambling customers would like the option to receive feedback on their transactions through an online wagering operator, especially over a period of time. Receiving regular financial statements has been found to be one of the most popular options for responsible gambling tools.²⁹

The use of activity statements, in conjunction with other measures in the National Framework (such as pre-commitment and CGM), is expected to provide greater overall protection for consumers, empowering them to stay in control of their own gambling.

The statements will be a useful tool in giving all consumers the ability to monitor and manage their gambling, and allow individuals to identify risky gambling patterns or behaviours before any significant problems develop. This detailed and accurate data can also assist with people who are experiencing gambling problems and seeking support for this, including for counsellors to be able to assist people with reviewing and analysing any patterns.

Harmonisation of the method in which activity statements are provided will also benefit wagering operators by providing a national approach for the content and delivery of these statements.

These activity statements can also provide an avenue of regular contact between wagering providers and individuals. This allows for the provision of information on responsible gambling, counselling services, and available emergency support. Statements can also increase awareness of other available tools to help consumers monitor and control their own gambling behaviour, such as pre-commitment or self-exclusion.

The Consultation RIS considered three possible implementation options for providing activity statements to customers of online wagering. These are summarised below.

Option Number	Description
Option one	Current arrangements: no changes (base case)
Option two	A standardised approach for providing activity statements : stronger consumer protection standards (minor regulatory impact)
Option three	Standardised activity statements from a centralised system (major regulatory impact)

²⁹ Gainsbury, S. 2012. *Internet Gambling: Current research findings and implications*.

ii. Consultation findings

As part of the consultation process for the O'Farrell Review, non-industry stakeholders identified the difficulty faced by customers in understanding the extent and impact of their gambling activity. This was attributed to a lack of access to clear and easy to understand activity statements. The provision of activity statements was seen as a possible way of mitigating current difficulties faced by customers in self-identifying their at-risk or problem behaviour.

From the consultations undertaken as part of the Consultation RIS process in June and July 2017, it was clear that the existing requirements for activity statements were inconsistent across jurisdictions, but more importantly, unclear and complex for customers to review.

Industry stakeholders largely considered that customer transaction information was already easily accessible for their customers, should they wish to access this. However, due to the inconsistent requirements across jurisdictions, there was broad support from industry for a standardised approach for providing statements.

The provision of statements to customers was a point of contention, based on the frequency with which this should occur, and the format that this should be undertaken. Requirements to send out uninvited statements to customers were cautioned by some industry stakeholders as having a counterproductive effect. This could cause customers to ignore this information as a result of information fatigue, and may also present privacy issues, particularly where unsolicited statements are sent by post.

Aside from raising the administrative burden for mailing out statements by post, some industry stakeholders suggested that cost recovery purely related to the costs for mailing out statements should be permitted. This was based on the fact that online wagering is by its nature an online activity. Therefore, where a customer has a preference for a hard copy format of the statement, this cost could be passed on to them. Under SA regulations, this cost recovery is permitted.

By contrast, most other stakeholders believed that this information should be provided free of charge to customers as requested. However, there was also feedback received in relation to providing exportable formats to allow customers to have greater control and visibility over their transactions and betting patterns over time.

One operator was supportive of option one, maintaining current requirements for statement information, as it provided privacy for the customer and allowed consumer choice in accessing the information as required.

Academics who provided input to the consultation process considered the provision of activity statements to be a measure which would not be difficult to implement and would be expected to have a considerable impact on consumer protection, aligning customers' views of their expenditure with reality.

There was some support for a centralised system by non-industry stakeholders, as it could provide a holistic overview of activity across all wagering accounts. However, some academics who provided feedback considered a standardised format was sufficient for this measure, citing difficulties in providing a single statement, especially around privacy and customer security.

Similar to the pre-commitment measure, a standardised approach to providing activity statements was considered to be a good immediate solution, with a longer-term goal of moving to a centralised system. Further consideration of the feasibility of a centralised system for activity statements may be undertaken in conjunction with this work on pre-commitment, ahead of any decision to transition to this approach.

With regards to frequency, there was no consensus on this matter, with caution suggested about overly frequent statements that could lead to message fatigue. Some stakeholders suggested aligning statement frequency with the number of betting transactions, which aligns with the current requirements in SA.

There was also some hesitation raised around providing loss information to customers as this may contribute to behaviours such as chasing losses by customers vulnerable to problem gambling.

In addition, community sector stakeholders and academics supported the removal of branding and marketing from any activity statements that are provided to customers.

Some industry stakeholders also raised objections to including linkages to pre-commitment limit information (such as the limit set, and if/when reached), as it is not an already existing aspect of statements. This requires further consideration before being required as part of statements for all customers.

iii. Impact analysis

This section outlines the impacts of the three proposed regulatory reform options for the activity statements measure.

Option one: Maintain the status quo

This option proposes that there be no changes made to the existing arrangements for providing activity statements for customers of online wagering organisations in Australia. In practice, state and territory governments would continue to regulate licensed online wagering providers, and the requirements would remain subject to requirements in each jurisdiction. Based on consultation, current requirements are largely based around player-instigated account access.

Summary of key regulatory impacts

Key saves/benefits

- Option one would impose no additional cost impacts on wagering operators, beyond what is currently required.

Key costs/disadvantages

- Continued inconsistency in requirements across different states and territories that online wagering operators make available or provide activity statements to consumers. This includes a range of costs involved with complying with the different jurisdictional requirements.
- Consumers will continue to be confused by complex, unclear language and information in activity statements or transaction summaries. This may mean that customers continue to not access their statements or transaction information.
- The inability to access transaction information in an exportable format will continue to be an issue for those individuals who wish to do so, as well as for gambling counsellors and those in assistance services who may wish to access this information to support those individuals.
- This option would not meet the recommendation of the O'Farrell Review, or the Government's response to the O'Farrell Review.

Indicative regulatory impacts per year

Although the current costs for complying with requirements around activity statements are estimates to be quite low, this is predicated on the fact that only one jurisdiction (SA) mandates regular statements to a portion of customers based on a threshold of transactions. Tasmania (TAS) also requires annual statements for customers of loyalty programs linked with online wagering operators.

As such, the primary cost drivers for this cost estimate are from the requirements in SA, which only apply to the estimated number of active accounts belonging to customers based in this jurisdiction. Anecdotally, access rates of this transaction history and activity statement information is quite low among customers.

The cost impact is applied to operators, where the indicative cost of providing a statement was considered to be approximately \$0.20 averaged over all mediums. This cost calculation has been applied to the implementation options accordingly.

The table below outlines the current baseline costs for businesses, community organisations and individuals. As the regulation of online wagering is largely the state and territory government's responsibility, this has been calculated on a state-by-state basis.

Under the RBMF, costs were estimated over a 10-year period and presented on an annualised equivalent basis.

Option one: Average regulatory costs				
Change in costs (\$ million)	Business	Community	Individuals	Total change in costs
Annual total, by sector	\$0.43 million	\$0	\$0	\$0.43 million
Total over 10 years, by sector	\$4.34 million	\$0	\$0	\$4.34 million

Option two: A standardised approach for providing activity statements

Under the Consultation RIS, this option proposed a set of stronger consumer protection measures for activity statement features for online wagering for all operators, applied consistently across Australian jurisdictions. However, based on the consultation process, and the inclusion of this measure as part of trialling and testing through BETA, the specific requirements have not been finalised.

In particular, the Consultation RIS identified several features that were removed from the final option based on feedback through the consultation process. This included:

- Quarterly statements – there was a stronger preference for monthly statements, however a broad range of positions were put forward around the frequency of statements. As there was no agreement, this feature may be trialled through BETA
- Providing all statements free of charge – many stakeholders noted that online wagering activity occurred online, and it was reasonable to assume statements should be provided in the same way. Where online statements were made available but a customer chose to have statements sent by post, it is reasonable for direct cost-recovery to be allowed
- Pre-commitment information included in statements – the effectiveness of this feature could be tested by BETA for inclusion based on outcomes.

The standardised approach for providing activity statements therefore presents the following high-level principles, with specific requirements finalised ahead of implementation. The principles are:

- be easily accessible at all times
- clearly articulate the net win/loss for the specified period
- provide practical information that is clear and not complex
- be provided by operators free of charge, but operators should be able to recover the costs purely associated with sending a statement to customers by mail, if a customer elects this delivery method.

Detail around format, content and delivery of activity statements to provide stronger consumer protection standards will be informed by trialling and testing. The following features may be included:

- require statements to be provided regularly and if requested, on demand
- be available for delivery through multiple methods, including pushed out to customers via the mobile application or via email, as well as mailed by post
- make all expenditure information easily accessible (including previous statements), through multiple delivery methods to consumers at all times – this includes through an online wagering operator’s website and mobile phone application, and options should also be provided for other access methods (including paper and excel formats) to allow individuals to further monitor wagering history
- prompt a consumer at sign-up to elect a preferred method for activity statements, with the default being a mobile application or email alert with a link providing direct access to the statement (that is, not simply directing to the operators website)
- link with pre-commitment limit information, where applicable, such as the limit, when limits were set, changed or reached during the activity statement period
- include links and information on responsible gambling such as the Gambling 1800 Helpline and website, and other consumer protection tools; for example, links with pre-commitment information where applicable.

The benefits of providing this detailed transaction information is expected to outweigh the risks of encouraging riskier gambling behaviours by customers.

Summary of key regulatory impacts

Key saves/benefits

- For individuals, this option would provide greater consistency around the type of information provided in activity statements and less confusion around what expenditure data means in a statement. A clear and concise summary as part of the statement will provide a quick indication of net win or loss position.
- Increasing the frequency in which consumers are offered or provided with statements gives greater transparency over gambling activity.
- The level of information provided, including links to pre-commitment limits and gambling support services, increases the level of consumer protections.
- This option harmonises the regulations across all jurisdictions, reducing compliance costs for multiple regulatory environments.
- Gambling counselling services will benefit from having this information more easily accessible and transparent.

- This option would meet the recommendation under the O’Farrell Review as well as the corresponding Government Response to this recommendation, to empower individuals in understanding their gambling expenditure.

Key costs/disadvantages

- Developing clear summary information and improved accessibility will impose a cost for development and implementation on industry.
- There will also be costs for industry in preparing and providing activity statements, especially where an individual elects to have this information mailed out to them. However, this could be cost-recovered.
- There may also be a risk that by providing activity statements and at an increased frequency, individuals will pay less attention to these statements, thereby reducing its overall effectiveness.
- A quick summary of recent gambling expenditure including net win/loss information may trigger ongoing gambling behaviour, especially for vulnerable gamblers who may seek to chase their losses.
- Improving the ability of individuals to monitor their own gambling expenditure may also indirectly lead to an increase in people accessing gambling and community support services, placing a strain on the community sector and level of services they can provide.

Impacts on key stakeholders

Individuals

The primary impact on customers of wagering providers is that they may receive summary information and activity statements more frequently than under current arrangements. As mentioned in consultations, there is a risk that increased frequency may lead to customer fatigue and people disengaging from this consumer protection. As such, a balance needs to be struck around frequency and delivery method that minimises this risk.

These features of a standardised approach will be informed by testing and trialling, and considered by governments before being included as part of the requirements for activity statements and this measure will not come into full effect until this testing and trialling has occurred.

In terms of cost impacts on individuals, there are not considered to be any significant impacts on this cohort. This is on the basis that any decision to engage with the operator’s system for the purposes of accessing activity statements or transaction history (also possibly in exportable formats) is a choice by the individual, and not an impact imposed by regulations. This is also the case where an operator makes statements available online, but an individual elects to have an activity statement sent by post. This is a choice of the customer, and therefore not considered a regulatory cost impact on the individual.

Industry

Although some wagering operators already offer some of the features considered under this standardised approach for providing statements, this is in no way consistent, nor is it clear and concise.

The key expected cost drivers under this option are the development of clear and concise summary information for all customer activity statements, as this is not currently provided. System changes to accommodate this new feature would impose a cost, dependent on whether an operator has proprietary systems or uses a third party provider. For larger operators with proprietary systems, this cost is based on an estimate provided by a large wagering operator during consultations. For medium operators that would be expected to leverage third party software for implementing these changes, a cost roughly one quarter as for those large operators has been used.

Improvements to the system interface for online and mobile application accessing of expenditure information is also estimated to impose a moderate cost on operators, noting that most already provide access through several formats. The access to an exportable format of statements is included under this accessibility improvement. Similar cost assumptions as for the system developments above have been used to estimate the cost impact of this change.

These two cost impacts are one-off implementation costs for new system build requirements, but for the purposes of determining an annual cost impact, this has been averaged over the 10-year period of the cost estimates.

Although the frequency and delivery method remain the subject of research and trialling, for the purposes of estimating a cost impact for implementing a standardised approach to activity statements, assumptions have been made in this Decision RIS.

Where statements could be either accessed online/through a mobile application, this is not expected to pose any additional cost to wagering operators given the automated nature of this statement generation. However, for customers that do not access the statements in this way, it is assumed that an activity statement would be pushed out to the customer per month. This is expected for approximately 50 per cent of the total estimated active accounts in Australia (an average of 3.88 million accounts each year, as an average over the 10-year period costed).

As assumed in the baseline costing for activity statements, a nominal cost of \$0.20 was estimated for the provision of statements to customers, which accounts for the multiple formats that could be used, either push notifications, emails, or mail. Given the frequency and scale of active accounts in Australia, this would represent a significant cost impact to online wagering operators each year. In fact, for this option, this cost represents around 70 per cent of the total cost impact estimated for all online wagering operators (including smaller on-course bookmakers).

It is worth acknowledging that much of the process for generating and providing statements is considered to be automated. As such, the chance of this component of the cost estimate being realised to the full extent (approximately \$4.8 million a year) has not been tested. The absence of accurate and granular data provided by wagering providers in the consultation process prevented more accurate estimates from being made.

In addition to the above costs, a cost for system maintenance for daily activity statement system checks and back-up has been included for all wagering operators. This cost is a daily administrative cost, requiring one staff member from each of the 144 providers to spend around 12 minutes undertaking the maintenance checks (which captures smaller on-course bookmakers with online or phone operations).

Smaller operators

The cost estimates for developing a system that provides standardised activity statements to customers of the approximate 95 smaller on-course bookmakers with account-based online or telephone wagering services has also been included.

Unfortunately, no information was provided throughout the consultation process on the estimated costs of implementing this measure for these sole-trader and similar types of on-course bookmakers. As such, an assumption was made that the system build costs for this category of operator would be largely reduced through the system developments for medium-sized operators, and could be provided through a third party subsidiary. In total, an estimate of \$15,000 per operator was used, which represents the one-off build cost and licensing fees for providing this system.

Community sector

There are no impacts identified for this sector as a result of the standardised approach for providing activity statements. It is anticipated that gambling counsellors and other assistance services would benefit broadly from improved clarity and transparency for customers around their gambling expenditure, but this is not costed as an impact. However, there may still be some indirect impacts where consumers may seek support from the community sector, such as a financial counsellor, to assist with understanding the information on their activity statements.

Indicative regulatory impacts per year

The table below outlines the regulatory impact of implementing option two (estimated cost impact, less the existing baseline cost estimate for option one).

Option two: Average regulatory costs				
Change in costs (\$ million)	Business	Community	Individuals	Total change in costs
Annual total, by sector	\$6.35 million	\$0	\$0	\$6.35 million
Total over 10 years, by sector	\$63.54 million	\$0	\$0	\$63.54 million

Option three: A centralised system approach

This option would build on the features of the standardised approach for providing activity statements, instead requiring these statements to be issued through a centralised system, linked to all wagering operators. This option improves the effectiveness of activity statements through the development of a centralised system that can provide activity statements for all wagering activity, instead of just wagering activity at individual operator level only.

Ultimately, the approach will provide a holistic activity statement to consumers, summarising activity across all online wagering providers in a single statement. A standardised activity statement will also provide a breakdown of activity for each licensed wagering operator that an individual has placed a bet with, during the statement period. However, as with other measures, the principle of consumer choice remains important. As such, this option could provide the option to have separate statements for each wagering provider with which the individual has placed a bet with in a specific period.

As with other centralised system options, the implementation of this approach would require some research and testing into the feasibility and benefits above a standardised operator-based approach, as well as a longer timeframe for development. This option will also be costly and timely to implement. Guarantees around protecting consumer privacy and sensitive commercial information remain a key consideration for implementing this option.

Summary of key impacts

Key saves/benefits

- This option provides transaction information across all online wagering accounts (or those selected) in one clear, consistent format. A single activity statement will better empower individuals to monitor and manage their overall expenditure.

- This option provides a centralised system approach with a single activity statement as this will provide greater transparency for individuals and assist in reducing expenditure estimation bias for people at risk of developing gambling issues.
- A standardised statement through a centralised system does meet the recommendation of the O'Farrell Review and the corresponding Government Response for this measure.

Key costs/disadvantages

- This represents a significant departure from the current arrangements. There are subsequently high implementation and ongoing costs estimated for industry in facilitating such a centralised system for activity statements to consumers.
- Relaying data to the central server in an appropriate timeframe such that on-demand information is as up-to-date as possible will be a costly exercise, especially for smaller organisations.
- Costs of complying with a centralised server option may impact on the economic viability of some smaller wagering operators and see leakage of customers to offshore markets, unregulated by Australian governments.
- As with the risk for the standardised approach, presenting summary information for customers may illicit loss-chasing gambling behaviours, where a net loss is identified.
- There are overarching privacy and security concerns for customer data in providing this information to a centralised system.
- Improving the ability of individuals to monitor their own gambling expenditure may also indirectly lead to an increase in people accessing gambling and community support services, placing a strain on the community sector and level of services they can provide.

Impacts on key stakeholders

Individuals

As with option two, in terms of cost impacts on individuals, it is considered there will not be any significant impacts to this cohort. This is on the basis that any decision to engage with the operator's system for the purposes of accessing activity statements or transaction history (including exportable formats) is a choice by the individual, and not an impact imposed by regulations.

However, over and above the standardised approach in option two, there are greater concerns around security and privacy of an individual's wagering expenditure under this centralised system approach. Although appropriate precautions could be taken, the requirement for an individual's wagering activity to be collated in one central source may present perceived security risks, even if these were never realised. There is a risk that this could undermine the effectiveness of the system.

However, this option could provide individuals with better consumer protections as they have clear and useful gambling activity information that is easily accessible.

Industry

Estimating indicative cost impacts for industry for developing, implementing and maintaining a centralised system for activity statements wagering was acknowledged by industry stakeholders as incredibly difficult in the absence of system specifications. As such, cost impacts for this option were estimated across all operators in line with the approach for a centralised pre-commitment system. These costs were derived from the approximation provided by one online wagering operator in the Consultation RIS process. This estimate was provided as a centralised system encompassing both activity statements and pre-commitment, which has been halved for the purposes of this measure.

Under this estimate, the primary impacts for wagering operators of all sizes is the one-off cost for development and implementation of the system (averaged over 10 years), and an annual ongoing compliance cost, capturing technology development and management, as well as administrative staffing elements. Although this cost is likely to vary based on the size of an online wagering operator, it is nonetheless considered to be quite complex and costly to implement.

There is the potential for this cost impact to push licensed onshore wagering operators offshore, to avoid these requirements (noting that the IGA stipulates that it is illegal to service Australian customers if not licensed by an Australian jurisdiction).

Importantly, although the cost estimate provided was for a large operator, the requirement that any operator's system must comply with the centralised approach for activity statements is estimated to impose a large cost. For smaller businesses, such as on-course bookmakers with account-based online or phone operations, these costs are likely to be far in excess of what would be considered an acceptable regulatory cost for business. As such, if these cost estimates were realised, there is a possibility that this approach would cause some wagering operators to cease operations.

As with pre-commitment, a centralised system for activity statements may have a range of costs, depending on whether the information relayed to the central server occurs in real-time, or is backed up less frequently (for example, daily, or every few hours). The more frequent this information transfer occurs, the more costly the system is expected to be.

During consultations, some academics and community sector representatives acknowledged that there were likely to be significant cost impacts for industry involved with the centralised system. It was also noted that the improved effectiveness of this system over a standardised approach (option two) may not be commensurate with the development costs. There were suggestions that this could be a transitional approach that occurs over a medium or longer-term timeframe. Although this is not expected to be the subject of any scoping or feasibility considerations, the work undertaken on the feasibility of the centralised system for pre-commitment would be beneficial in assessing the impact of this option ahead of implementation.

Wagering operators may also need to make sure that the security of a consumer's expenditure information is protected in a centralised location.

The estimated costs for industry for this option would be \$75.08 million a year. However, based on the change in costs from the existing baseline cost estimate, a centralised system for providing activity statements is expected to have an annual cost impact of \$74.64 million.

Community sector

There are no direct regulatory impacts estimated for the community sector based on the implementation of a standardised approach for providing activity statements through a centralised system. However, there are possible flow-on effects for counsellors and those providing assistance to people experiencing harm from gambling, as the implementation of a more complete view of gambling expenditure may indirectly lead to more reflection on an individual's overall gambling behaviour. This could in turn mean more people seek assistance to address their concerns around gambling expenditure control.

Indicative regulatory impacts per year

The table below outlines the regulatory impact of implementing option three (estimated cost impact, less the existing baseline cost estimate for option one).

Option three: Average regulatory costs				
Change in costs (\$ million)	Business	Community	Individuals	Total change in costs
Annual total, by sector	\$74.64 million	\$0	\$0	\$74.64 million
Total over 10 years, by sector	\$746.41 million	\$0	\$0	\$746.41 million

Overall, the operator-based standardised approach was viewed as the most practical and cost-effective option for improving on the current activity statement requirements across all jurisdictions. This option meets the recommendation of the O'Farrell Review to regularly send statements, and have these statements readily accessible on an operator's website. This option also provides a nationally consistent approach to activity statements that should serve to empower gamblers in monitoring and managing their expenditure per operator, in line with the Government Response to the O'Farrell Review recommendation.

Based on feedback from the Consultation RIS process, the standardised approach with options for customers to either access statements online or have these pushed out, which includes clear summary information, was not expected to have a long implementation timeframe. The main cost drivers for option two relate to upgrading current systems, or for smaller operators, potentially developing new systems, with ongoing costs kept minimal.

A centralised system, in line with option three, would provide a more holistic overview of wagering activity, but there are significant costs and privacy concerns relating to this option. Although there was support from some stakeholders for this approach, there was acknowledgement of the significant time that may be required to develop and implement this system across all wagering operators.

The ability to export transaction history for customers was considered an alternative to a centralised system, allowing customers to review activity across all operators. This feature is required under a standardised approach in option two, and on balance, is considered a useful tool for all customers of online wagering sites.

Smaller on-course bookmakers with telephone and/or online operations would require significant changes to current practices. However, low customer levels and simpler interface is expected to keep implementation costs much lower.

Although there are potential regulatory saves to industry through complying with one nationally consistent approach to providing activity statements, this is likely to be outweighed by system development costs. However, in practice, these costs would be realised more broadly across all measures and result in reduced compliance across jurisdictions.

iv. Preferred option

The preferred option for implementing activity statements is through option two, which provides for a standardised approach at the operator-only level. High-level principles are recommended under the National Framework, with further trialling and testing to enhance this measure and ensure that the requirements will be effective in improving consumer protection, without inadvertently reducing the efficacy of this measure.

The principles recommended for mandating are that statements:

- are easily accessible at all times
- must clearly articulate the net win/loss for the specified period
- provide practical information that is clear and not complex
- should be provided by operators free of charge, and could recover the costs of posting a statement to customers from them, if they elect this delivery method.

Features for activity statements, including delivery methods, format and frequency of statements are to be tested by BETA, with further refinements to this measure under the National Framework based on these outcomes.

v. Implementation options

The preferred implementation pathway for this measure is through state and territory licensing conditions and legislation. It is recommended that the overarching principles will be mandated through the National Framework from date of agreement, however, it will not become operational until trialling and testing is complete.

Updated features could be mandated six months following agreement to the National Framework, once trialling and testing of this measure is complete (with a possible six-month transition period for industry to accommodate smaller operators and on-course bookmakers).

The commencement of this measure would be expected within 12 months after agreement of the National Framework, following the trialling and testing period.

5.6 Consistent gambling messaging

i. Problem and options

Recommendation 13 of the O’Farrell Review stated that the national policy framework should introduce a system to allow for the development and use of nationally consistent and standardised messaging that would assist efforts in responsible gambling. The O’Farrell Review heard evidence that greater consistency in CGM was more likely to support the considerable efforts jurisdictions invest in harm minimisation and consumer protection initiatives.

CGM is an important consumer protection tool, as it provides consumers with an opportunity for self-appraisal on their gambling behaviours and momentarily disrupts their concentration, such as through dynamic messaging. They also are a medium to provide information about other consumer protection tools and gambling help services.

The regulations for CGM are currently inconsistent between states and territories in Australia, and therefore, online wagering providers are required to adhere to each set of regulations in order to legally provide online wagering services to residents of the corresponding state/territory.

The Consultation RIS considered three possible implementation options for CGM. These are summarised below.

Option Number	Description
Option one	Current arrangements: no changes (base case).
Option two	Consistent generic messaging. A set of stronger consumer protection CGM standards applied consistently to all online wagering providers across all states and territories. Additionally, the detail around the messaging used, including terminology, format, style, consistency and imagery will be tested and further researched to ensure their effectiveness.
Option three	Consistent generic messaging and dynamic messaging. This option aims to improve the effectiveness of CGM with the addition of dynamic messaging, which could include pop-up messages or predictive algorithms that trigger messages when problem gambling patterns are identified. Further research and testing of these technologies would be required to ensure the design of effective CGM to disrupt problem gambling patterns and provide consumers the opportunity to momentarily analyse and evaluate their online gambling behaviour.

ii. Consultation findings

During the consultation phase in June and July 2017, it was highlighted that online wagering providers spend a lot of time and money on adhering to current state and territory regulations for CGM.

Most stakeholders shared the view that there should be national consistency in CGM, and suggested that expertise is required in developing the most effective messaging and ways of relaying this to consumers across various mediums without messaging fatigue or hollow meanings (option two). This includes determining the content, terminology, format, style, consistency and imagery.

Various industry stakeholders specified a preference for option two, as they believed:

- there is very little evidence, if any, to suggest that dynamic messaging is effective in the online wagering environment
- it is unclear how robust the algorithms would be to support option three
- research evidence, support and experience with dynamic messaging has yet to mature enough to enable successful and effective rollout to consumers
- option three would create technological problems and be complex to implement
- the development of a dynamic messaging system would take considerable time, effort and cost.

One industry stakeholder considered that the national approach should aim to provide more effective messaging that encourages self-appraisal, and delivered at an appropriate frequency to drive positive effects and not cause message fatigue.

There were some academic and community stakeholders who preferred a combination of consistent generic messaging and dynamic messaging (option three), stating there is an evidence base to draw upon. These stakeholders believed that this option would provide a targeted approach to addressing at-risk or problem gambling behaviours, providing the opportunity for gamblers to consider their frequency of bets and amounts wagered.

It was also highlighted that substantial trialling and testing of this measure is required to inform effectiveness and relevance of CGM across consumer groups, and under what circumstances; and further research is required to create algorithms to detect at-risk gamblers and target these individuals with specific messages.

In the third meeting of Commonwealth, state and territory gambling ministers on 8 September 2017, ministers agreed in-principle that the terminology of gambling messaging will be tested to ensure its effectiveness as a consumer protection measure and that the measure is now termed 'consistent gambling messaging' – it was previously termed 'responsible gambling messaging' in the Consultation RIS.

iii. Impact analysis

This section considers costs and benefits to businesses only, as it is not considered that there will be any regulatory impact on individuals or the community sector.

This section outlines the impacts of regulatory reform option two and option three for the CGM measure, above the baseline scenario, which proposes no change to the current arrangements (that is, state and territory governments continue to regulate licensed online wagering providers and provide varied requirements for CGM across Australian jurisdictions).

Option one: No changes

This option proposes that there be no changes made to the existing arrangements across all jurisdictions regarding the CGM requirements. In practice, state and territory governments would continue to regulate licensed online wagering operators.

Summary of key impacts

Key saves/benefits

- This option has no increase or decrease in the regulatory burden or costs.

Key costs/disadvantages

- There will continue to be inconsistent gambling messaging, which may impede jurisdiction's consumer protection efforts.
- Online wagering operators will continue to operate under a fragmented regulatory system for gambling messaging, creating increased regulatory burden.

This option is not supported as it does not resolve the inconsistencies in gambling messaging requirements across the states and territories, and there were no stakeholders who supported maintaining the status quo. It also does not meet the objectives of government actions or address the O'Farrell Review recommendations.

Indicative regulatory impacts per year

The following table outlines the current baseline cost for business, community organisations and individuals. Under the RBMF, costs were estimated over a 10-year period and presented on an annualised equivalent basis.

Option one: Average regulatory costs				
Current costs (\$ million)	Business	Community	Individuals	Total current costs
Annual total, by sector	\$19.99 million	\$0	\$0	\$19.99 million
Total over 10 years, by sector	\$199.86 million	\$0	\$0	\$199.86 million

The baseline scenario for this measure was estimated to have significant regulatory impact on online wagering providers as industry stakeholders have commented on the great difficulties they face in adhering to the varied regulations and licensing requirements that are currently in place across states and territories. Only online wagering providers have been considered in these regulation costs as the current regulatory requirements for on-course bookmakers are generally stipulated in voluntary codes of practice and there are no mandated requirements for on-course bookmakers that offer online or phone services. This acts as a benchmark against the other two options to be assessed.

The only difference between option two and option three is that option three proposes the addition of a dynamic messaging system to further improve the effectiveness of CGM. Again, small on-course bookmakers are not considered in the regulation costs for the options. This is because the large majority of small on-course bookmakers that offer account-based wagering and would fall under the National Framework have phone betting services that generally do not have responsible gambling messaging requirements to abide by. For the small number of on-course bookmakers that offer online account-based wagering, these costs are considered negligible based on the small number of operators that would fall into this category.

Option two: Consistent generic messaging

Option two proposes national consistency in CGM. This would mean there would be a decrease in the regulatory burden on online wagering providers as they would only be required to adhere to one set of regulations. As such, implementing this option would indicate that the regulation costs would decrease for industry.

Summary of key impacts

Key saves/benefits

- CGM will reduce long-term compliance costs for operators who will be able to use the same advertisements and publications across Australia.

- Messages will be scripted to affect a positive impact on the rationale behind gambling behaviours. Individuals will also be presented with easily accessible information about and direct customers to gambling counselling services.

Key costs/disadvantages

- Consultations with broadcasters indicated that one advertisement is approved for a period of two years. For all changes to CGM, advertisements will need to be changed accordingly, however, this represents only an initial cost to the industry and broadcasters.
- Industry, and potentially the community sector, will need to change their CGM on their respective websites, promotional products, etc.
- If generic messaging is used, there is a possibility that message fatigue will result in CGMs being less effective.
- This consumer protection measure needs to be informed by further research and evidence and therefore, stronger consumer protection standards for CGM will be developed at a later date.

Under option two, the Government, in consultation with state and territory governments, will take responsibility for determining CGM that will be effective and relevant to consumers, and will be scripted to affect positive impact on the rationale behind their gambling behaviours. These costs of development and research around CGM will be borne by governments and are not within scope of the RBMF, and therefore, are not included in the regulatory cost estimates examined in this Decision RIS.

It is considered that online wagering operators would regularly review their advertising campaigns to ensure the advertised content is relevant. Therefore, it is assumed that the potential costs to industry and broadcasters for any changes to advertising campaigns due to changes to CGM would be absorbed by business as usual costs. As such, this has also not been included in the regulatory costs.

In addition, individuals will be presented with easily accessible information about gambling support services through CGM, and this could have an indirect impact on community organisations if there is a surge in the uptake of gambling support services by individuals. However, these flow-on costs are unable to be quantified and have not been included.

Indicative regulatory impacts per year

The table below outlines the cost for business, community organisations and individuals if option two was implemented (estimated cost impact, less the existing baseline cost estimate). Under the RBMF, costs were estimated over a 10-year period and presented on an annualised equivalent basis.

The indicative regulation costs to industry under option two are estimated to be approximately \$1 million, for Australian licensed online wagering providers in adhering to only one set of CGM regulations. This option would result in annual savings of almost \$19 million a year, which is a really significant benefit to online wagering providers in terms of saving both compliance and administrative costs.

Option two: Average regulatory costs				
Change in costs (\$ million)	Business	Community	Individuals	Total change in costs
Annual total, by sector	-\$18.98 million	\$0	\$0	-\$18.98 million
Total over 10 years, by sector	-\$189.75 million	\$0	\$0	-\$189.75 million

Option three: Consistent generic messaging and dynamic messaging

Option three proposes that online wagering providers need to design, set up and implement dynamic messaging in addition to adhering to regulation requirements for national CGM. This could provide a targeted approach using predictive algorithms to address at-risk or problem gambling behaviours. This would mean that this option poses increased regulatory impact on industry and is significantly more expensive than option two. The cost would depend on the specifications of the dynamic messaging system that each online wagering provider chooses to adopt, and how this interacts with specific systems of operators.

This approach could be a future objective of the National Framework, subject to the outcomes of trialling and testing the effectiveness of dynamic messaging in the online gambling environment. This could depend on whether it proves to be significantly more effective in supplementing CGM to increase consumer protection and harm minimisation, compared to CGM alone.

Summary of key impacts

Key saves/benefits

- CGM will reduce long-term compliance costs for operators who will be able to use the same advertisements and publications across Australia.
- Messages will be scripted to affect a positive impact on the rationale behind gambling behaviours. Individuals will also be presented with easily accessible information about and direct customers to gambling counselling services.
- Dynamic messaging may provide benefits for individuals as it causes a momentary break in concentration which supports customers to analyse their gambling behaviour and promotes the responsible consumption of gambling.

- Messages would aim to encourage rational gambling choices and support self-appraisal.

Key costs/disadvantages

- Predictive algorithms are currently unrefined and face several challenges in the accuracy of their results. The effective use of these algorithms would require extensive research and testing to ensure accuracy prior to their use (a research project is currently underway). This would impose costs to the industry and operators in regard to testing of these algorithms.
- Dynamic messaging may cause individuals to react negatively due to the timing of the pop-up messages. Individuals may feel that the timing of messages negatively interferes with placing a bet and impacts on their ability to engage with the gambling activity. This may have an adverse effect and cause customers to look to offshore operators, where activity would not be disturbed by pop-up messages.
- As more individuals seek help through CGM, this could potentially lead to an increase in counselling attendance, resulting in pressure on resources and increased regulatory costs for the community sector.
- Under this option, industry, and potentially the community sector, will need to significantly change their CGM on their respective websites, promotional products, etc.
- Due to the individualised nature of dynamic messaging, consideration must be given to the use of technology in tailoring the messages according to customer activity and associated privacy concerns. Customers also may choose to opt out of these messages; which raises concerns about its effectiveness as a consumer protection measure.

Indicative regulatory impacts per year

Option three imposes a significant cost to industry to develop, set-up and manage the dynamic messaging system. Only one stakeholder provided an estimate for dynamic messaging during consultation– that it will cost \$300,000 to \$500,000 to develop and implement a dynamic messaging system (through push notifications), depending on the specifications of the system.

It has been noted that this is one provider's broad estimates and may not be true of implementation costs for all sizes of operators. However, in the absence of comprehensive information, this estimate has been used to calculate the indicative regulation costs to implement option three– this would be a one-off development and implementation cost, spread over 10 years and calculated per provider to be between approximately \$2.5 million to \$3.5 million a year. This was calculated across 49 large and medium licensed online wagering providers. Small on-course bookmakers have not been included as the majority of small on-course bookmakers conduct their business over the phone and only a small number offer online services.

Despite the additional cost above that estimated for option two, option three would still return annual savings of between \$16.5 million to \$17.5 million in indicative regulation costs compared to the baseline option.

As identified in the section above on the outcomes of consultations, industry stakeholders expressed concerns over the complexity of dynamic messaging and the impact this will have on their systems, as well as the need for extensive research and testing to ensure the accuracy and effectiveness of predictive algorithms, including the timing, format and content of the corresponding pop-up messages, prior to their use.

Option three: Average regulatory costs				
Change in costs (\$ million)	Business	Community	Individuals	Total change in costs
Annual total, by sector	Low range -\$17.50 million High range -\$16.52 million	\$0	\$0	Low range -\$17.50 million High range -\$16.52 million
Total over 10 years, by sector	Low range -\$175.05 million High range -\$165.25 million	\$0	\$0	Low range -\$175.05 million High range -\$165.25 million

iv. Preferred option

The consultation findings and impact analysis of this chapter highlight that research evidence and experience with dynamic messaging in the online gambling environment has yet to mature enough to support the introduction of dynamic messaging as an effective element in the CGM space, and there are higher costs involved to implement option three. Based on the analysis, the Decision RIS has assessed option two as the preferred option for the implementation of this consumer protection measure.

Implementing national CGM standards will ensure that Australian consumers will receive the same information about responsible gambling. This option will also remove the regulatory burden on providers in adhering to the different regulations of each state and territory, and further encourage offshore operators to move to the licensed onshore wagering market. It is important to note that substantial trialling and testing is still required to determine the features for CGM that would ensure its effectiveness as a consumer protection measure, as agreed to by ministers on 8 September 2017.

Although this preferred option has an estimated cost of \$1.01 million per year to businesses, the net impact when compared with the current requirements is a significant overall save of \$18.98 million per year.

v. Implementation options

The preferred implementation pathway for national CGM is to go through state and territory legislation and licensing conditions. The following high-level principles are recommended to be mandated in the National Framework as an overarching guide for the CGM measure:

- CGM should be easily understood and accessible to a wide range of groups across Australia and therefore be designed in consideration of the jurisdiction they are displayed
- Terminology of messaging is crucial to their effectiveness as a consumer protection measure, and messages should be designed in collaboration with experts (harnessing new and existing research).

The outcomes of further trialling and testing will subsequently inform Government regarding the final features of the CGM measure. Subject to approval, these features could be mandated in the National Framework six months after the National Framework is agreed to, and be fully implemented within 12 months. The design of the National Framework will be flexible to incorporate necessary changes and developments based on research and evaluation.

5.7 Staff training

i. Problem and options

Recommendation 10 of the O'Farrell Review stated that all staff involved with online users must undertake appropriate training in the responsible conduct of gambling—provided through an accredited provider.

The O'Farrell Review heard evidence that training is of vital importance to help employees recognise and interact with customers who may be experiencing gambling-related difficulties, and that consequently, training in consumer protection is an integral aspect of gambling industry practice.

Some stakeholders submitted to the O'Farrell Review that staff training should be an ongoing process with the training content being monitored by the relevant state or territory regulator or independent body. Other stakeholders noted the importance for staff to be effectively trained in the early identification of key harmful gambling behaviours and communication with vulnerable customers, including referrals to sources of gambling support services.

Staff training is an important consumer protection tool under the National Framework, as it aims to educate employees on the responsible provision of gambling services in the context of online wagering environments. Staff training may also improve staff capability in identifying at-risk or harmful gambling behaviours. Some stakeholders also suggested that a combination of mandatory staff training and the application of predictive algorithms could form a coherent approach in ensuring a culture of responsible gambling.

Currently, the only publicly available training course on the responsible service of gambling is focused on land-based gambling and is governed by national competency standards; this may not translate completely to training packages for staff working in the online wagering environment, given there may be different consumer behaviours and risks to identify.

The current regulations for staff training are inconsistent between states and territories in Australia, with regards to the requirements for particular staff involved in online wagering to complete mandatory training. Only the Australian Capital Territory (ACT), NT, SA and TAS have regulations that require mandatory completion of the Responsible Service of Gambling course for staff employed by online wagering providers. The Queensland code refers to mandatory training for staff involved in gaming duties within a licensed club or hotel and the Victorian code only mandates staff training for land-based gaming industry staff. The Western Australia (WA) and NSW regulations do not stipulate mandatory training requirements at all.

This inconsistency across jurisdictions is further amplified by a lack of clear guidance on the required components for training, as well as where and who is required to undertake any responsible service of gambling training to improve overall business practices in this space. This can lead to impacts on vulnerable customers, who may be disadvantaged simply by being customers of online wagering operators, whose employees may not be well-trained in the responsible service of online gambling.

The Consultation RIS considered three possible implementation options for staff training. These are summarised in the table below.

Option Number	Description
Option one	Current arrangements: no changes (base case).
Option two	<p>Mandatory training with prescribed learning objectives. A set of stronger consumer protection standards for the training and learning objectives to be delivered to all staff employed by an Australian licensed online wagering operators who are involved in the provision of wagering services, or who have the capacity to influence the wagering service (such as marketing and communications staff). Other features could include:</p> <ul style="list-style-type: none"> • Regulators would approve the content of the training (either through themselves or through a third party), including key minimum learning objectives which seek to educate staff to support the responsible provision of online wagering and assist staff in identifying/intervening in potentially harmful gambling. • The minimum learning objectives need to be relevant to online wagering. • Staff must undertake the training within three months of commencing employment as a minimum standard with the operator, and complete refresher courses frequently. • Regulators would also have a role in determining who is an approved training provider. <p>Removed the requirement for maintenance of register to record staff training.</p>

Option Number	Description
Option three	<p>Mandatory online training module and annual refresher module. Essentially, this option goes beyond the prescribed learning objectives in option two, and mandates a compulsory online training program for all staff who are involved in the provision of online wagering services, or who have the capacity to influence the online wagering service. Other features include:</p> <ul style="list-style-type: none"> • New staff must undertake the online training module within one month of commencing work. • Staff dealing directly with customers would have to undertake the online training module before they interact with any customers. • An annual refresher module would also be developed. • The program would be industry-funded. <p>Any further training would be above the minimum requirements.</p>

ii. Consultation findings

During the consultation phase in June and July 2017, there were varied opinions on the staff training measure under the National Framework. Most stakeholders shared the view that there should be a nationally consistent training program for the responsible service of gambling that is relevant and effective for staff employed by online wagering providers.

Industry stakeholders supported the development of a set of prescribed learning objectives (option two) that seek to educate staff to support the responsible provision of online wagering services and assist staff in identifying and intervening in potentially harmful gambling behaviour. Their considerations include:

- learning objectives are designed in collaboration with the community sector and academia
- emphasis on proactive intervention and clear referral processes
- a transition period to be determined by consultation with industry to allow for the update and adoption of new training packages and updates to relevant responsible gambling guidelines
- an end of 2017 implementation timeframe is not realistic– there has not been an agreed implementation pathway, minimum learning objectives are not yet defined and there is a need for agreement across jurisdictions
- however, agreement on minimum learning objectives among stakeholders might be feasible by the end of 2017.

Some industry stakeholders supported the approach to have the required course content and training program approved and audited by the state or territory regulator, as well as allow operators to obtain accreditation as approved training providers. This would also provide operators some flexibility in delivering training in-house and tailoring some of the content to their business needs. In contrast, another industry stakeholder considered this approach would increase compliance costs.

It was also raised that dedicated research considering the online environment will be required. This was suggested based on the fact that identification and intervention with people showing signs of gambling problems in the online space can be very different than for land-based– it may rely on monitoring account expenditure patterns, and telephone or email interactions with customers.

In relation to the requirement to maintain a staff training register in some jurisdictions, industry stakeholders and state and territory governments highlighted that this requirement did not appear to serve any practical purpose and was just an administrative burden for online wagering operators and state-based regulators. This position could be justified in moving towards a mandated training program that all staff would be required to undertake, that is, option two or option three.

Other stakeholders preferred the mandatory approved program approach as it would provide consistent training that is delivered independently from industry, with one suggesting that there should be a requirement for online wagering operators to have in place software that detects risky gambling behaviour by people gambling with the operator.

Some community sector stakeholders suggested that it would be beneficial to build in personal gambling stories into the training content. However, other stakeholders have commented that this approach may desensitise staff in normalising harmful gambling behaviours, and suggested there may be more benefit in strengthening the relationship between online wagering providers and gambling support services. This could include having a ‘venue support worker’ sit with staff to go through the different approaches and intervention tools and techniques in the sensitive management of each case.

In addition, a few stakeholders considered that it is important for staff training to be delivered to all employees of online wagering operators so that they are all aware of the risks associated with online gambling and a culture of responsible online gambling is achieved and maintained. Other stakeholders considered that only employees who interacted with customers should receive specialist training.

iii. Impact analysis

This section considers regulation costs and benefits to businesses only, as it is not considered that there will be any regulatory impact on individuals or the community sector for the staff training measure.

This section outlines the impacts of regulatory reform option two and option three for the staff training measure, above the baseline scenario, which proposes no change to the current arrangements (that is, varied regulatory requirements will continue to exist between states and territories in relation to online wagering operators providing their staff with responsible gambling training).

Option one: No changes

This option proposes that there be no changes made to the existing arrangements across all jurisdictions regarding employees of online wagering operators having to complete staff training. In practice, state and territory governments would continue to regulate licensed online wagering operators.

Summary of key impacts

Key saves/benefits

- This option has no increase or decrease in the regulatory burden or costs.
- Maintaining current arrangements will allow for online wagering operators to have more flexibility in how they choose to train their staff.

Key costs/disadvantages

- Staff training requirements, including learning objectives and training content, will remain inconsistent across states and territories.
- Online wagering staff may not be able to recognise and interact with customers who may be experiencing gambling-related difficulties, or adequately assist online consumers.

This option is not supported as it does not resolve the inconsistencies in staff training regulations across the states and territories, and there were no stakeholders who supported maintaining the status quo. It also does not meet the objectives of government actions or meet the Government Response to Recommendation 10 in the O'Farrell Review.

Indicative regulatory impacts per year

The table below outlines the current baseline cost for business, community organisations and individuals. Under the RBMF, costs were estimated over a 10-year period and presented on an annualised equivalent basis.

Option one: Average regulatory costs				
Current costs (\$ million)	Business	Community	Individuals	Total current costs
Annual total, by sector	\$1.92 million	\$0	\$0	\$1.92 million
Total over 10 years, by sector	\$19.20 million	\$0	\$0	\$19.20 million

The baseline scenario for this measure was estimated to have considerable regulatory impact on online wagering providers as industry stakeholders have commented on the varied state and territory regulations and licensing requirements that they must adhere to. This acts as a benchmark against the other two options to be assessed.

This regulatory cost only takes into account those states and territories that currently require by regulation or licensing conditions for the staff of online wagering operators to complete responsible services of gambling training.

Option two: Mandatory training with prescribed learning objectives

Option two proposes stronger consumer protection standards in the form of national consistency in staff training requirements for online wagering operators. This option mandates compulsory training for employees involved in online wagering, including those employees that do not have direct interactions with customers, in line with the Government Response. This would allow training programs to be designed with the same objective and ensure that staff that move from one operator to another will have the same skills in the responsible service of online wagering.

Specifically, the stronger consumer protection standards for the staff training measure could include the following features:

- All staff employed by an Australian licensed online wagering service who are involved in the provision of wagering services, or who have the capacity to influence the wagering service (such as marketing and communications staff), must undertake responsible service of gambling training to ensure a culture of responsible gambling within the organisation.
- Regulators would approve the content of the training (either themselves or through a third party), including key minimum learning objectives which seek to educate staff to support the responsible provision of online wagering and assist staff in identifying/intervening in potentially harmful gambling. The minimum learning objectives need to be relevant to online wagering.

- Staff must undertake training within three months of commencing employment as a minimum standard with the operator, and complete refresher courses frequently. As stated previously, ministers agreed this will be implemented by the end of 2017.
- Regulators would also have a role in determining who is an approved training provider (for example, a wagering provider, a community sector organisation or another third party) to ensure high-quality and consistency of training is delivered. Delivery of staff training in this option would be dependent on the operator, funding and the mode.

Summary of key impacts

Key saves/benefits

- This option supports the Government Response in mandatory training for all staff involved in online wagering. This provides a significant benefit to individuals, industry and the community sector as all staff will develop skills and competencies to be more effective in the provision of responsible gambling services. It will encourage an organisational culture of supported education about the importance of responsible gambling, setting the foundation where other responsible gambling tools can build on.
- Training programs would be designed with the same objective and delivered across all jurisdictions. This would ensure there is consistency in the level of consumer protection to be provided to all consumers regardless of which online wagering provider they choose to engage with.
- It may also benefit the community sector and allow organisations with extensive experience in gambling help services to contribute to the development of nationally consistent key learning objectives, which are based on research, testing and evaluation.
- Gamblers experiencing gambling harm may be more likely to seek help under this option, which could lead to individuals focusing on regaining control of their health and wellbeing, relationships and finances.

Key costs/disadvantages

- This option is expected to impact all online wagering operators as it will require a change to current training programs. This may incur an initial cost for operators to reflect the stronger consumer protection standards.

Implementing this option is expected to impose a regulatory cost on online wagering operators licensed in NSW, Queensland, Victoria and WA, to adhere to new nationally consistent regulations which mandate compulsory training for all staff. In addition, those licensed in the ACT, NT, SA and TAS would need to ensure that they deliver training to their staff that meets the new regulated requirements for training, or they will need to send all their staff to complete the new training.

Option two proposes stronger consumer protection to individuals. This is reflected where staff who have completed responsible online wagering training will be more likely to consistently identify individuals who show at-risk or problem gambling behaviours, assist them and provide them with information on gambling support services. This could have an indirect impact on community organisations if there is a surge in the uptake of gambling support services by these individuals. However, these flow-on costs are unable to be quantified and have not been included.

Indicative regulatory impacts per year

The table below outlines the cost for business, community organisations and individuals if option two was implemented (estimated cost impact, less the existing baseline cost estimate). Under the RBMF, costs were estimated over a 10-year period and presented on an annualised equivalent basis.

Option two: Average regulatory costs				
Change in costs (\$ million)	Business	Community	Individuals	Total change in costs
Annual total, by sector	\$1.75 million	\$0	\$0	\$1.75 million
Total over 10 years, by sector	\$17.53 million	\$0	\$0	\$17.53 million

Under option two, the estimated regulatory costs are only expected to impact industry. It is estimated to be approximately \$3.67 million per year. The cost drivers for this option are the cost of the training course itself, as well as the staff hours cost to the operator to send staff to training for all operators and the development, set-up, delivery and maintenance costs of the training program for those operators who wish to deliver in-house training. This option would result in an additional cost of about \$1.75 million per year above baseline costs.

Option three: Mandatory online training course and annual refresher course

Option three goes beyond the prescribed learning objectives in option two, and proposes a mandatory online training program.

Under the Consultation RIS, option three was a broad proposal for a mandatory approved program for all staff involved in online wagering in Australia. The specific approach, or who would be responsible for developing such a mandatory training course was discussed but feedback was sought on this matter.

Based on the feedback received through the consultation, refinements were made to this option to be more prescriptive on the proposed approach. This option recommends that there is a mandatory staff training program, which includes the core module and an annual refresher module. This training program would be available online and therefore, negate the need for approved training providers to deliver the training.

As such, the features proposed in option three include:

- All staff who are involved in the provision of online wagering services, or who have the capacity to influence the wagering service, must undertake responsible services of gambling training, to create a culture of responsible gambling within the organisation.
- New staff must undertake the online training module within one month of commencing work.
- Staff dealing directly with customers would need to undertake training before they interact with any customers.
- The approved training program should be industry funded.

Summary of key impacts

Key saves/benefits

- This option supports the Government Response in mandatory training for all staff involved in online wagering. The delivery of the mandatory training program would be streamlined and available online.
- A nationally consistent training program for online wagering delivered to all staff across states and territories would ensure that all staff developed the same skills in assisting customers experiencing gambling-related harm.
- This streamlined approach will allow for the development of quality training program to focus on the core needs of a staff training program. It may benefit the community sector as there would be the opportunity to shape the program to ensure it is founded on research and expertise.
- Like option two, gamblers experiencing gambling harm may be more likely to seek help under this option, which could lead to individuals focusing on regaining control of their health and wellbeing, relationships and finances.

Key costs/disadvantages

- This training program would impose a cost for industry as it would require staff to complete a new training program, the cost of which would need to be covered by the industry.
- This option requires extensive research and consultation to develop a training program which is agreed to by all stakeholders. This may have an impact on the industry in regard to questions of an interim training program.

Delivering the training program nationally and online removes an extra layer of regulatory burden for operators in adhering to requirements relating to who must deliver the staff training that was outlined in the O'Farrell Review recommendation. In particular, the need to find an approved training provider or Registered Training Organisations each time staff require training is inefficient as a process, and is more likely to lead to gaps in staff with recent training.

The online training module can be undertaken in a short amount of time and whenever it is required, allowing all staff to complete appropriate training as soon as possible, when starting with an online wagering operator. This approach also negates the need for the training content to be approved by the regulator that option two requires.

In addition, this streamlined approach will allow for the focus on the core needs in the development of quality staff training programs. Over the long term, this option provides more flexibility for training to be updated and improved, based on research, consultation and expertise.

Tightening the timeframe for new staff to have completed the mandatory staff training before any interaction with customers will enhance consumer protection by ensuring that all staff are well-equipped with the necessary skills and information to assist customers who are experiencing gambling-related harm.

As with option two, trained staff may provide information on gambling support services to individuals that they identify showing at-risk or harmful gambling behaviours, and this could have an indirect impact on community organisations if there is a surge in the uptake of gambling support services by these individuals. However, these flow-on costs are unable to be quantified and have not been included.

Under option three, the Commonwealth Government, in consultation with state and territory governments, will take responsibility for developing a mandatory staff training program for online wagering. This would include development of an annual refresher course, which could be updated to reflect research findings or better practice approaches to training.

Costs for the development of the course into an online training program have been calculated and included in the regulatory cost estimates in this RIS. The expectation for this option is that the development of the course, as well as completion of the training program by all staff, will be funded by the wagering industry.

Indicative regulatory impacts per year

The table below outlines the cost for business, community organisations and individuals if option three was implemented (estimated cost impact, less the existing baseline cost estimate). Under the RBMF, costs were estimated over a 10-year period and presented on an annualised equivalent basis.

Option three: Average regulatory costs				
Change in costs (\$ million)	Business	Community	Individuals	Total change in costs
Annual total, by sector	\$1.14 million	\$0	\$0	\$1.14 million
Total over 10 years, by sector	\$11.44 million	\$0	\$0	\$11.44 million

The indicative regulation costs to industry under option three are estimated to be approximately \$3.06 million per year. This cost was calculated based on the development, set-up and maintenance costs of the online training program and staff hours cost to the operator to have staff complete training across all operators. This option would result in an additional cost of about \$1.14 million per year above the baseline costs.

iv. Preferred option

The consultation findings and impact analysis of this chapter highlight the importance placed on mandatory training in the responsible services of online gambling, for all staff employed by online wagering operators to increase consumer protection and harm minimisation. There are also lower cost estimates for implementing option three, rather than implementing option two. Based on the analysis, the Decision RIS has assessed option three as the preferred option for the implementation of this consumer protection measure.

Implementing option three will ensure that all staff receive the same training on responsible services of online gambling, and there will be consistency in how staff identify at-risk or problem gambling behaviours and intervene where appropriate.

v. Implementation options

The preferred implementation pathway for the staff training measure is through state and territory legislation and licensing conditions. It is recommended the following high-level principles will be mandated in the National Framework as an overarching guide for the staff training measure:

- all staff who are involved in the provision of wagering services, or who have the capacity to influence the wagering service, must undertake responsible service of

gambling training, to create a culture of responsible gambling within the organisation

- the approved online training program is industry-funded
- an annual refresher training module is to be developed, which would refresh content knowledge and information on any recent changes in consumer protection and/or gambling harm
- new staff must undertake the online training module within one month of commencing work with the wagering operator
- staff dealing directly with customers would have to undertake the training before they interact with any customers.

The next steps would involve the Commonwealth Department of Social Services initiating discussions with the Commonwealth Department of Education and Training on the potential development of the required skills and capabilities for a training module and key learning objectives. It is anticipated that the delivery of the online training program requirements will be within 12 months of decision of the final National Framework, following the development of the key learning objectives.

5.8 Reducing the current customer verification period

i. Problem and options

Recommendation 9 of the O'Farrell Review stated that, 'as part of the national policy framework, the current 90-day customer verification period should be reduced to at least 45 days.'

This was in response to advice provided to the O'Farrell Review by industry and non-industry stakeholders that the existing customer verification process could be completed within a much shorter timeframe.

At present, under Part 10.4 the AML/CTF Rules, online wagering operators are generally required to verify the identity of users within 90 days of opening an online wagering account. The AML/CTF Rules also prohibit the customer from withdrawing any funds from their on-line betting account until such time as the person has had their identity verified. Under the NT Code of Practice, online wagering operators licensed in the NT are required to verify customer information within a maximum of 45 days.

The current timeframes specified in the AML/CTF Rules are considered to overestimate the time required to verify a customer's identity. The AML/CTF Rules, which came into effect in 2007 with the introduction of the *Anti-Money Laundering and Counter-Terrorism Financing Act 2006* (AML/CTF Act), do not reflect technological advances and the increasing ease and speed of on-line customer identification and verification services since they were first drafted.

Further, the current timeframes specified in the AML/CTF Rules are problematic as it provides for extended periods of time for which a person who is underage, or who is self-excluded, is acting contrary to the AML/CTF Rules or is involved in illicit activity such as match-fixing or money-laundering, is able to engage in online wagering activity prior to detection. Reducing the customer verification timeframes is expected to reduce the potential harms associated with this behaviour and is a key measure under the National Framework.

In the Consultation RIS, four regulatory reform options were presented for this consumer protection measure for consideration and feedback:

Option number	Description
Option one	Current arrangements: no changes (base case)
Option two	Reduction to a 21-day timeframe: stronger consumer protection standards (minor regulatory impact)
Option three	Reduction to a 14-day to 72-hour timeframe (minor regulatory impact)
Option four	Mandatory verification prior to any wagering activity (major regulatory impact)

ii. Consultation findings

In the June and July 2017 consultation process, stakeholders across all sectors widely expressed support to amend Part 10.4 of the AML/CTF Rules by reducing the customer verification timeframe. However, views on the extent of the revised timeframe for customer identification and verification were varied.

Support for option one

One key industry stakeholder recommended that no change be made to the current arrangements. The stakeholder expressed concern that reducing the time to verify the information collected from a customer may incentivise certain operators to increase the level of probabilistic matching, accept sub-par electronic databases, or revert to standard minimum verification requirements.

The industry stakeholder further noted that better quality verification and monitoring as opposed to quicker verification is key to harm minimisation, and that a range of controls should be used, such as transaction monitoring, warning messages, customer profiling and device monitoring.

Support for option two

Some industry stakeholders supported option two, highlighting that a 21-day customer verification timeframe would be a significant reduction in the current timeframes. It was suggested that a reduction to 21 days would strike a balance between the increases in consumer protections this reduction would bring, while still providing industry with sufficient time to complete manual verification processes.

Although in some cases the manual verification process can be completed via electronic means, one large industry stakeholder noted that a manual verification process can require a customer's identity documents to be certified by an authorised certifier (for example, Justice of the Peace) and mailed to the wagering operator.

It was highlighted that manual verification can be a protracted process for consumers living in regional locations with limited document certifying services and longer postal delivery times. It was argued that a timeframe shorter than 21 days would result in an inability for these customers to establish online wagering accounts.

Support for option three

Option three received strong support by some industry stakeholders, as well as some stakeholders in the community and academia sectors. One key industry stakeholder noted that option two was too conservative and that they had already committed to moving to a 14-day verification timeframe. Stakeholders added that a 72-hour timeframe is achievable because of the ability to access relevant government databases (the Document Verification Service) by authorised third party service providers. Some stakeholders referenced the experience in the UK and Gibraltar, where they have been able to reduce the customer verification timeframe to 72 hours. This indicates the feasibility of option three, ensuring that Australia's online wagering industry remains competitive and consistent with global best practice. However, these jurisdictions have more access to official government databases.

Support for option four

Some academics and community sector stakeholders supported option four, deeming this would provide the greatest level of consumer protection by preventing individuals from wagering until they have been verified as eligible to do so. Other stakeholders, however, suggested that mandatory verification before wagering could potentially push some customers to offshore operators where they would be able to begin wagering immediately, and therefore this would result in a contrary outcome to the objective of the illegal offshore wagering reforms, and a displacement of wagering revenue to offshore operators.

For this reason, option four was not supported by industry stakeholders.

iii. Impact analysis

This section outlines the impacts of the four proposed regulatory reform options for the reduction in the current customer verification period measure. Importantly, the cost impacts are calculated differently to other measures. This is due to the fact that the cost estimate for options two, three and four impose a one-off system reconfiguration cost only, specifically in relation to the reduction in the timeframe. All other requirements for verifying customers continue to apply, but as these are not imposed by the regulatory approach in that option, they are not included in the estimate.

Although there is an interaction between the baseline costs (current arrangement), and the costs for each option, the baseline costs are not a further requirement of the option proposed.

Option one: Current arrangements

This option proposes there be no changes to the current arrangements for customer verification for opening online wagering accounts in Australia. In practice, state and territory governments will continue to regulate licensed online wagering providers who apply their own customer verification checks within the required timeframes, at the individual operator level.

Under the current arrangements, online wagering operators licensed in the NT would continue to be required to complete the process in 45 days. Online wagering operators in all other jurisdictions would continue to be required to complete the process in 90 days.

Indicative regulatory costs per year

The table below outlines the estimated current baseline cost for business, community organisations and individuals.

Under the RBMF, costs were estimated over a 10-year period and presented on an annualised equivalent basis.

Option one: Average annual regulatory costs				
Current costs (\$ million)	Business	Community	Individuals	Total current costs
Annual total, by sector	\$1.13 million	\$0	\$1.46 million	\$2.59 million
Total over 10 years, by sector	\$11.29 million	\$0	\$14.63 million	\$25.92 million

The indicative baseline costs for this measure acts as a benchmark against the other three options to be assessed. Under the baseline scenario, customer verification is shown to impose a regulatory burden on both individuals and wagering operators.

For industry, costs mainly lie in manual verification processes where online wagering operators can be required to handle, assess and store customer verification documents. Automatic customer verification processes are also shown to incur a cost for wagering operators, where the operator contracts a third-party document verification service, or rely on industry maintained databases.

Online wagering operators are also subject to compliance and transaction reporting obligations under AML/CTF Act and Rules, incurring costs associated with compliance with the obligations of the AML/CTF Act and Rules, and in particular, transaction reporting to the AUSTRAC.

The current regulatory burden imposed on individuals includes quantified time losses from the requirement for customers to provide sufficient information in order to be automatically verified; above what would normally be required as part of opening an account (for example, drivers licence number, Medicare number, passport number). From this, there is also a requirement for individuals to provide identity documents if they have been unable to be automatically verified. As noted above, manual verification can be a lengthier process for consumers living in regional locations.

Outcome

Maintaining the current arrangement is not recommended for a number of reasons. Firstly, as highlighted above, there may continue to be periods of up to 90 days that people who are underage or are acting contrary to the AML/CTF Rules are able to engage in online wagering activity prior to detection. This could also undermine the efficiency of the self-exclusion measure included under the National Framework.

Additionally, this option does not meet the objectives of government action or address the recommendations of the O'Farrell Review. With the exception of one industry stakeholder, key stakeholders agree that the customer verification timeframe should be reduced to help mitigate the risks associated with underage online wagering, identity fraud, money laundering and match-fixing.

Lastly, where the O'Farrell Review found the current regulatory framework was fragmented and weak, this option does not provide for consistencies across all Australian jurisdictions as there will continue to be separate processes depending on whether a wagering operator is licensed in the NT or another jurisdiction.

Option two: Reduction to a 21-day timeframe

This option proposes the maximum customer verification timeframe be reduced to 21 days. The features of this option include:

- Customers to be verified within a maximum 21-day period to continue using an online wagering account.
- Winnings are not able to be withdrawn prior to identity verification.
- Wagering operators must return deposited funds and close an account immediately if customer verification identifies a person is under 18 years of age or is self-excluded.

Indicative regulatory impacts per year

Individuals and community sector

Implementing option two is unlikely to have a regulatory impact on individuals or the community sector above the baseline scenario. Reducing the timeframe to 21 days should not affect the number of individuals requiring manual verification, as automatic verification happens (or is found to be unable to happen) either at the time of registration or shortly thereafter.

Additionally, the manual verification process for customers is not altered by a reduction in the verification timeframe. An individual would still be required to provide the same certified identity documents, via the available communication method they choose. Further, in the vast majority of cases, it would be unlikely to take an individual in excess of three weeks to copy, certify and send identity documents to wagering providers, regardless of the communication method of providing those documents or whether the individual is in a regional location.

This option will, however, significantly reduce the current 90-day and 45-day customer verification timeframes. In most cases this will prevent a potentially underage or self-excluded individual, or an individual acting fraudulently, from wagering online for an extended period of time before detection. Therefore, it would be expected to directly benefit problem gamblers, and indirectly benefit the wider community by reducing the social cost of harmful gambling and the negative impact this has on the lives of family, friends and employers. This option is therefore expected to result in better social and economic outcomes for many Australians.

Industry

It is anticipated that this option would not result in significant costs to industry, given that all operators are currently required to verify the age and identity of their customers and therefore already have a process for doing so. Industry stakeholders indicated that the majority of their customers (ranging between 65-85 per cent) are automatically verified at the time of account registration.

Online wagering providers would likely incur a one-off system reconfiguration cost in order to comply with a reduced customer verification timeframe. The Commonwealth Government received advice from one industry stakeholder (large-sized operator) that a one-off system reconfiguration cost would be approximately \$300,000. This figure corresponds with advice from other industry stakeholders who advised the cost of implementing the change to the timeframe would not be significant. No other costs were advised by industry stakeholders.

While online wagering providers would potentially lose revenue from customers that they would otherwise have received after 21 days (but before 45 or 90 days), this could be considered an opportunity cost. As opportunity costs are excluded from

the RBMF and are not required to be considered in a regulatory costing, this has not been considered as a regulatory impact.

Assumptions around system re-configuration costs for medium-sized online wagering operators are that these would be roughly a quarter of the costs for large-sized operators. Smaller on-course bookmakers with telephone and/or online operations would also require some changes to current practices. However, a simpler interface would keep system reconfiguration costs much lower.

The table below outlines the indicative regulatory impact of implementing option two. These costs are in conjunction with the costs identified as the baseline (option one) costs.

Option two: Average regulatory costs				
Costs (\$ million)	Business	Community	Individuals	Total costs
Annual total, by sector	\$0.9 million	\$0	\$0	\$0.9 million
Total over 10 years, by sector	\$9 million	\$0	\$0	\$9 million

Summary of key impacts

Key saves/benefits

- Option two significantly restricts the time a person, who is underage, is self-excluded or is acting contrary to the AML/CTF Rules is able to engage in online wagering activity prior to detection.
- It harmonises the customer verification timeframe across jurisdictions.
- This option assists online wagering operators to guard against reputational, operational and legal risks, and may improve operators' fraud detection capabilities, as it supports a more efficient and timely verification process.
- This option will further assist the self-exclusion measure, which is also incorporated into the National Framework, and prevent a potentially excluded customer from wagering online for an extended period of time before detection.
- This option will indirectly benefit the wider community by reducing the social cost of problem gambling and the negative impact this has on family, friends and employers.
- Is unlikely to have a regulatory impact (cost or quantified time-loss) on individuals or the community sector.

- It will provide a shorter timeframe in which customers are able to gain full functionality of their accounts, such as withdrawal of funds, which may help in discouraging customers registering with illegal offshore operators.

Key costs/disadvantages

- There is likely to be an initial one-off cost for industry to reconfigure their internal systems to meet the reduced timeframe, although this is not expected to be substantial.
- As highlighted in various stakeholder consultations, many stakeholders may argue that a reduction to a 21-day timeframe does not go far enough in providing adequate consumer protection for individuals not eligible to wager online.
- Some operators may be incentivised to lower standards of collection and matching of customer information in order to meet a 21-day verification timeframe.

Option three: Reduction to a 14-day to 72-hour timeframe

This option proposes that the customer verification timeframe be reduced significantly to a shorter maximum time period of between 14 days to 72 hours.

The features of this option include:

- Customers to be verified within a maximum 14-day or 72-hour period to continue using an online wagering account.
- Winnings are not able to be withdrawn prior to identity verification.
- Online wagering operators must return deposited funds and close an account immediately if customer verification identifies a person is under 18 years of age or self-excluded.

Indicative regulatory impacts per year

This option presented a time range in order to test with stakeholders the feasibility of reducing the customer verification process to a period anywhere between 14 days to 72 hours. Option three received the most support from stakeholders across all sectors, some, however, on the proviso that the timeframe be reduced to 14 days.

Individuals and community sector

Implementing option three is unlikely to have a regulatory impact on individuals or the community sector above the baseline scenario, as per the points highlighted above under option two.

While it may seem that customers will have significantly less time to provide certified documents to be manually verified to continue using online wagering services, this remains a matter of customer convenience in most cases. Generally, it is unlikely this process would take an individual in excess of two weeks to provide certified documents, with the exception of extreme circumstances.

Industry

Implementing option three is likely to have the same regulatory impact on industry, as per the points highlighted under option two.

One industry stakeholder noted that while the customer verification timeframe had been reduced to 72 hours in the UK and Gibraltar, these international jurisdictions require age verification to a lesser verification level. For the purposes of anti-money laundering, enhanced due diligence is accepted for up to 30 days.

Industry stakeholders advised that a 72-hour timeframe could be feasible in the future with access to more information through relevant government databases, which could reduce the need for manual verification in more cases, consistent with the UK and Gibraltar.

As noted above, some key industry stakeholders are already committed to working towards implementing a 14-day timeframe. It was suggested that 14 days could strike the right balance between the increases in consumer protection that this reduction would bring, while still providing individuals with a level of convenience when satisfying the manual verification process. Industry would also be provided with a level of flexibility to complete the manual verification process, without reverting to lesser verification standards.

The table below outlines the regulatory impact of implementing a 14-day to 72-hour timeframe under option three. These costs are in conjunction with the costs identified as the baseline (option one) costs.

Option three: Average annual regulatory costs				
Costs (\$ million)	Business	Community	Individuals	Total costs
Annual total, by sector	\$0.9 million	\$0	\$0	\$0.9 million
Total over 10 years, by sector	\$9 million	\$0	\$0	\$9 million

Summary of key impacts

Key saves/benefits

- Option three further restricts the time a person, who is underage, is self-excluded or is acting contrary to the AML/CTF Rules is able to engage in online wagering activity prior to detection.
- This option harmonises the customer verification timeframe across jurisdictions.

- It will assist online wagering operators to guard against reputational, operational and legal risks, and may improve operators' fraud detection abilities, as it supports a more efficient and timely verification process.
- This option will further assist the self-exclusion measure, which is also incorporated into the National Framework, and prevent a potentially excluded customer from wagering online for an extended period of time before detection.
- This option will indirectly benefit the wider community by reducing the social cost of problem gambling and the negative impact this has on family, friends and employers.
- This option is unlikely to have a regulatory impact (cost or quantified time-loss) on individuals or the community sector.
- It will provide a shorter timeframe in which customers are able to gain full functionality of their accounts, such as withdrawal of funds, which may help in discouraging customers registering with illegal offshore operators.

Key costs/disadvantages

- There is likely to be an initial one-off cost for industry to reconfigure their internal systems to meet the reduced timeframe, although this is not expected to be substantial.
- Some operators may be incentivised to lower standards of collection and matching of customer information in order to meet a 14-day verification timeframe.
- Operators may require access to government systems and databases in order to facilitate verification of documents. This may incur additional subscription costs for operators to gain access to third-party verification systems. Providing operators with additional access to government systems may also pose privacy concerns in relation to the security of customer information, including how operators share and store that information.
- This option may impose a competitive disadvantage on smaller operators who may lack the technological capability to complete the process within the proposed timeframe.

Option four: Mandatory verification prior to any wagering activity

This option proposes that mandatory customer verification be completed prior to a customer being able to wager with an online operator.

Indicative regulatory impacts per year

As highlighted in stakeholder consultations, option four could provide the greatest level of consumer protection by preventing individuals from wagering until they have been verified as eligible to do so.

Some industry stakeholders, however, highlighted that mandatory verification before wagering could potentially push some consumers to offshore operators where they would be able to begin wagering immediately. This may result in erosion of the consumer protections that mandatory verification would bring, due to the consequences of individuals being exposed to unlicensed offshore operators.

Impacts to both industry and individuals would likely most be felt around significant sporting or racing events, such as the Melbourne Cup, where many new customers may be 'one-off' customers for a particular event.

For these reasons, and due to the potentially significant loss of revenue that would otherwise have been received during the verification period (revenue would be lost during the verification period from approximately 20 per cent of customers), option four was not supported by industry stakeholders.

Implementing option four is likely to have the same regulatory impact on industry, as per the points highlighted under options two and three.

The table below outlines the regulatory impact of implementing option four. These costs are in conjunction with the costs identified as the baseline (option one) costs.

Option four: Average annual regulatory costs				
Costs (\$ million)	Business	Community	Individuals	Total costs
Annual total, by sector	\$0.9 million	\$0	\$0	\$0.9 million
Total over 10 years, by sector	\$9 million	\$0	\$0	\$9 million

Key saves/benefits

- This option will harmonise the customer verification policy across jurisdictions
- This option will deliver the greatest consumer protection as it would significantly reduce the opportunity for online wagering accounts to be used by underage and self-excluded customers, or for purposes that contravene the AML/CTF Rules.

Key costs/disadvantages

- This option may incentivise Australian customers to sign up with illegal offshore operators where they will have the option to commence wagering immediately.
- This option may impose a competitive disadvantage on smaller operators who may lack the technological capability to complete the process within a short timeframe. Larger operators with the facilities to complete the verification process in the shortest possible timeframe may be more attractive to customers seeking to use their wagering account with minimal delay.

- Operators may lose revenue that would otherwise have been received during the verification timeframe.

iv. Preferred option

Based on the consultation findings and impact analysis, the preferred option for the implementation of this consumer protection measure is option three, that is, reduction to a 14-day or 72-hour timeframe.

The features that are recommended to be mandated in the National Framework for customer verification include:

- Customers are to be verified within a maximum 14-day period to continue using an online wagering account.
- Online wagering operators must return deposited funds and close an account immediately if customer verification identifies a person is under 18 years of age or self-excluded.
- Winnings are not able to be withdrawn prior to identity verification.

In the third meeting of Commonwealth, state and territory gambling ministers on 8 September 2017, ministers agreed that a 72-hour customer verification timeframe is preferable. Ministers also agreed that the Commonwealth should undertake further work to explore the feasibility of a 72-hour timeframe. To meet this commitment, the Department established a cross-agency working group together with government and industry stakeholders to discuss the feasibility of a 72-hour verification timeframe.

After consideration of all issues, there was consensus that further work needs to be undertaken and that a 72-hour timeframe is not feasible for the wagering industry in the short term. Improvements to verification processes such as expansion of Births, Deaths and Marriages databases and the inclusion of Centrelink verification in the second half of 2018 will enhance the wagering industry's ability, through third-party identity verification providers, to verify their customers as quickly as possible.

The Commonwealth will continue to explore a reduction to the customer verification timeframe to 72 hours with both industry and government stakeholders, and this may be updated in the National Framework in the future.

v. Implementation options

The Commonwealth, with state and territory governments, are expected to finalise the National Framework in the first half of 2018.

This measure will be implemented through amendments to the AML/CTF Rules, within approximately three months of the agreement on the National Framework. As is generally the case for amendments to the AML/CTF Rules, AUSTRAC is expected to undertake a consultation process. However, due to the substantial work

and consultation already undertaken as part of the Consultation RIS, this process would be streamlined.

5.9 Payday lenders

vi. Problem and options

Recommendation 7 of the O'Farrell Review stated that links between online wagering operators and payday and other lenders should be discouraged.

This was in response to concerns raised to the O'Farrell Review where some stakeholders noted that customers of online wagering operators are sometimes directed to payday lenders, in order to provide loans of up to \$2,000 for emergency expenditure and settling lines of credit gambling debt. In particular, payday lenders are advertising on wagering operator websites, or in some cases, establishing direct partnerships with wagering providers.

The Commonwealth Government, along with state and territory governments, has been committed to working with industry and the counselling sector to investigate ways to discourage the links between payday lenders and online wagering providers.

At the second Commonwealth, state and territory ministers meeting held on 27 April 2017, ministers reaffirmed their commitment to this consumer protection measure and agreed in-principle that there should be a prohibition on the advertising or direct marketing of small amount credit contract (SACC) providers, otherwise commonly known as payday lenders.

The Commonwealth Government's long-standing policy position is that responsible gambling means individuals engage in gambling activity within their means. However, there are more options than ever before for individuals to find ways of being able to borrow money for gambling purposes.

With relative ease, a consumer can set up an online wagering account, place a series of bets and find themselves in financial difficulty quickly. To pay back gambling losses and manage this financial difficulty, consumers may seek out, or be referred to options to access faster and easier ways of being able to borrow money.

One way of achieving this is through the SACC industry, which now has a stronger presence than ever on the internet. It is quick, easy and efficient to borrow money through online applications and online approval processes, often with minimal customer verification and financial assessment tests. This can result in a cycle where an individual, already financially vulnerable, may attempt to win back their wagering losses by borrowing more money that they may not be able to repay.

This is of biggest concern for problem gamblers, or those at risk, who are the most vulnerable group. This borrowing to repay debt is often accompanied with other existing debts and the inability of consumers to pay off their bills and debts, including the inability to meet their basic needs or they may default on other necessary commitments. Common impacts on top of this for problem gamblers are relationship breakdown, family violence, suicide, involvement in fraud or other crime, as identified in the April 2016 Financial Counselling Australia report.³⁰

In 2011, it was estimated that 1.1 million Australians accessed SACC services, representing around 15 per cent of the working age population. In that same period, an Australian Research Council Linkage study found that 15 per cent of participants accessed SACCs for gambling purposes.³¹

In the Consultation RIS, three regulatory reform options were presented for this consumer protection measure for consideration and feedback:

Option Number	Description
Option one	Current arrangements: no changes (base case)
Option two	Prohibiting links between online wagering operators and payday lenders: stronger consumer protection standards (minor regulatory impact) The stronger consumer protection standards include: <ul style="list-style-type: none"> • No advertising or directing marketing of SACC providers on licensed online wagering operators' websites • All online wagering operators will be responsible for ensuring advertising is not available on their websites and no promotional material is provided for payday lenders. • The referral of customers to credit organisations to finance any gambling activity will be banned. • The provision of customer information to SACC providers will be prohibited.

³⁰ Financial Counselling Australia. 2016. *Problem Gambling*. Financial Counselling, Survey and Case Studies.

³¹ Banks, M; Marston, G; Russel, R; Karger, H. 2014. In a perfect world it would be great if they didn't exist: How Australians experience payday loans. *International Journal of Social Welfare*, p. 3.

Option Number	Description
Option three	<p>Prohibiting links between online wagering operators and payday lenders: a fully harmonised approach, including prohibiting payday lenders to loan money for online wagering purposes (minor regulatory impact)</p> <p>This option includes:</p> <ul style="list-style-type: none"> • The stronger consumer protection standards outlined in Option two. • The prohibition of payday lenders to loan money to consumers specifically for online wagering purposes. This could be achieved through an amendment in the <i>National Consumer Credit Protection Act 2009</i> so that any licensed SACC providers are prohibited from lending money for the purposes of online wagering.

vii. Consultation findings

Overall, in consideration of the June and July 2017 consultation findings, this proposal for regulation change to this consumer protection measure received strong support.

During the consultation phase in June and July 2017, many stakeholders confirmed support for a ban on any online wagering provider having links with payday lenders, including a ban on advertising and direct marketing of payday lenders (option two).

A small number of stakeholders also showed their support for the prohibition of payday lenders to loan money to customers specifically for online wagering purposes (option three) as they consider it provides the strongest possible harm minimisation outcomes.

It was also highlighted that online wagering providers' current business practices does not have any linkages to payday lenders, both for referral of customers and advertising on online wagering providers websites. Therefore, consultations resulted in full support of reform for links between online wagering operators and payday lenders as an effective consumer protection tool that should be regulated based on the harms that payday loans can cause to pay off gambling debt, or to gamble.

Industry stakeholders confirmed that links and referrals to payday lenders was not a part of online wagering business practices with many questioning where this recommendation came from and why it was being included as part of the National Framework. In the June and July 2017 consultations, it was confirmed with stakeholders that this issue had previously come up during the O'Farrell Review consultation process, resulting in Recommendation 7 of the O'Farrell Review, as outlined in the problem and options section.

Some suggestions were also made by the community services sector that the prohibition of links between online wagering operators and payday lenders should be extended to affiliate organisations. This is based on the view that affiliate organisations have an interest in increasing gambling expenditure via referrals or promotions for payday lenders as they benefit through fees or commissions with online wagering providers.

Further, it was raised in consultations that if messaging was to be used around alerting consumers to not use payday loans for gambling activity, it could have the opposite effect where it instead creates increased consumer awareness about the availability of such loans.

A small number of stakeholders also suggested that restrictions could be considered to prohibit payday lenders to loan money specifically for online wagering purposes. However, it was also recognised that it may be easy for consumers to circumvent any such restrictions through stating the loan is for an alternative use.

On balance, the most preferred option for this consumer protection measure was option two.

viii. Implementation

Since the Consultation RIS was released in June 2017, the payday lenders measure has been given effect through Commonwealth legislative amendments. Under the Commonwealth's *Interactive Gambling Amendment Act 2017*, this measure starts on 17 February 2018.

Accordingly, no ministerial decision is required for this consumer protection measure as part of the recommendations made for Commonwealth, state and territory governments in this Decision RIS.

The Commonwealth Government included additional amendments in the IGA Bill: the banning lines of credit measure (refer to [chapter 5.3](#)) and the payday lenders consumer protection measure that were considered by the Commonwealth Parliament in the winter 2017 parliamentary sitting period.

These two consumer protection measures were introduced as amendments in the IGA Bill in response to calls from the Commonwealth Senate who called on the Commonwealth House of Representatives to include amendments around banning credit betting as they consider credit betting exacerbates problem gambling or the risk of developing a gambling problem.

In addition to the consultation undertaken as part of this RIS process, other targeted consultation with industry and state and territory governments was undertaken in July 2017 by the Department of Communications and the Arts to consult on the IGA amendments, including the payday lenders measure, which received comparable support to the consultation findings of the Consultation RIS process.

The amendments for this payday lenders consumer protection measure, along with the other IGA Bill amendments, received Royal Assent on 16 August 2017 and took effect in the *Interactive Gambling Amendment Act 2017* from 13 September 2017.

The *Interactive Gambling Amendment Act 2017* includes an amendment to prohibit wagering operators from promoting or facilitating the provision of credit (other than by way of credit card) via third parties, in connection with such services—the exception for credit cards will not apply in relation to credit cards issued by gambling service providers or by related companies.

In addition, the Commonwealth Government has committed to support the majority of recommendations made as part of the final report, *Review of the small amount credit contract laws*, provided to the Commonwealth Government on 3 March 2016.³² The Commonwealth Government accepted Recommendation 8, that SACC providers should be prevented from making unsolicited SACC offers to current or previous consumers. This ensures that consumers should only apply for a SACC when they proactively choose to do so, rather than being prompted by a SACC provider.

While some stakeholders showed support for further restrictions, this will not be considered by Commonwealth, state and territory governments as part of this Decision RIS and may be considered at another point in the future.

³² <http://kmo.ministers.treasury.gov.au/media-release/105-2016/>

5.10 Account closure

i. Problem and options

The SA Government highlighted that the process for closing/cancelling an online wagering account is difficult for consumers. This is particularly concerning for those who are experiencing harm and want to immediately cease gambling. This position was further outlined through feedback on the Consultation RIS and other processes.

The process to close an account should be transparent, simple and accessible. This enables consumers to easily cancel at any time.

The Commonwealth, state, and territory governments are aware of some anecdotal evidence that individuals are experiencing difficulties in closing their accounts, and that some operators may not be closing down accounts when requested by the customer.

Alarming, the Commonwealth, state, and territory governments have also heard from individuals who have been further induced to keep accounts open, when they have requested their account be closed and/or after their account has been closed. Some operators do not have an option to close an account, instead offering to deactivate an account, or if accounts are inactive after a specific period of time, consumers are required to pay an administration cost to keep an inactive account open or deposit funds. This encourages consumers to keep their accounts open to gamble and does not appear to align with responsible gambling practices.

The SA Government noted that there are currently no mandatory immediate opt-out options required for online wagering accounts. They proposed that online wagering operators be required to introduce mandatory, easy to initiate, and immediate opt-out options to enable customers to cancel their account at any stage.

In practice this would mean that when someone clicks 'close my account', it should not require onerous additional work and be readily accessible to consumers. Any further activity on the account should be suspended and a cancellation process commenced immediately and automatically.

In consultation with the SA Government, the Commonwealth developed a paper on the options for addressing this issue, which was circulated to key industry and community sector stakeholders.

The paper put forward three regulatory reform options for consideration and feedback, outlined in the table below.

Option number	Description
Option one	Current arrangements: no changes (base case)
Option two	Information regarding the process for customer initiated account closure should be included and clearly articulated within each customer’s ‘My Account’ window.
Option three	An online process for customer initiated account closure must be included within each customer’s ‘My Account’ window.

ii. Consultation findings

Analysis of written submissions following circulation of the accounts closure paper reveals that stakeholder positions on this measure are varied, even in the same sector.

Some industry stakeholders supported option one, noting that concerns regarding the ease of account closure for those experiencing harm would be addressed by the NSER, as proposed under [chapter 5.1](#). They believed that there would be a material reduction in the effectiveness of the NSER if some of the proposals under option two and option three were implemented. Industry stakeholders noted that individuals experiencing harm should be encouraged to use the NSER, not be put in a situation where harm could potentially be prolonged or exacerbated by entering a cycle of repeatedly closing and re-opening accounts with various operators.

Further to this, some industry stakeholders believed that option one and option two would seriously undermine the principle of having one clear and simple option for individuals experiencing harm to cease wagering across all operators. They highlighted that simple account closure should not be confused as a tool for consumers experiencing harm and that the most appropriate form of cessation for those experiencing harm is self-exclusion.

Some industry stakeholders supported option two, noting that some customers may feel more comfortable with one medium or another, so it is preferable to present a variety of options to the customer (including by telephone) so long as appropriate identification procedures used with any medium allow the operator to identify that the request is being made by an account holder and not a third party.

They further noted that if option three is pursued, then a two-factor authentication should be required to effect an account closure. For example, the customer must be logged in to their account and confirm their desire to cancel the account by responding to an automatically generated email, text message or voice call.

Some community sector stakeholders supported option three, with a preference that closure of the account should be by just clicking a button with no further verification. If verification is required, it should be easy to do, such as sending a text straight away to a mobile device, with a code to enter.

One community sector stakeholder noted that the best way to close the account is via either the browser console or mobile application. They highlighted that people who gamble online are comfortable working in an online environment, and are capable of closing an account online, and should not necessarily need to talk to an operator.

They further noted that should the account holder call an operator and request to close the account/exclude, then the operator should be able to facilitate this on demand. They suggested that the best way forward for account closure is multiple options available to consumers, with the online closure being the default option.

iii. Impact analysis (costs, impacts and benefits above the baseline scenario)

This section outlines the impacts of the three proposed regulatory reform options for the account closure measure.

Option one: Current arrangements

This option proposes there be no changes to the current arrangements for the closure of online wagering accounts in Australia. In practice, operators would continue to offer an account closure process as per their own arrangements.

Indicative regulatory costs per year

As the process for account closure is not currently mandated in Australia, or in current state and territory licensing or regulation, there are no baseline costs for this measure to act as a benchmark against the other two options to be assessed.

Outcome

Maintaining the current arrangement is not recommended for a number of reasons. Under the current arrangements, there will continue to be a lack of consistency for customers, with ease of access of account closure remaining difficult or account closure not being provided at all, instead deactivation or account suspension being provided in its place.

There may continue to be substantial time costs to customers when responding to various checks and balances when trying to close their account.

Lastly, there may be the potential for harm to customers who may be unable to determine how to close their account and then continue to gamble, these customers may, or may not need access to the self-exclusion register. Acceptable business practices should allow for account closure to be a consumer right.

Option two: Information regarding the process for customer-initiated account closure should be included and clearly articulated within each customer's 'My Account' window.

The features of this option include:

- It would be mandated that a 'Close Account' option/link should be clearly visible in the 'My Account' screen when a customer has logged into their account.
- Account closure could be offered via an online process, via email or via a phone call to the operator. The methods offered would be based on the operator's preference.
- The 'Close Account' option/link should begin the online process for account closure, or detail how the operator's email or phone process works, including the operators phone and email contact details. A customer should not be required to navigate further away from this page.
- An operator could provide factual information about the effect of closing an account via the information on the 'Close Account' page, however, the operator would be prohibited from attempting to influence or negotiate with the customer to keep their account open, either verbally, online or through text message.
- Once the customer has confirmed their identity (such as being required to re-enter their account password and confirming DOB and contact details) and that they wish to close their account, the account should be closed immediately.
- In the event a customer has pending bets, the account should be suspended and then closed once the bets are finalised.
- An operator would be prohibited from providing any direct promotional or marketing material to the customer following the suspension or closure of the account.
- Any funds available in the account (following finalisations of any wagers) would be returned to the customer once the account is closed. Any bonus bets available to the customer when the account is closed would be forfeited, as would any loyalty rewards such as 'bonus points'.

Indicative regulatory impacts per year

Individuals and community sector

Implementing option two is not expected to have a regulatory impact on individuals or the community sector. Although this option will make the account closure process easier to access, closing an account will remain a choice for customers. As such, this option is not considered to place any requirement on an individual to engage with the account closure process, unless they choose to.

This option will provide a consistent location for account closure information across all providers, providing a greater ease of access for customers, less time taken navigating an operator’s site and a simpler account closure process.

Providing customers with a greater ease of access for account closure is expected to increase consumer protections by reducing the potential for harm to customers who may wish to close their account to prevent further harm, but are unable to do so due to complex or hidden processes.

Industry

Online wagering providers would likely incur a one-off system reconfiguration cost in order to comply with option two. The Commonwealth received advice from one industry stakeholder (large-sized operator) that a one-off system reconfiguration cost would be approximately \$50,000.

Assumptions around system re-configuration costs for medium-sized online wagering operators are that these would be roughly a quarter of the costs for large-sized operators. Smaller on-course bookmakers with telephone and/or online operations would also require some changes to current practices. However, a simpler interface would keep system reconfiguration costs much lower.

Under option two, although all operators must detail their account closure process within the customer ‘My Account’ screen, operators would continue to have the flexibility to choose what method of communication for account closure best fits their business model. This differs from option three below whereby all operators would be required to offer an online option for closing an account.

The table below outlines the indicative regulatory impact of implementing option two (estimated cost impact, less the existing baseline cost estimate).

Option two: Average annual regulatory costs				
Change in costs (\$ million)	Business	Community	Individuals	Total change in costs
Annual total, by sector	\$0.17 million	\$0	\$0	\$0.17 million
Total over 10 years, by sector	\$1.65 million	\$0	\$0	\$1.65 million

Summary of key impacts

Key saves/benefits

- Location of a 'Close Account' option consistent across providers, providing ease of access for customers and less time taken navigating an operator's site.
- Reduces the potential for harm to customers who may be unable to determine how to close an account and then continue to gamble.
- Consumers are unable to be induced by an operator to keep an online wagering account open, and then continue to gamble.
- Operators have the flexibility to choose what method of communication for account closure best fits their business.

Key costs/disadvantages

- ICT costs to operators not already offering account closure (or information about account closure process) via the 'My Account' window.
- Operators may lose revenue from customers who would otherwise not have closed their account.

Option three: An online process for customer initiated account closure must be included within each customer's 'My Account' window.

The features of this option include:

- A 'Close Account' option should be clearly visible in the 'My Account' screen when a customer has logged into their account.
- Account closure must be offered via an online process, as the default option to close an account. A customer can request to close their online account through another mechanism if they choose to.
- The 'Close Account' option would immediately suspend an account and would then begin the online process for account closure. A customer should not be required to navigate further away from this page.
- Once the customer has confirmed their identity (such as being required to re-enter their account password and confirming DOB and contact details) and that they wish to close their account, the account should be closed immediately.
- In the event a customer has pending bets, the account should be suspended and then closed once the bets are finalised.
- Any funds available in the account (following finalisations of any wagers) once the account is closed should be returned to the customer. Any bonus bets available to the customer when the account is closed would be forfeited, as would any loyalty rewards such as 'bonus points'.

- An operator could provide factual information about the effect of closing an account via the information on the 'Close Account' page, however, the operator would be prohibited from attempting to influence or negotiate with the customer to keep their account open, either verbally, online or through text message.
- An operator would be prohibited from providing any direct promotional or marketing material to the customer following the suspension or closure of the account.

Indicative regulatory impacts per year

Individuals and community sector

As with option two, implementing option three is not expected to have a regulatory impact on individuals or the community sector. Although this option will make the account closure process easier to access, closing an account will remain a choice for customers. As such, this option is not considered to place any requirement on an individual to engage with the account closure process, unless they choose to.

This option will provide a consistent location for account closure information across all providers, providing a greater ease of access for customers, a simpler process and less time taken navigating an operator's site.

Providing customers with a greater ease of access and simpler process for account closure is expected to increase consumer protections by reducing the potential for harm to customers who may be unable to determine how to close an account and then continue to gamble.

Industry

Online wagering providers would likely incur a one-off system reconfiguration cost in order to comply with a reduced customer verification timeframe. The Commonwealth Government received advice from one industry stakeholder (large-sized operator) that a one-off system reconfiguration cost would be approximately \$200,000.

Assumptions around system re-configuration costs for medium-sized online wagering operators are that these would be roughly a quarter of the costs for large-sized operators. Smaller on-course bookmakers with telephone and/or online operations would also require some changes to current practices. However, a simpler interface would keep system reconfiguration costs much lower.

The table below outlines the indicative regulatory impact of implementing option three (estimated cost impact, less the existing baseline cost estimate).

Option three: Average annual regulatory costs				
Change in costs (\$ million)	Business	Community	Individuals	Total change in costs
Annual total, by sector	\$0.59 million	\$0	\$0	\$0.59 million
Total over 10 years, by sector	\$5.89 million	\$0	\$0	\$5.89 million

Key saves/benefits

- Harmonisation across providers.
- Quickest and easiest option for customers. Customers are aware of how and where they can close their account, regardless of the provider.
- Reduces the potential for harm to customers who may be unable to determine how to close an account and then continue to gamble.

Key costs/disadvantages

- ICT set-up costs to operators not already offering online account closure.
- Lack of flexibility for operators.
- Operators may lose revenue from customers who would otherwise not have closed their account.
- May prevent operators from addressing the concerns that led the customer to initiate closing their account. For example, an operator may not have the opportunity to discuss service issues or provide advice on responsible gambling tools, such as self-exclusion.

iv. Preferred option

Based on the consultation findings and impact analysis, the preferred option for the implementation of this consumer protection measure is option two. That is:

- account closure information is clearly articulated information about the account closure process and must be included within each customer's 'My Account' window
- consideration will be given to ensure the process for account closure is simple for consumers.

This option provides a consistent level of information to customers, in an easily accessible location, ensuring this process is easy to follow. However, the costs of implementing this option are not considered onerous for wagering operators.

v. Implementation options

The Commonwealth, state and territory governments, aim to reach final agreement on the National Framework within the first half of 2018.

State and territory governments will implement this measure through legislation and licensing conditions, with the aim to have the account closure measure fully operational within six months following Commonwealth, state and territory agreement.

6. The approach to regulating the National Framework

i. Problem and options

The current division of responsibility for the regulation of consumer protection between the Commonwealth, state and territory governments has led to gaps and inconsistencies, and greater complexity in consumer protection regulations. This adds costs for businesses, impedes outcomes for consumers and limits responsiveness of policy making to the rapidly changing online wagering market.

Current legal protections are enacted through a combination of state and territory licensing and other Commonwealth, state and territory regimes. While operators are subject to the requirements imposed by the laws of its licensing jurisdiction, these operators are also subject to the laws of other jurisdictions, which may also regulate the same measure for online wagering.

In the current regulatory environment, a national online wagering operator will be subject to laws from at least two and up to nine jurisdictions. This varies depending on the consumer protection measure and jurisdiction. Within each jurisdiction, different consumer protection obligations also apply to operators according to the type of license held by an operator.

With multiple sources of regulation, each operator that conducts business nationally is accountable to numerous statutory bodies that have jurisdiction over consumer protection. For each operator, these include:

- the operator's licensing body
- racing and sports controlling bodies
- the gambling regulator of another state or territory
- the Commonwealth regulator for certain measures.

At the time of writing, there were more than 60 gambling laws and other statutory instruments across Australia, and over 20 independent regulatory bodies established to administer compliance with these laws by online operators. Several areas where the duplication is particularly onerous includes advertising restrictions, inducements and CGM, where up to 13 different regulatory regimes can apply to a national online wagering operator.

For a licensed online wagering operator who conducts wagering across Australia, it can be costly to navigate and ensure compliance with laws imposed by up to nine jurisdictions that operate concurrently. At a minimum, each operator must monitor compliance against each regulatory framework on an ongoing basis. This is necessary, even where there is consistency between each measure's substantive requirements, since they are subject to ongoing change as a consequence of having separate laws.

The O'Farrell Review identified that this inconsistency undermines harm minimisation and consumer protection measures, while also imposing burdens on Australian licensed online wagering operators. The O'Farrell Review was unable to accurately quantify the extent of leakage offshore and consequential impacts.

However, economic theory indicates that the costs of this complexity are likely to limit the competitiveness of licensed online wagering operators in the regulated domestic market. As offshore operators are not governed by these multiple, overlapping obligations, any increase in compliance costs is expected to decrease the competitiveness of the domestic industry. The lower cost base of offshore operators currently allows offshore operators to provide consumers with better odds than their onshore competitors.

The O'Farrell Review concluded that nationally consistent regulation is critical to improving outcomes for consumers and sustaining the wagering industry, and recommended the establishment of the National Framework. It also identified that the objectives of this reform should be to foster a dynamic and competitive industry while enabling the confident participation of consumers in markets in which both consumers and suppliers can trade fairly, and in good faith.

However, the O'Farrell Review did not give serious consideration to the method by which the National Framework should be implemented, beyond noting that it might be achieved in similar fashion as the *National Policy on Match-Fixing in Sport*. This matter was also not raised by stakeholders in the consultations undertaken as part of the O'Farrell Review.

This contrasts with the Productivity Commission's 2008 *Review of Australia's Consumer Policy Framework* (the PC Review), into the same regulatory inconsistencies in consumer law and policy frameworks. As part of this inquiry, the PC Review identified a pressing need to put in place institutional arrangements that are more compatible with the increasingly national nature of Australia's consumer markets and which will deliver more timely and effective policy change than the current regime.

To this end, the PC Review recommended costs should be reduced and explicit consideration given to the case for transferring policy and enforcement responsibility, where appropriate, to the Commonwealth Government as canvassed in consultation on the present options for reform.

Four broad options for establishing and maintaining consistency in the regulation of consumer protection for online wagering are proposed. A fifth option is also proposed based on considerations following the Consultation RIS process in May-June 2017.

It is important to note that the regulatory options considered and the costings undertaken for these options are not focused on the impacts of inconsistencies in the obligations and requirements imposed by regulations. Instead, it is focussed on the costs incurred in relation to the mechanisms and regulatory arrangements through which these requirements are implemented and administered.

A thorough and extensive examination of the substantive requirements imposed by each consumer protection measure has been conducted for each measure in the preceding chapters. While it can be rather simplistic to separate the contents of regulation from its implementation, balancing a range of considerations and the purposes of this Decision RIS, this approach was considered the most effective way in which to undertake this analysis. The same approach was necessary to take for estimating regulatory costs to avoid duplication between the measures. It should also be noted that the costings reflect regulatory costs that operators are expected to incur, which may or may not reflect what costs operators currently incur.

While there are a range of other options for regulating a National Framework, the following four options presented for consultation reflect the range of interests which need to be balanced, and were the options presented in the Consultation RIS.

Option number	Description
Option one	No change to current regulation (no regulatory change)
Option two	<p>State-legislated and regulated National Framework</p> <p>Under this option, state and territory laws would be amended to give effect to the measures contained in the National Framework. State and territory governments would each determine how the National Framework applies in their respective licensing and regulatory regimes, and making any ongoing changes to keep it up to date following agreement with all jurisdictions.</p> <p>Essentially, in terms of the underpinning regulatory institutions for creating and administering consumer protection regulation, this option maintains the regulatory status quo, but with enhanced and more consistent consumer protections applied.</p>

Option number	Description
<p>Option three</p>	<p>Commonwealth-legislated and state-regulated</p> <p>Unlike option two, option three would be implemented with the Commonwealth Government enacting the National Framework under a single national law that applies uniformly across Australia. As the legislator of the National Framework, the Commonwealth would retain high level policy responsibility for its rules and requirements.</p> <p>The Commonwealth Government would delegate responsibility for regulating the protections provided under the National Framework, to state and territory governments. Consenting state and territory governments would perform delegated functions in conjunction with their broader regulation of operator integrity and probity under their existing licenses.</p>
<p>Option four</p>	<p>Commonwealth-legislated and regulated</p> <p>While the focus of options two and three are limited to consumer protection reform, option four would also streamline the regulation and its administration under a single national regulator. Harmonisation on this scale would provide a uniform operating environment that is dedicated to regulating online wagering operators.</p> <p>Option four would be implemented through Commonwealth legislation, and administered by a Commonwealth regulator established to oversee the regulation, licensing and potentially taxation of online wagering within Australia.</p>

ii. Consultation findings

Overall there was some support for each of the options. However, across these options, stakeholders expressed a common desire for some level of Commonwealth intervention into the regulation of consumer protection measures. This was expressed in relation to a number of models that are based on Commonwealth legislation, where some advocated for a Commonwealth-legislated and state-regulated approach, some supported a Commonwealth-legislated and regulated approach, and a few proposed variations to these four options.

Relevantly, this preference was also expressed by many industry stakeholders, including the large corporate bookmakers. One of the reasons given was that a national regulator (option four) would provide the most effective way to achieve national consistency around consumer protections. It would also remove significant complexity and costs from compliance across jurisdictions estimated, for some operators, to be as high as \$5 million additional costs per year.

However, several industry stakeholders also considered that a combined approach could be adopted, whereby the Commonwealth Government would be responsible for legislating and regulating the model, but the licensing arrangements would remain with existing state and territory regulatory bodies.

These views appeared to be expressed most strongly by licensed operators who held multiple but different licenses, who may become subject to particularly onerous and unnecessary costs as a result. Another area of key concern was in relation to the overlapping regulations in advertising restrictions, inducements and CGM, particularly given the borderless nature of these regulated activities.

In addition, industry also highlighted they did not want another framework implemented using the same approach as the *National Policy on Match-Fixing in Sport*. The wagering industry remarked that this has created uncertainty, and undermined confidence. Stakeholders are not confident that a state-legislated scheme is capable of providing national consistency.

On the other hand, the remaining minority considered it would be more effective and economical to leave implementation and regulation to the state and territory governments. With respect to the fragmentation in the regulatory institutions governing and making these laws, it considered the inherent risks of future inconsistency arising was an acceptable risk.

More generally, other stakeholders argued for Commonwealth legislation due to the lack of certainty of consistency a state-legislated approach would provide, which was considered to be detrimental to sustained growth in the industry over the longer term. Others noted that uniform Commonwealth legislation was necessary to avoid a 'race to the bottom', whereby jurisdictions may seek to entice operators to be licensed under their regulatory framework, with possible concessions to harm minimisation measures in order to appear less burdensome.

iii. Impact analysis

The policy benefits of each option are considered, with regard to the regulatory and other costs associated with each of the options.

To avoid duplication with the rest of the RIS, the analysis of the options does not examine the impacts of changes to the content of the regulations itself (that is, the requirements they impose), which have been considered in the preceding chapters for each measure. Only changes to the underlying regulatory mechanisms through which regulations are created, updated and regulated are examined in this chapter.

For the purposes of the analysis under each option, it is assumed that to ensure compliance with any source of regulation, an operator must monitor and update how they comply with each source of regulation on an ongoing basis. This cost is expected to be incurred even where there is consistency in regulations between jurisdictions since the aim of the National Framework is to achieve consistency and not uniformity between jurisdictions.

This means state and territory governments may impose more onerous as well as complementary requirements than those specified under the National Framework, which state and territory governments have already indicated their intention to do. There will continue to be consistent variations and changes being made between jurisdictions, each of which will incur their own costs and have their own cost implications.

While operators would not incur these costs because of any explicit rule or requirement imposed by government or parliament onto licensed operators, these costs are incurred as an implicit part of complying with multiple but consistent requirements across jurisdictions. If this activity was not undertaken, non-compliance among operators would be certain within the first six months and every six months after on average, even without any of the intended changes to the National Framework.

Option one: No change to current regulation

This option proposes to retain existing regulations, both in terms of its content and underpinning regulatory arrangements for enacting and administering these regulations.

Summary of key impacts

Key saves/benefits

- Online wagering operators benefit from having the ability to 'shop' between jurisdictions in the way they conduct and adjust their business operations, to avoid onerous consumer protections where they apply.
- Additionally, this option would incur no upfront costs for governments to introduce, by allowing state and territory governments to leverage existing resources and arrangements for consumer protection to implement the National Framework.

Key costs/disadvantages

- Under this option, there are no changes to the regulatory structures set up to administer the consumer protection measures. However, the same decision making processes and governance arrangements for administering the current regulation remain in place, where an online wagering operator that conducts business on a national scale may be subject to multiple sources of regulation. This is in addition to those regulations imposed under its licensing jurisdiction, whereby each set of regulations would be governed by their own framework.
- Additionally, there is also a high risk of deviation from the National Framework arising in the future. Although Commonwealth, state and territory governments would seek to honour commitments in maintaining national consistency, this cannot be ensured given the sheer volume of regulation in operation and the independence of some existing rule-makers.
 - Note that past attempts to achieve national consistency in the previous environment of generic consumer laws (pre-ACL) have demonstrated that this is a very real risk, where divergence by governments (including the Commonwealth) has repeatedly led to increased complexity and compliance costs, despite the best intentions and commitments of governments.³³ This was identified in the PC Review.
- Policy makers would have an increasingly limited capacity to maintain and ensure the relevance of measures for consumer protection, in a rapidly changing market.

Key impacts to stakeholders

Impacts on consumers and industry as key stakeholders affected by the National Framework regulatory approach are summarised below. In terms of the impact on industry, these impacts will be experienced most significantly for large corporate bookmakers because this is also where differences in the regulatory models will have the most effect, and can be causally linked to the regulatory approach. There is no further information available to allow for more meaningful and granular analysis.

Individuals

Under this option, consumer outcomes are not achieved, including consumer outcomes within the context of each state and territory. This is because in all jurisdictions, the borderless nature of this market means the outcomes for a consumer are not determined by the laws within any one single jurisdiction. It is reliant on the interactions of the laws of other jurisdictions to provide guaranteed protections for individuals.

Over time, consumers may be more inclined to seek services from offshore unregulated operators, where there are no guaranteed consumer protections.

³³ On 27 November 2009, Dr Steven Kennedy delivered a speech, entitled [An Introduction to the Australian Consumer Law](#), to the Standing Committee of Officials of Consumer Affairs' Forum for Consumer and Business Stakeholders and provides relevant insights.

For the reasons explained below, the increasing regulatory costs on licensed online wagering operators could undermine the competitiveness and longer term sustainability of the industry by discouraging operators from conducting business in the onshore regulated market.

Industry

Operators currently incur costs from managing, monitoring and demonstrating compliance (compliance management) with the licenses they are granted. In addition, state and territory governments will continue to operate with the same level of independence they currently adopt in relation to their consumer protection policy making. In the absence of a governing national framework, the effectiveness of the current regulatory system will continue to deteriorate if left unaddressed, as inconsistencies would remain between jurisdictions.

Additionally, retaining the fragmentation in the regulatory arrangements through which regulations are enacted and administered will place considerable and increasing regulatory burdens on operators to ensure they remain compliant with overlapping, and multiple sources of regulation.

Over time, this is likely to undermine the competitiveness and longer term sustainability of the industry by discouraging operators from conducting business in the onshore regulated wagering market. These conditions would also impede and reduce economic opportunities for growth and development.

It is unknown whether this would have the effect of pushing licensed online wagering operators from the Australian market (both legal and illegal) altogether, or displacing licensed operators into the illegal wagering market.

This is consistent with industry submissions to the Consultation RIS, the specifics of which have not been disclosed to avoid any unintended impacts on the commercial interests of operators, whether or not claims to confidence have been made.

Indicative regulatory impacts per year

Operators will incur ongoing costs of managing compliance for each measure, across multiple regimes. Compliance under each regime must be managed and accounted for separately. This costing takes into account the volume and type of measures imposed under each jurisdiction, and the number of online wagering operators currently licenced and operating within each of these jurisdictions.

However, this costing does not go any further, to cost what the measures actually require, which are dealt with in the preceding chapters. As such, the costings for the regulatory approach apply as an additional cost to those imposed by each measure. This is because these costs do not relate directly to the costs incurred from the regulatory requirements of the measures, but the arrangements by which operators are made accountable for these measures. Put another way, these costs reflect the costs of the regulatory structures, their duplication and overlaps.

For the baseline approach, it is estimated that these costs are about \$5.02 million per year, with an average cost of about \$0.13 million per year, per online wagering operator. Although, the Department also considered the advice it received from one industry stakeholder who estimated compliance costs in the order of about \$3 million per year, for one operator.

As part of the RIS consultation process, it was reported that one operator had incurred between \$5-10 million per year from managing compliance across jurisdictions. However, these estimates should be treated with some caution as there may be differences in the assumptions which underpin the estimates of regulatory costs for different sizes of operators.

No costs have been discounted on the basis that state and territory governments have withdrawn regulation in areas that the Commonwealth Government assumes control over, given that has not yet been agreed to and if it has occurred, is not a direct impact of the National Framework.

Option one: Average annual regulatory costs				
Current costs (\$ million)	Business	Community	Individuals	Total current costs
Annual total, by sector	\$5.02 million	\$0	\$0	\$5.02 million
Total over 10 years, by sector	\$50.15 million	\$0	\$0	\$50.15 million

Option two: State-legislated and regulated National Framework

As mentioned above, to avoid duplications with the preceding chapters, this chapter does not examine the impacts of changes to the content of the regulation, but only examines the impacts of the approach taken to enact and administer regulations.

This option proposes to change the contents of regulations across regimes, to ensure they are consistent. However, no changes would be made to the way in which regulations are made and administered. The same regulatory structures which underpin the current regulations would be maintained.

By leveraging existing regulatory arrangements, option two would improve consumer protection outcomes for individuals while imposing the least upfront regulatory costs on online wagering operators. However, these benefits are reliant on each state and territory parliament enacting their own laws to implement the National Framework, which may reduce certainty in achieving national consistency. Concerns have been raised by stakeholders about pursuing this approach.

Over the longer term, the benefits of option two may not be sustainable without also addressing the fragmentation in regulatory structures via which consumer protections are established and governed. As a result, the benefits of option two may be outweighed by the costs of managing complexity in regulation between jurisdictions, and any new complexities which might later arise in consumer protections across jurisdictions— should this risk be realised— particularly as the industry grows and expands.

Summary of key impacts

Key saves/benefits

- Online wagering is conducted in a competitively neutral environment across Australia with no incentives for online wagering operators to ‘shop’ between jurisdictions, in an effort to avoid onerous consumer protections, where they apply.
- This option would incur no upfront costs for governments to introduce, by letting state and territory governments leverage existing resources and arrangements for consumer protection, to implement the National Framework.

Key costs/disadvantages

- Under this option, there are no changes to the regulatory structures set up to administer the consumer protection measures. However, the same decision making processes and governance arrangements for administering the current regulation would remain in place, where an online wagering operator that conducts business on a national scale may be subject to multiple sources of regulation. This is in addition to those regulations imposed under its licensing jurisdiction, whereby each set of regulations would be governed by their own framework.
- As such, while the costs of compliance across jurisdictions would be minimised under harmonised regulations, it is expected there will be ongoing costs incurred by industry as operators would be still required to monitor and account for compliance with each jurisdiction's measures, separately. This is because each jurisdiction will continue to maintain separate legislation for each measure even where their requirements have been harmonised.
- Additionally, there is also a high risk of deviation from the National Framework arising in the future. Although Commonwealth, state and territory governments would seek to honour commitments in maintaining consistency, this cannot be ensured given the sheer volume of regulation that is in operation and the independence of some existing rule-makers.
 - Past attempts to achieve consistency in the previously generic Australian consumer law environment (pre-ACL) demonstrates this is a very real risk, where divergence by governments (including the Commonwealth) has repeatedly led to increased complexity and compliance costs despite the

best intentions and commitments of governments.³⁴ This was identified in the 2008 PC Review.

- Policy makers would become increasingly challenged in providing and maintaining effective consumer protections appropriate to a rapidly changing national market.

Impacts on key stakeholders

Individuals

Under this option, there would be improvements to consumer outcomes; however, these improvements would deteriorate over time. While a National Framework would help to ensure national consistency informs policy making in this area, retaining the current regulatory institutions and ways of enacting and administering regulation is likely to become increasingly cumbersome for a national market, particularly given the rapidly changing nature of this market.

Over time, consumers may also be more inclined to seek services from offshore unregulated operators, where there are no guaranteed consumer protections. This is because the increasing regulatory costs for licensed online wagering operators could undermine the competitiveness and longer term sustainability of the industry by discouraging operators from conducting business in the onshore regulated market.

Industry

Operators will incur ongoing costs from managing, monitoring and demonstrating compliance (compliance management) with the licenses they are granted, and state and territory governments will operate with increased regard for national consistency through the National Framework.

However, fragmentation in the regulatory structures, through which regulations are enacted and administered, would place considerable and increasing regulatory burdens on operators in order to remain compliant with overlapping and multiple sources of regulation. Over time, this is likely to undermine the competitiveness and longer term sustainability of the industry by discouraging operators from conducting business in the onshore regulated market. These conditions would also impede and reduce economic opportunities for growth and development.

It is unknown whether this would have the effect of pushing licensed online wagering operators from the Australian market (both legal and illegal) altogether, or displacing licensed operators into the illegal market. Consultations with industry indicate that there is potential for both. However, in either case, this is likely to result in illegal operators controlling a greater share of the Australian market, which undermines the efficacy of the National Framework.

³⁴ On 27 November 2009, Dr Steven Kennedy delivered a speech, entitled [An Introduction to the Australian Consumer Law](#), to the Standing Committee of Officials of Consumer Affairs' Forum for Consumer and Business Stakeholders and provides relevant insights.

Indicative regulatory impacts per year

There would be some increased costs for operators under this option, against the baseline. This is because this option would fill regulatory gaps and inconsistencies, while raising the standard of consumer protection across Australia.

While this would improve outcomes for consumer, under this option, implementation of the National Framework would also increase duplication, and complexity. In this regulatory environment where consumer protection standards are raised and introduced where they may not have existed before, operators would incur the costs of managing compliance for each measure, across multiple regimes.

It is estimated that these costs are about \$6.37 million per year, with an average cost of about \$0.17 million per year, per operator. The costs below represent the costs of implementing option two (that is, the estimated cost impact for option two, less the existing baseline cost estimate for option one).

Option two: Average annual regulatory costs				
Change in costs (\$ million)	Business	Community	Individuals	Total change in costs
Annual total, by sector	\$1.36 million	\$0	\$0	\$1.36 million
Total over 10 years, by sector	\$13.56 million	\$0	\$0	\$13.56 million

Option three: Commonwealth-legislated and state-regulated National Framework

This option would reform existing regulatory arrangements, streamlining its administration under a single national law. To ensure the National Framework can be enforced and will operate in tandem with state and territory licensing regimes, this option would retain a level of duplication between the Commonwealth, state and territory governments to administer, which imposes its own costs on operators and governments to manage.

Broadly speaking, implementing option three could increase the number of Commonwealth, state and territory authorities involved, and add to the complexity of regulation where existing state and territory regulation is leveraged. This would need to be weighed against the potential benefits of an enhanced regulatory framework.

Summary of key impacts

Key saves/benefits

- This option would consolidate existing measures under national legislation, which would reduce complexity and improve clarity on consumer protection requirements by replacing the various regimes that operate concurrently with a single regime. This could reduce the costs of compliance for online wagering operators across jurisdictions.
- Given the Commonwealth Government would apply one law via the National Framework, this option would also provide more certainty and consistency in the regulation of online wagering services.
- This option would also leverage existing regulatory expertise in aid of the administration of a Commonwealth-legislated National Framework.

Key disadvantages/costs

- A National Framework that is strengthened by state and territory regulation may enhance compliance and administration under a national regime, but it may also come with some increased costs and potential complexity.
- Leveraging existing state and territory mechanisms in support of enforcing the National Framework would preserve and duplicate existing costs of managing compliance across multiple regimes.
- There may be some increase in administration costs for governments to manage the coordination of functions between the Commonwealth regimes, and state and territory regimes. For example, this includes integrating the regulation of consumer protections obligations (provided under the National Framework), and broader integrity and accountability requirements (provided under state and territory licensing requirements), particularly as the measures are updated over time.
- Due to the complexity of these arrangements, this option may take some time to implement, and could be subject to significant delay due to the potential need for drafting and enacting legislation in all jurisdictions.

Impacts on key stakeholders

Individuals

Under a single consolidated regulatory framework, consumers would enjoy greater certainty of guaranteed protections across jurisdictions, improving outcomes for consumers. However, there may be variation in enforcement outcomes depending on the compatibility of existing state and territory regimes under a single national regime.

Industry

Of the options put forward in the Decision RIS, this option is likely to be the second most costly to operators, as well as to governments. Licensed operators would be subject to significant increase in regulatory burden, having to monitor and maintain compliance across duplicated regimes at both the Commonwealth, state and territory level.

Some stakeholders have noted concerns about splitting policy from the administration of regulation between the Commonwealth, state and territory governments due to the complexity and costs of such an approach.

However, these costs come with the benefits of increased national consistency and certainty for consumers, as well as the benefits of retaining existing regulatory expertise and resources to aid in the administration of the National Framework.

Indicative regulatory impacts per year

Compared to the other options, this option would substantially increase regulatory complexity and costs incurred by licensees demonstrating compliance. Under this option, operators would be subject to and answerable to multiple sets of obligations. Although consistency is assumed to remain between regimes, ensuring compliance across these regimes will incur some ongoing costs. While state and territory laws would be invalidated by inconsistent Commonwealth laws, this would add further complexity and costs to manage and uncertainty.

It is estimated these costs are \$8.11 million per year, which is an average of \$0.21 million per year, per operator. The costs below represent the costs of implementing option three (that is, the estimated cost impact, less the existing baseline cost estimate for option one).

Option three: Average annual regulatory costs				
Change in costs (\$ million)	Business	Community	Individuals	Total change in costs
Annual total, by sector	\$3.09 million	\$0	\$0	\$3.09 million
Total over 10 years, by sector	\$30.90 million	\$0	\$0	\$30.90 million

Option four: Commonwealth-legislated and regulated National Framework

As part of an expanded role, this option would transfer responsibility for the regulation and licensing of operators from state and territory governments to the Commonwealth Government. This would consolidate the numerous regulatory regimes for consumer protection across jurisdictions under a single national regulator and law. It could also enhance the efficiency of regulation over the integrity of operators, such as by providing a platform for developing a centralised capacity to collect, analyse, and promulgate betting information to identify irregular and suspicious betting activity across the sports and race betting industries.

Summary of key impacts

Key saves/benefits

- This option would provide a uniform set of consumer protections, and broader regulation and licensing, that would be sustainable and well-suited to delivering robust outcomes for consumers in a mature online wagering market.
- Unlike options two and three, over the longer-term, establishing a uniform operating environment for online wagering operators (in line with the borderless nature of the industry) would help foster a strong and competitive domestic market to offset leakage of customers to the offshore illegal market, where there are no guaranteed protections for consumers.
- Additionally, option four would also allow operators, for the first time, to engage with customers across Australia without the administrative and regulatory burden and costs associated with dealing with multiple state and territory regulators and regulatory regimes, regardless of consistency.

Key costs/disadvantages

- Regulating online wagering operators through a national regulator at the Commonwealth level is likely to increase the upfront regulatory costs for operators by establishing new regulatory systems. These costs may be passed down to regulated entities.
- However, over the longer term these costs are likely to be outweighed by longer-term savings generated from removing the diversity in sources of consumer protection regulation which would continue under option two. It would also avoid some of the potential costs of managing any complexity which may arise in administration under option three. The size of any net savings would in part depend on the growth of the industry.
- These effects may be most likely felt in jurisdictions that license higher numbers of operators, where secondary industries may have developed, based on the business generated from online wagering in the licensing jurisdiction.
- This option is likely to require a longer lead time to develop and establish before the Commonwealth Government is able to function as a fully operational

regulator. There will also be a longer transition period moving from a multiple regulatory regime to a single regulatory regime.

- The Commonwealth Government would also need to acquire and develop the necessary skills and knowledge, particularly in relation to the regulation of online wagering, to administer option four.
- While most operators supported Commonwealth intervention, many raised concerns with the Commonwealth Government assuming responsibility for the licensing and regulation of the integrity of online wagering operators. These stakeholders considered it was best left to state and territory governments to retain and administer the licensing function, particularly due to their established expertise and systems for regulation.

Impacts on key stakeholders

Individuals

Option four has the potential to improve consumer protection outcomes for individuals both in the immediate and longer term. This is through introducing a regulatory regime that fosters a competitive domestic market capable of delivering robust protections and certainty for consumers.

Industry

This option would impose greater compliance costs for online operators in the short term, but these costs are likely to be offset in the longer-term particularly as the industry grows, there would be greater economies of scale. A single national regulator, dedicated to online wagering is also appropriate to regulating what is now recognised as a national market, and ensuring the interstate trade and commerce is not burdened along state and territory lines.

Indicative regulatory impacts per year

This option would impose the least regulatory costs. Under a single national regime, licensees would be subject to a single Commonwealth-legislated regime, and answerable to a single national regulator.

In contrast, under options one to three, the operator is answerable to a range of regulatory regimes based on the license they hold, and the jurisdiction in which it is granted. Depending on the licensing jurisdiction, each operator may hold multiple licenses from different jurisdictions concurrently, for the same or similar licensed activity.

Option four would simplify and consolidate the multitude of overlapping obligations and accountabilities, to significantly reduce the costs incurred by licensees in demonstrating compliance with multiple sources of regulation under options one to three.

It is estimated that the regulatory costs of this option is approximately \$4.20 million per year, which is an average of \$0.11 million per year, per operator. All upfront costs have been counted under the relevant measure. The costs below represent the costs of implementing option four (that is, estimated cost impact, less the existing baseline cost estimate for option one).

Option four: Average annual regulatory costs				
Change in costs (\$ million)	Business	Community	Individuals	Total change in costs
Annual total, by sector	-\$0.81 million	\$0	\$0	-\$0.81 million
Total over 10 years, by sector	-\$8.12 million	\$0	\$0	-\$8.12 million

Option five: Commonwealth/State-legislated and regulated National Framework

A fifth approach to implementing the National Framework is proposed, based on consultations as part of this RIS process, and ongoing discussions. This option also takes into account the legislative amendments that have occurred since the Consultation RIS.

Option five proposes to establish the National Framework through a combination of existing state and territory licensing and other regimes for online wagering, as well as Commonwealth legislation.

Under option five, the Commonwealth Government would be/is responsible for enacting and administering the following consumer protection measures:

- prohibition of lines of credit (already enacted in the IGA)
- discouraging links with payday lenders (already enacted in the IGA)
- customer verification period
- NSER.

State and territory governments would be responsible for enacting and administering the following consumer protection measures:

- voluntary, opt-out pre-commitment system
- activity statements
- restrictions on inducements
- CGM
- account closures
- staff training.

In general, this approach largely models the approach of option two, whereby state and territory governments enact all measures, except those where the Commonwealth Government legislates. Under option five, the Commonwealth Government enacts selected measures, (but not under a substituted licensing scheme as proposed under option four), while states will retain the status quo for the same measures.

Summary of key impacts

Key saves/benefits

- Online wagering is conducted in a competitively neutral environment across Australia with no incentives for online wagering operators to ‘shop’ between jurisdictions, in an effort to avoid any consumer protections viewed as onerous.
- Like options two, three and four, this option would raise the standard of protection for all consumers in Australia.
- States will retain full autonomy and discretion over all consumer protection measures by using existing state regulatory arrangements to administer the National Framework’s consumer protection measures.
- This option would also allow state and territory governments to leverage existing resources and arrangements for consumer protection, to implement the National Framework.
- In addition, for the measures legislated and administered by the Commonwealth Government, this option would allow the Commonwealth Government to quickly deliver benefits for all consumers.
- There would also be the benefit of implementing arms-length administration of a centralised NSER across jurisdictions under a single national law– this would provide a robust regulatory framework for this measure.

Key costs/disadvantages

- Unlike all other options, there would also be an additional layer of regulation imposed by the Commonwealth Government’s led legislated measures. The Commonwealth Government led measures would be set up to operate concurrently with, but not in tandem with state legislated measures (like in option three), to the extent of any legal inconsistency.
- Where legal inconsistency exists, further complexity is likely to arise in terms of managing the interaction between the remaining legally consistent obligations left over by each scheme– this is likely to undermine policy objectives despite legal consistency.
- Due to the Commonwealth Government’s intervention, an online wagering operator that conducts business on a national scale would be subject to the most number of concurrent regulatory regimes or sources of regulation, more so than any other option.

- For example, these regimes may include an operator's state licensing scheme, other state regulatory schemes (which are imposed on the basis of where services are consumed or where certain regulatory activities take place), and national regulatory schemes.
- For the above reasons, this option is also exposed to the same kinds of costs and disadvantages as those outlined above for option two, except with the greater or more severe consequences.

Impacts on key stakeholder

Individuals

Under this option, there would be improvements to consumer outcomes; however, these improvements have the potential to deteriorate most quickly over time, if not adequately managed. While a National Framework would help to ensure national consistency informs policy making in this area, adding to the volume and complexity of current regulatory institutions and ways of enacting and administering regulation is likely to become increasingly cumbersome for regulating a national market, particularly given the rapidly changing nature of this market.

Over time, consumers may also be more inclined to seek services from offshore unregulated operators, where there are no guaranteed consumer protections. This is because the increasing regulatory costs for licensed online wagering operators could undermine the competitiveness and longer term sustainability of the industry by discouraging operators from conducting business in the onshore regulated market.

Industry

Operators will incur ongoing costs from managing, monitoring and demonstrating compliance (compliance management) with the licenses they are granted, and state and territory governments will operate with increased regard for national consistency through the National Framework.

However, fragmentation in the regulatory structures, through which regulations are enacted and administered, may place considerable and increasing regulatory burdens on operators in order to remain compliant with overlapping and multiple sources of regulation. Over time, if not carefully managed, this is likely to undermine the competitiveness and longer term sustainability of the industry by discouraging operators from conducting business in the onshore regulated market. These conditions would also impede and reduce economic opportunities for growth and development.

It is unknown whether this would have the effect of pushing licensed online wagering operators from the Australian market (both legal and illegal) altogether, or displacing licensed operators into the illegal market. Consultations with industry indicates that there is potential for both. However, in either case, this likely to result in illegal

operators controlling a greater share of the Australian market, which undermines the efficacy of the National Framework. This risk is greatest under this option.

Indicative regulatory impacts per year

Under this option, operators (as well as government administrators and regulators) would incur additional costs, more than any other option, in order to achieve the earlier delivery (of effectively one or two measures) for the same policy outcomes for consumers.

Similar to the other options put forward for reform, these costs result from introducing and strengthening measures to fill key gaps in the patch work of protections afforded to consumers, on a state-by-state basis.

However, and unlike the other options, the preferred approach is also burdened by the additional costs associated with expanding the Commonwealth Government’s jurisdiction to cover three additional measures, while state and territory governments continue to administer equivalent measures in their jurisdiction.

It is currently estimated that this option will incur \$9.88 million per year, which is an average of \$0.26 million per year, per operator. This means the additional costs incurred by operators costs of implementing option five is approximately \$4.86 million per year (that is, the estimated cost impact, less the existing baseline cost estimate for option one).

Option five: Average annual regulatory costs				
Change in costs (\$ million)	Business	Community	Individuals	Total change in costs
Annual total, by sector	\$4.86 million	\$0	\$0	\$4.86 million
Total over 10 years, by sector	\$48.61 million	\$0	\$0	\$48.61 million

vi. Preferred implementation pathway

The preferred approach to implementing the National Framework is through option five. While there have been calls for the Commonwealth Government to adopt a more direct regulatory role, in considering these proposals, the following matters have also directly informed the formulation of the preferred approach:

- the capacity for the Commonwealth Government to acquire the highly specialised skills and knowledge currently held by state and territory governments in regulating consumer protections, particularly at the point of consumption

- the prospects of delivering the National Framework within agreed timeframes, which is likely to be limited by fragmentation and complexity in the implementation and administration of the framework, particularly where this proceeds on a state or territory basis
- the workability of regulations for the National Framework, which is likely to be undermined by unnecessary administrative complexity, particularly those arising from the split of regulatory roles and responsibilities between the Commonwealth, state and territory governments.

This option limits Commonwealth intervention to measures where swift action can be taken to address key gaps with national legislation. This includes measures for self-exclusion, credit betting, AML/CTF and other related measures. In addition, the approach under option five also allows flexibility for jurisdictions, to ensure existing regulatory arrangements and expertise can be leveraged in support of the National Framework.

On the whole, the preferred approach aims to deliver quick and immediate outcomes for the benefit of consumers. These benefits come with the additional regulatory costs of \$4.86 million as stated above. It is currently estimated that this option will incur \$9.88 million per year, which is an average of \$0.26 million per year, per operator. This is considered an acceptable cost in return for the above stated benefits.

The National Framework would be implemented through the agreed implementation arrangements set out in the National Framework Policy Statement. This would receive endorsement from all governments. These arrangements will seek to minimise the risks to implementation arising from its complexity, through nationally coordinated action across jurisdictions.

The Commonwealth, with state and territory governments, are expected to reach final agreement on the National Framework in the first half of 2018.

7. Implementation and Evaluation Plan

Implementation

i. Key steps in implementation

The Commonwealth, state and territory governments aim to reach final agreement to the National Framework through a National Framework Policy Statement for signature by all parties.

Implementation of the measures will proceed on the basis of existing Commonwealth, state and territory consumer protection regimes. Broadly, the Commonwealth will take responsibility for the measures requiring national coordination, while state and territory governments will take responsibility for the remainder of the measures.

The Commonwealth, in conjunction with state and territory governments, will coordinate the commencement of the measures in accordance with the following timeframes:

National Framework – Implementation timeframes
17 February 2018 (under the <i>Interactive Gambling Amendment Act 2017</i>)
<ul style="list-style-type: none"> • Prohibition of lines of credit • Payday lenders
Approximately three months from the National Framework's commencement date
<ul style="list-style-type: none"> • Customer verification
Six months from the National Framework's commencement date
<ul style="list-style-type: none"> • Offering of inducements • Account closure • Voluntary opt-out pre-commitment
12 months from the National Framework's commencement date
<ul style="list-style-type: none"> • Activity statements – subject to trialling and testing • CGM – subject to trialling and testing • Staff training • NSER

State and territory governments will be responsible for removing any duplicative legislation or regulations that conflicts with, or modifies the intent of the measures under the National Framework. This should occur before commencement, where practicable. The National Framework is not intended to limit the capacity of state and territory governments to pursue enhanced measures through their own regulations and licensing arrangements.

There will be appropriate transition timeframes for industry, which would allow sufficient time for reaching agreement on the National Framework and the details of a proposed regulatory model, as well as developing appropriate legislation.

ii. Communication strategy for the National Framework

A communication strategy will be developed jointly by Commonwealth, state and territory governments. This strategy will be a multi-pronged approach to communicating the importance of all measures, under the National Framework, as a suite of tools to assist all people who participate in account-based legal online wagering activity.

Evaluation and implementation

A key aspect of the National Framework will be its agility and ability to keep pace with changes in best practice, research and evidence over time.

To support this, a comprehensive research and evaluation strategy will be required to assess the effectiveness of the National Framework's measures in achieving outcomes for consumers, and inform ongoing refinements to the measures. An external provider is currently being procured by the Commonwealth to develop and cost a performance and evaluation strategy to guide the evaluation of the National Framework. Trialling and testing of some measures may be undertaken before their implementation.

A governance committee, consisting of an official from each of the relevant Commonwealth, state and territory government departments, will support the effective implementation, ongoing management, review and updating of the National Framework.

The governance committee will be responsible for overseeing the implementation of the National Framework, including making all related decisions, consistent with the commitments expressed within the National Framework. This includes managing and coordinating the implementation of the National Framework across jurisdictions, and updating it over time.

Appendix A: Summary table of regulatory cost impacts

The costs presented for each measure below detail the estimated regulatory costs for each option, broken down by sector (business, community sector and individuals). This is the estimated cost of the option by itself, as opposed to the estimated change in cost, taking into account the interaction with the baseline or current regulatory costs.

The tables showing costs in each chapter of the Decision RIS represent the estimated cost of implementation for the respective option. This is presented as the expected change in costs, determined by the option estimate, less the baseline or current requirements for that measure. As such, the figures in this appendix will not be the same as those in each chapter.

However, the figure shown in red in the table below is the estimated implementation cost for the preferred option (that is, the preferred option, less baseline/option one costs). Note that all figures are rounded to two decimal places.

National Consumer Protection Framework Decision RIS: Final regulatory costings' impact				
* denotes preferred option	Annualised Regulatory cost (\$m)			
National Self-Exclusion Register	Business	Community	Individual	Total
Option one: status quo	\$0.24		\$0.22	\$0.46
Option two: standardised approach	\$0.60		\$0.36	\$0.95
Option three: centralised system	\$0.38	\$0.01	\$0.13	\$0.52
Total regulatory impact of preferred approach = \$0.07m regulatory COST a year				
Voluntary opt-out pre-commitment scheme	Business	Community	Individual	Total
Option one: status quo	\$0.56		\$0.28	\$0.84
Option two: standardised approach	\$3.75		\$7.16	\$10.91
Option three: centralised system	\$75.08		\$2.86	\$77.94
Total regulatory impact of preferred approach = \$10.07m regulatory COST a year				
Offering of inducements	Business	Community	Individual	Total
Option one: status quo	\$0.48			\$0.48
Option two: minimum standards for restricting inducements	\$0.39		\$0.20	\$0.59
Option three: Banning all inducements	\$0.08			\$0.08
Total regulatory impact of preferred approach = \$0.11m regulatory COST a year				
Activity Statements	Business	Community	Individual	Total
Option one: status quo	\$0.43			\$0.43
Option two: standardised approach	\$6.79			\$6.79
Option three: centralised system	\$75.08			\$75.08
Total regulatory impact of preferred approach = \$6.35m regulatory COST a year				
Consistent Gambling Messaging	Business	Community	Individual	Total
Option one: status quo	\$19.99			\$19.99
Option two: Consistent Generic Messaging	\$1.01			\$1.01
Option three: Consistent Generic Messaging and Dynamic Messaging (low range)	\$2.48			\$2.48
Option three: Consistent Generic Messaging and Dynamic Messaging (high range)	\$3.46			\$3.46
Total regulatory impact of preferred approach = \$18.98m regulatory SAVE a year				
Staff Training	Business	Community	Individual	Total
Option one: status quo	\$1.92			\$1.92
Option two: prescribed learning objectives	\$3.67			\$3.67
Option three: mandatory online training program	\$3.06			\$3.06
Total regulatory impact of preferred approach = \$1.14m regulatory COST a year				

Reducing the Customer Verification period	Business	Community	Individual	Total
Option one: status quo	\$1.13		\$1.46	\$2.59
Option two: 21-day timeframe	\$0.90			\$0.90
Option three: 14-day to 72-hour timeframe	\$0.90			\$0.90
Option four: mandatory verification prior to any wagering activity	\$0.90			\$0.90
Total regulatory impact of preferred approach = \$0.90m regulatory COST a year				
Account closure	Business	Community	Individual	Total
Option one: status quo				N/A
Option two: Information on process included in 'My Account' window	\$0.17			\$0.17
Option three: Online process included in 'My Account' window	\$0.59			\$0.59
Total regulatory impact of preferred approach = \$0.17m regulatory COST a year				
Regulating the National Framework	Business	Community	Individual	Total
Option one: no joint National Framework	\$5.02			\$5.02
Option two: joint National Framework, legislated and regulated by state and territory governments	\$6.37			\$6.37
Option three: joint National Framework, legislated by Commonwealth and regulated by state and territory governments	\$8.11			\$8.11
Option four: joint National Framework, legislated and regulated by Commonwealth	\$4.20			\$4.20
NEW option: joint National Framework, legislated and regulated by the Commonwealth, state, or both Commonwealth and state depending on the measure	\$9.88			\$9.88
Total regulatory impact of preferred approach = \$4.86 million regulatory COST a year				
Total regulatory impact of all preferred approaches for each measure under the National Framework = \$23.67m COST minus \$18.98m SAVE = \$4.70m COST				

Appendix B: Government Response to the Review of Illegal Offshore Wagering



Australian Government

Government Response to the 2015 Review of the Impact of Illegal Offshore Wagering

April 2016

INTRODUCTION

On 7 September 2015, the then Minister for Social Services, the Hon Scott Morrison MP, asked the Hon Barry O'Farrell to conduct a Review of the Impact of Illegal Offshore Wagering (the Review).

The Review was conducted to investigate the size and scope of the illegal offshore wagering problem and advise on ways to strengthen our regulatory enforcement and protect Australians from illegal offshore wagering operators. The Australian Government (Government) is concerned that illegal offshore wagering causes several problems including:

- greater risk for consumers because legal protections are not in place and standard consumer protections are often absent;
- the potential for greater sports integrity problems, as relevant betting and transaction information is not available; and
- less tax revenue for governments, less product and other fees for the racing and sports industries, and fewer jobs for Australians.

Mr O'Farrell was given a broad terms of reference to conduct the Review to allow him to look at the problem holistically. Mr O'Farrell's Report is available at www.dss.gov.au/communities-and-vulnerable-people/programmes-services/gambling

The Review makes 19 recommendations and the Government has accepted 14 recommendations in full and four in-principle.

OVERVIEW OF THE AUSTRALIAN MARKET

The size and growth of the market

Australians are among the biggest gamblers in the world, spending \$1,245 per capita in 2014³⁵.

Online wagering is presently a relatively small part of the overall gambling market in Australia but it is the fastest growing segment. In 2013-14, overall expenditure on gambling in Australia was \$21.1 billion and wagering made up \$3.4 billion of this. Just under half of all wagering expenditure was conducted online (\$1.4 billion), and this is growing at a rate of 15 per cent per annum.

The Review found that the number of active online wagering accounts in Australia has grown four-fold during the period 2004 to 2014 from 200,000 to 800,000. Many people have more than one account.

Legal online wagering is growing due to the ubiquity of mobile devices and changes in consumer behaviour, which have in part been driven by intensive marketing from companies licensed in Australia. The market is highly competitive, largely consisting of internationally owned companies, licensed and operating in Australia.

The Review found that estimating gambling expenditure by Australians on illegal offshore sites is difficult as there is no single authoritative data set. The lower estimate suggests that it is only 5 per cent of the total expenditure by Australians (\$64 million) and that this figure has declined markedly since 2004. Based on this figure, the 'problem' of illegal offshore gambling is relatively small. However, upper estimates quoted by the Review put the figure at 26 per cent of the market (\$400 million) and growing.

The Review found that Australians bet on illegal offshore sites for many reasons including a broader product offering and better odds. Illegal offshore sites offer a wider range of betting options including in-play and micro bets for sporting events which are not legally offered online to Australians. Some illegal offshore operators offer better odds as they are not paying taxes, licence fees, or product fees required to sustain the industry in Australia. Many Australians are also unaware that the sites they are

³⁵ All data is drawn from the Review of Illegal offshore Wagering Report unless otherwise stated

betting on are not licensed in Australia and that there is limited legal recourse if they run into any difficulties obtaining winnings or deposits.

A number of countries have successfully tackled illegal offshore wagering by adopting a multifaceted approach to limiting access to unlicensed wagering sites. France, for example, legislated to break local monopolies on online gambling and introduced Internet Service Provider (ISP) and transaction blocking. This resulted in unauthorised wagering dropping from 75 per cent to 20 per cent of online gambling³⁶.

No country has eradicated illegal offshore betting in its entirety.

The Australian regulatory regime

Online gambling, including wagering, is regulated in Australia by a combination of state and territory, and Commonwealth laws. State and territory governments (states) are responsible for the regulation, licensing and most consumer protection measures of legal online gambling services.

The Commonwealth Government's *Interactive Gambling Act 2001* (IGA) limits the types of online gambling products that can be offered to Australians.

Australia is home to nine jurisdictions that licence gambling with more than 60 pieces of legislation underpinning the regulatory environment. As a result Australia has a regulatory framework that is fragmented, inconsistent and leads to increased compliance burdens for online operators who need to comply with differing rules in each state and territory.

The IGA has become ineffective and out-dated, with considerable confusion among both licensed operators and consumers on what is permitted under the Act. For example, some operators have relatively recently introduced 'click-to-call' in-play betting services which have been developed to circumvent the operation of the legislation.

There is also ambiguity about whether offshore providers are complying with Commonwealth, state and territory law. Enforcement of the IGA has also been difficult, as the ambiguity of many provisions and the difficulties in obtaining admissible evidence from overseas jurisdictions often hamper investigations.

Problem gambling

Rates of problem gambling among interactive gamblers is a concern to the Government. It is therefore important that consumer protection measures are monitored and updated when appropriate given the current and projected growth in online gambling.

According to the Review, the rate of problem gambling for online gamblers is 2.7 per cent with 41 per cent of online gamblers considered to be 'at-risk' gamblers (low-risk, moderate-risk and problem gamblers). This means they experience problems, to varying degrees, such as to their physical health like stress or anxiety; financial problems caused by gambling, or chasing losses.

This compares to figures for all gamblers where 0.9 per cent are problem gamblers and around 20 per cent are 'at risk' gamblers.

Online gambling combines a number of issues that are not universally present with other modes of gambling:

- the ability to gamble online, anywhere via mobile devices;
- the ability for gambling operators to target individual gamblers with offers and encouragements to bet;
- the ability to transfer large amounts electronically into online betting accounts; and
- the ability for gambling operators to offer lines of credit to gamblers.

Online, you can lose your house, in front of the TV, in a weekend.

³⁶ Victorian Government submission to the Illegal Offshore Wagering Review

THE GOVERNMENT'S DIRECTION

The Government has accepted in full or in-principle 18 of the Review's 19 recommendations. (See the table attached). As the Review notes, no single policy reform can deal conclusively with every aspect of illegal offshore wagering. Consequently a multifaceted approach is required. Based on the Review's recommendations, the Government proposes a three-staged approach, which can be concurrently implemented.

1. The establishment of a national consumer protection framework (national framework). The aim is to empower individual gamblers to ensure that problem gambling is minimised.
2. Amend the law to make it clear that it is illegal for unlicensed overseas gambling companies to offer gambling products to Australians. The Australian Communications and Media Authority (ACMA) will also be empowered to have stronger enforcement mechanisms.
3. Introduce other disruption measures to curb illegal offshore gambling activity.

No measure will completely eliminate the illegal offshore wagering market, but the combination of clarifying the law combined with other disruption measures will make a significant difference, as has been demonstrated by other nations.

The Government will clarify the existing law to respect the provisions and original intent of the IGA by moving to prohibit 'click-to-call' in-play wagering services.

This three-staged approach is outlined in detail below.

1. A National Consumer Protection Framework

The Review made clear that the Australian consumer protection regime is weak and inconsistent across the nation. Mr O'Farrell said "*a key concern of this review is the effectiveness of existing consumer protection measures for online wagering*". This view was shared by many in the gambling industry including by gambling providers. The largest wagering company in the world, Bet365, said that "*Australia's responsible gambling standards are inconsistent and fall a long way behind international best practice*".

With online wagering growing at 15 per cent per annum, it is clear that a stronger consumer protection regime is required.

In line with the Review's recommendations, the Government will work with the states to establish a national framework of agreed minimum standards. The Government aims to agree on a framework model within 12 months.

At a minimum the framework should comprise of the following elements:

- a national self-exclusion register for online wagering;
- a voluntary pre-commitment scheme for online wagering;
- standardised messaging and gambling across the nation;
- the provision for operators to provide activity statements for online wagering on demand and on a regular basis;
- operators to train staff in the responsible conduct of gambling through an accredited provider; and
- prohibit lines of credit being offered by wagering providers.

In line with its election commitment for problem gambling, the Government is of the view that people should bet with money they already have and therefore will seek to ban the provision of lines of credit for online wagering altogether. This would bring Australia into line with many other countries and make

it consistent with other channels of gambling where providing lines of credit is unlawful. The Government will also consider a harmonised regulatory regime to ensure that the offering of inducements is consistent with responsible gambling.

A range of possible approaches to implement the national framework will be considered and discussed with the states and stakeholders, including that adopted for the National Policy on Match-Fixing in Sport, and a national regulatory approach. The implementation of a national framework may also have flow on benefits to sport and racing integrity, with the provision of more transparent betting and transaction information.

The Government will also introduce nation-wide research on this issue to assist with the development and evaluation of policy responses to gambling and its impact within Australia. We need to understand the size of the problem and collect the data to make informed evidence-based decisions.

The Government will work with the states and territories on a collaborative research effort, including developing an agreed research programme.

2. Clarify the law regarding illegal offshore gambling and empower the ACMA

The Review found that there is a significant weakness in the IGA in that it does not expressly prohibit the provision of gambling services to Australians by offshore providers. Consequently, many offshore providers offering gambling products to Australians may stop if the law was clearer.

For example, the gambling regulator in Gibraltar, a responsible regulator in the global market, informed the Review that labelling offshore operators as 'illegal' was not consistent with its understanding of the IGA.

The Government will amend the IGA to make it clear that the provision of gambling services to Australians by offshore providers is prohibited, unless they are licensed by a state or territory.

Consistent with the Review's recommendations, the Government will give additional powers to the ACMA to notify relevant international regulators if an operator in their jurisdiction is in breach of Australian law. The ACMA will also be granted powers to implement civil penalties.

These actions will send a clear message to gambling operators that the Government is serious about compliance with its gambling laws, and should see responsible international gambling companies either obtaining a licence or ceasing to provide gambling products to Australians.

Other countries take this approach and we will seek to replicate it. France, for example, makes it clear that it is illegal, based on a domain geolocation, for a foreign online betting company to offer gambling products to French nationals.

3. Introduce other disruption measures to curb illegal offshore gambling activity

In addition to clarifying the law, the Review recommended the implementation of a series of other mechanisms to disrupt the illegal offshore gambling market. The term 'disrupt' is carefully used as no single action will completely eliminate illegal offshore gambling. However the combination of greater legal clarity and stronger enforcement (as outlined above) in concert with the disruption measures will have a significant impact.

In line with the recommendations of the Review, the Government will pursue the following responses.

- The creation of name and shame lists to be published online to detail illegal sites and their directors and principals and the use of instruments to disrupt travel to Australia by named individuals.
- Work with the states to restrict unlicensed offshore operators that continue to provide gambling services to Australian consumers, from obtaining an Australian licence for a specified period.

- Consultation with Internet Service Providers to assess the potential options and practicality of voluntarily disrupting access to overseas based online wagering providers who are not licensed in Australia through the use of blocking or pop-up warning pages. Consultation with the banks and credit card providers to assess the potential options and practicality of payment blocking strategies to address illegal offshore gambling.

Expansion of the online betting market

The Government notes the Review's finding that the introduction of a strong national framework is required before considering any expansion of products in the online gambling market.

The Government does not intend to further expand the online betting market in Australia by legalising online in-play betting.

The Government considers 'click-to-call' in-play betting services are breaching the provisions and intent of the IGA. The Government will therefore introduce legislation to clarify the IGA as soon as possible.

CONCLUSION

The Government's approach draws on the experience of overseas regulators, where the most effective reforms brought online gambling within regulatory boundaries, but not without robust approaches to protect consumers and sport, and discourage illegal operators.

The Government extends its gratitude to the Hon Barry O'Farrell for his leadership in conducting the Review and thanks all those who contributed through meetings, research and submissions.

We look forward to engaging with the states, the wagering sector, researchers and the community to progress these measures.

Recommendation	Position	Comments
<p>1: Commonwealth, State and Territory governments should recommit to Gambling Research Australia to ensure that research funds are directed towards maximising the information available to policy makers, academics, the community and industry about the nature, prevalence and impact of gambling across Australia.</p>	<p>Agree in-principle</p>	<p>Focused, strategic and nation-wide research is essential to developing and evaluating policy responses to gambling and its impact within Australia. Gambling Research Australia is currently being evaluated. The Commonwealth and the states and territories are considering which research model best meets the goal of maximising understanding of the nature, prevalence and impact of gambling.</p> <p>The Government will work with the states and territories on a collaborative research effort, including developing an agreed research program and allocating funding to an appropriate research body or bodies.</p>
<p>2: A national policy framework, comprising agreed minimum standards, be established to provide consistency in the regulation of online wagering and to improve the effectiveness of consumer protection and harm minimisation measures across the nation.</p>	<p>Agree</p>	<p>The Government agrees that there should be a nationally consistent framework for gambling regulation and consumer protection, in line with the Government's gambling policy. National consistency is particularly important in this area given that the product crosses jurisdictional boundaries.</p> <p>The Government will work closely with the states and territories, industry and other stakeholders, to develop a national policy and regulatory framework. This will include the specific role(s) that each stakeholder will play.</p> <p>A range of possible approaches to implement the national framework will be considered and discussed with the states and territories and stakeholders, including: that adopted for the National Policy on Match-Fixing in Sport, and a national regulatory approach.</p>

Recommendation	Position	Comments
<p>3: Until the proposed national framework is established and operating, consideration of additional in-play betting products should be deferred and legislative steps taken to respect the original intent of the <i>Interactive Gambling Act 2001</i>.</p>	Noted	<p>The Government does not intend to further expand the Australian gambling market through enabling the offering of online in-play betting.</p> <p>The Government is of the view that the Australian online wagering agencies offering 'click-to-call' type in-play betting services are breaching the provisions and intent of the IGA. The Government will introduce legislation as soon as possible to give effect to the intent of the IGA.</p>
<p>4: A national self-exclusion register that applies across all online operators should be developed, either by an expansion of the Northern Territory register or through a new national system. The costs associated with such a register should be borne by online operators.</p>	Agree	<p>A nationwide, self-exclusion capability to be offered by all providers to all consumers will be developed as part of the national framework in consultation with the states and territories, and other stakeholders (as per recommendation 2).</p> <p>A number of states and territories and wagering providers already have voluntary self-exclusion and pre-commitment systems available, and a national register should ideally leverage existing architecture.</p>
<p>5: Operators should be required to offer customers an opportunity to set voluntary limits on their wagering activities. Consumers should be prompted about setting or reviewing limits on a regular basis.</p>	Agree	<p>The national framework will incorporate standards for making voluntary pre-commitment limits available to all consumers. These will be developed in consultation with the states and territories, and other stakeholders (as per recommendation 2).</p> <p>The standards will consider elements such as visibility, transparency and periodic prompting empowering consumers to reconsider their betting limits.</p>
<p>6: Operators should be required to apply additional consumer protections where 'credit' or deferred settlement betting is available.</p>	Agree	<p>Gamblers should only bet with the money they have. This policy exists for most other gambling products, such as pokies and casinos. It should also occur with the rapidly growing online wagering segment.</p> <p>A number of jurisdictions already prohibit online operators from offering lines of credit.</p>

Recommendation	Position	Comments
		<p>The Government's response goes further than the Review, and consistent with our election commitment, will seek to ban lines of credit being offered for online betting altogether. The Government will work with the states and territories to achieve this.</p> <p>The Government will also consider a harmonised regulatory regime to ensure that the offering of inducements is consistent with responsible gambling.</p>

Recommendation	Position	Comments
7: Links between online wagering operators and payday and other lenders should be discouraged.	Agree	Concerns were raised to the Review about links between payday lenders and online betting operators. The Government will work with the industry, state and territory governments and the counselling sector to investigate ways to discourage the link between payday lenders and online wagering.
8: Users should be regularly sent online statements detailing their wagering activity including total wagered, winnings and losses. These statements should also be readily accessible through the operator's website.	Agree	<p>The Government will work with the states and territories to develop a universal and nationally consistent approach to empower gamblers to monitor and manage their expenditure as part of the national framework (as per recommendation 2). A number of wagering service providers already provide their consumers with activity statements.</p> <p>These statements should be transparent and easy to understand. Minimum information requirements will be part of the national framework.</p>
9: As part of the national policy framework, the current 90 day verification period should be reduced to at least 45 days.	Agree	<p>The Government will work with the states and territories and industry to significantly reduce the current verification periods and to ensure appropriate safeguards are in place to protect young and vulnerable consumers.</p> <p>International experience suggests verification can be completed more quickly, so the Government will pursue a target of less than 45 days, with the target to be included in the national framework (as per recommendation 2).</p>
10: All staff involved with online users must undertake appropriate training in the responsible conduct of gambling – provided through an accredited provider.	Agree	The Government will work with the states and territories, the industry, community sector and training providers on mandatory training requirements. Wagering service providers are well placed to identify and support problem gamblers in the responsible conduct of gambling, similar to the responsible service of alcohol requirements.

Recommendation	Position	Comments
<p>11: That the national policy framework include consistent, enforceable rules about advertising of online gambling.</p>	<p>Agree</p>	<p>The Government agrees there is scope to make the rules that apply to the advertising of online wagering in states and territories more consistent as part of the national policy framework, and welcomes proposals by industry to develop national guidelines applying to advertisements on different media.</p> <p>The Government notes that there are also a range of regulations applying to distributors of content, such as television and radio broadcasters, which apply nationally to sectors of the industry. These rules have in most cases been developed with extensive consultation and therefore already reflect community views, but there will be differences between media platforms consistent with the way people consume different types of media. These existing frameworks will be taken into account in any national approach.</p>
<p>12: The national policy framework should ensure that advertising of online services using social or digital media platforms is subject to similar regulatory controls as other media.</p>	<p>Agree</p>	<p>The Government agrees that the national framework should also apply to advertising of online wagering services using social or digital media platforms. To the extent that general rules applying to the content of advertisements are developed, these should apply to advertising on social or digital media that carry those advertisements. The regulatory controls for licensing of wagering providers should require compliance with the advertising rules in the national framework.</p> <p>In general social media platforms have good self-regulatory frameworks in place for content, and the Government will work with such providers to ensure these offer appropriate controls in relation to advertising of wagering services and products.</p>
<p>13: The national policy framework should introduce a system to allow for the development and use of nationally consistent and standardised messaging to assist efforts to ensure responsible gambling.</p>	<p>Agree</p>	<p>The Government will work with the states and territories, and other stakeholders to include standardised messaging about responsible gambling in the national framework (as per recommendation 2).</p>

Recommendation	Position	Comments
<p>14: The current single national telephone number and web portal – Gambling Help Online – should be refocused to operate more consistently across all States and Territories, and provide a stronger pathway to other support services for problem gamblers and their families.</p>	<p>Agree in-principle</p>	<p>The Gambling Help Online service is a joint Commonwealth and state and territory partnership. It is currently undergoing formal evaluation to assess its effectiveness and to identify areas for service improvement. The Government will work with state and territory governments to ensure information to assist problem gamblers and their families is consistent and easy to access.</p>
<p>15: Further research should be undertaken on the impact of betting restrictions on illegal offshore wagering and the identification of options to improve the situation.</p>	<p>Agree</p>	<p>The Government will examine the existing literature base on betting limits, commission further research, and undertake further consultations to explore options to address the impact of betting restrictions imposed by Australian licensed bookmakers, which have been cited as a factor in decisions to gamble offshore.</p>
<p>16: A national policy framework that leverages off existing Commonwealth, State and Territory agencies should be implemented and enforced in a similar vein to the National Policy on Match-Fixing in Sport.</p>	<p>Agree in-principle</p>	<p>In line with recommendation 2, the Government will develop national policy and regulatory frameworks, in consultation with the states and territories. This might be implemented and enforced in a similar manner to the National Policy on Match-Fixing in Sport, but the Government will also discuss with the states and territories other mechanisms for implementation.</p>

Recommendation	Position	Comments
<p>17: The Act should be amended to:</p> <ul style="list-style-type: none"> - improve and simplify the definition of prohibited activities - extend the ambit of enforcement to affiliates, agents and the like - include the use of name and shame lists published online to detail illegal sites and their directors and principals and to include the use of other Commonwealth instruments to disrupt travel to Australia by those named - allow ACMA, where appropriate, to notify in writing any relevant international regulator in the jurisdiction where the site is licensed - allow ACMA to implement new (civil) penalties as proposed by the 2012 review - include a provision that restricts an operator providing illegal services to Australian consumers from obtaining a licence in any Australian jurisdiction for a specified future time period 	<p>Agree</p>	<p>The Government will introduce legislative amendments to provide greater clarity around the legality of services, strengthen the enforcement of the Interactive Gambling Act 2001, and deliver improved enforcement outcomes.</p> <p>It will also introduce the other mechanisms as outlined in the recommendation.</p> <p>The implementation of the national framework and other legislative and disruption measures may also be flow on benefits in the critical areas of sport and racing integrity.</p>
<p>18: Treasury, and other relevant agencies should work with banks and credit card providers to identify potential payment blocking strategies to disrupt illegal offshore wagering. Additionally, the recommendation from the <i>2012 Review of the Interactive Gambling Act 2001</i> relating to 'safe harbour' provisions be adopted to support these efforts.</p>	<p>Agree</p>	<p>While disruption strategies cannot provide a complete solution, payment blocking and restrictions have been used in other jurisdictions such as the United Kingdom, France and the United States as part of a multifaceted strategy designed to reduce the adverse outcomes of illegal online wagering.</p> <p>The Government will consult with the banks and credit card providers to assess the potential options and practicality of payment blocking strategies to address illegal offshore wagering and gaming.</p> <p>The adoption of Recommendation 8 from the 2012 Review of the Interactive Gambling Act 2001 will be considered after the potential options have been explored.</p>

Recommendation	Position	Comments
<p>19: ACMA should seek to pursue voluntary agreements with ISP and/or content providers to block identified sites fostering illegal wagering activity within Australia. Failing this, consideration should be given to legislative options for applying website blocking to disrupt the use of offshore operators.</p>	<p>Agree in-principle</p>	<p>Many countries have used Internet Service Providers (ISP) blocking as part of a multifaceted strategy designed to reduce the adverse outcomes of illegal online gambling.</p> <p>The Government will consult with ISPs to assess the potential options and practicality of voluntarily disrupting access to overseas based online wagering providers who are not licensed in Australia through the use of blocking or pop-up warning pages.</p>

Appendix C: First Ministers Meeting Communiqué

Ministers Meeting on Illegal Offshore Wagering Reform

25 November 2016

Communiqué

Melbourne

Commonwealth and state and territory ministers met for the first time in Melbourne today to discuss the Australian Government's Response to the *Review of Illegal Offshore Wagering*. The meeting was chaired by the Hon Alan Tudge MP, the Commonwealth Minister for Human Services, with responsibility for illegal offshore wagering.

Ministers noted that the Review found that online wagering, growing at 15 per cent per annum, is the fastest growing gambling segment in Australia. Over \$1.4 billion is wagered online each year.

It was also noted that while there is no authoritative figure, it is estimated that between five per cent and 26 per cent of all gambling expenditure occurs via illegal offshore gambling sites. These illegal sites present several problems including greater risk to consumers, sports integrity issues, and loss of jobs and revenue in Australia.

Ministers acknowledged that gambling is a legitimate industry, and that many Australians enjoy recreational online wagering. Recognising this, governments want to ensure that nationally consistent consumer protections are in place to better protect Australian consumers.

Establishment of a strong National Consumer Protection Framework

Ministers noted the *Review of Illegal Offshore Wagering* identified that the consumer protection regime for online wagering is inconsistent across Australia.

Ministers agreed that more can be done to limit the harm caused by online wagering for Australians and agreed to continue working together towards the development of a National Consumer Protection Framework. In-principle agreement was provided for the following elements to be included in this framework;

- a national self-exclusion register for online wagering;
- a voluntary, opt-out pre-commitment scheme for online wagering;
- prohibition of lines of credit being offered by online wagering providers;
- a harmonised regulatory regime to ensure the offering of inducements are consistent with responsible gambling;
- the provision of operators to provide activity statements for online wagering on demand and on a regular basis;
- more consistent responsible gambling messaging and gambling counselling advice across the nation;
- staff training in the responsible conduct of gambling through an government approved provider;
- reducing the current 90 day verification period for customer verification to open a wagering account;

- discouraging links between online wagering operators and payday lenders; and
- greater national consistency in advertising of online wagering services.

This Framework will put in place a higher level of national consumer protections than is currently in place in Australia to improve harm minimisation outcomes for Australian consumers.

A working group has been established and will continue developing the National Consumer Protection Framework. Details will be provided for the next meeting of Ministers in early 2017 with a public consultation process to follow.

Changes to the Interactive Gambling Act 2001

Ministers acknowledged the need to crack down on illegal offshore gambling providers and noted that amendments to the *Interactive Gambling Act 2001* were introduced into the Commonwealth Parliament on 10 November 2016.

These amendments:

- clearly state that it is illegal for overseas gambling companies to offer interactive gambling products to Australians without a state or territory licence;
- empower the Australian Communications and Media Authority with new civil penalties;
- introduce other disruption measures to curb illegal offshore gambling activity, such as placing company directors of illegal offshore companies on the Movement Alert List; and
- clarify the law by prohibiting 'click-to-call' in-play wagering services to respect the original intent of the Interactive Gambling Act.

Minister's also acknowledged that the Australian Government is making progress on assessing the feasibility of Internet Service Provider and Financial Payment Blocking.

Date: 25 November 2016

Media contact:

Appendix D: Second Ministers Meeting Communiqué

Ministers Meeting on Illegal Offshore Wagering Reform

Friday, 28 April 2017

Communiqué

Melbourne

Commonwealth and state and territory ministers met yesterday to progress important reforms to online wagering.

At their second meeting, ministers reaffirmed their commitment to ensuring greater protection for Australians gambling online and to the establishment of a strong, consistent and best-practice National Consumer Protection Framework (Framework).

National Collaborative Gambling Research Model

Ministers agreed to continue collaboration on national gambling research through a new partnership agreement. This will commence on 1 July 2017 with governments committing funding of up to \$3 million over three years.

This will be similar to the former Gambling Research Australia model, and a working group has been established to finalise the agreement, with secretariat support provided by the New South Wales Government.

Ministers noted that a governance committee will be established to help form the research agenda, which will encompass issues of national significance and be focused on the needs of governments.

National Consumer Protection Framework

Overall ministers agreed in-principle to the measures to be included in the National Consumer Protection Framework for online wagering.

Ministers also agreed to the scope of the Framework to apply broadly to include all forms of online and telephone wagering services.

Ministers agreed in-principle to details underpinning each measure of the Framework, as agreed at the 25 November 2016 meeting, and a set of actions and timelines for implementing them.

These measures will be based on best-practice and will be regularly reviewed and updated over time.

As part of the suite of protections, governments agreed to take stronger action to ban lines of credit being offered by online wagering providers, require the first-ever national self-exclusion register for online wagering, and implement a voluntary opt-out pre-commitment scheme.

Together, the 11 measures (which includes the new Gambling Research Australia model), will introduce the largest package of online wagering reforms ever progressed in Australia.

The detailed principles agreed for each measure are:

A national self-exclusion register for online wagering

Ministers agreed that a national self-exclusion register for online wagering should be:

- quick and simple to apply to and take immediate effect, with one single point of contact for consumers to exclude from as many or all providers as they choose
- offered across all phone and web-based digital platforms
- effectively promoted so consumers are educated about self-exclusion and aware of the scheme and
- industry-funded.

Additional features to the self-exclusion register agreed include:

- consumer choice being integral to this system, where consumers should be able to choose when and for how long they wish to self-exclude
- it being mandatory to provide information on problem gambling support services and counselling at the point in time a consumer nominates to self-exclude
- it being mandatory to require a cooling-off period for consumers to revoke self-exclusion
- providers being prohibited to provide any marketing and/or promotional material during the period of self-exclusion
- all funds held in active accounts will be returned to the excluded consumer once all wagers/bets are settled, and then the account to be closed
- a consumer who nominates for permanent/lifetime self-exclusion having their account permanently closed and
- consumers being required to actively approach the wagering provider to reactivate their wagering account with tight prohibitions on providers around encouraging consumers to resume their wagering through marketing or promotion.

Ministers committed to agree implementation details by September 2017.

A voluntary opt-out pre-commitment scheme for online wagering

Ministers agreed that a voluntary opt-out pre-commitment scheme for online wagering should be:

- provided at the individual wagering provider level and
- easily accessible and effectively promoted to consumers.

It was also agreed that:

- it should be mandatory for providers to provide a range of options to set and adjust limits to allow for consumer choice including net deposit limits, loss limits and spend limits
- limits should be binding
- decreasing of limits should apply immediately, with a cooling-off period for limit increases being seven days

- all consumers should be prompted to set and review pre-commitment limits at regular intervals, possibly every year, including to consumers who have chosen not to set a limit
- options should be available for the consumer to determine the time period for their limit, including daily, weekly, fortnightly and monthly
- messaging should be provided to consumers advising them of when their limits have been reached, and at various other intervals prior (for example, at 50 per cent and 85 per cent of their limit)
- limit setting can be accessed online, using a mobile application, over the phone, and using a written form
- providers will be required to offer the choice to set a pre-commitment limit at least every 12 months, to every account holder who has chosen not to set up a pre-commitment limit and
- the availability of the scheme should be promoted beyond initial account sign-up, with education and awareness of the scheme shown on a provider's website and in promotional material.

It was also agreed that terminology used around this measure was important and the use of clear and positive language would likely increase the use of the scheme, with trialling and testing of terminology and features to occur in the second half of 2017.

Ministers also agreed to implement this measure by the end of 2017, subject to consultation with providers.

Prohibition of lines of credit being offered by online wagering providers

Ministers agreed that:

- the use of credit offered by online wagering providers should be prohibited
- an exemption for on-course bookmakers for phone based and in-person betting only. This exemption was proposed as it was recognised that on-course bookmakers have a different business model to the large corporate bookmakers, and that they are also subject to unique licensing conditions under state and territory legislation and
- other exemptions may be considered following further consultation with stakeholders.

Ensure offering of inducements is consistent with responsible gambling

Ministers discussed prohibitions in relation to offering inducements for online wagering. Ministers agreed that further work would be undertaken in relation to a minimum standard for a ban on inducements, noting that some states already ban all inducements.

Ministers agreed the detail of precise minimum standards will be determined by July 2017.

Provision of activity statements on demand and on a regular basis

Ministers agreed that wagering providers would be required to provide activity statements for online wagering which:

- clearly articulate the net win/loss for the specified period
- are provided to consumers on demand and on a regular basis (every quarter)
- are free of charge and easily accessible at all times
- provide links to other consumer protection tools and pathways

- prompt consumers to elect a preferred delivery method for activity statements on sign-up to account
- are available through multiple methods, including being pushed out to consumers via mobile applications or email, as well as mailed by post or through facsimile – providing direct access to the statement
- link with pre-commitment information where applicable and
- provide practical information that is clear and not complex.

It was agreed that the detail around the information to be included and the format of activity statements would be tested.

Ministers agreed to implement this measure through amendments to state licensing agreements, or other state-based mechanism, by the end of 2017.

More consistent responsible gambling messaging

Ministers agreed that:

- the Framework will mandate a national standard based on evidence for responsible gambling messaging relevant to online wagering.
- responsible gambling messages should be easily understood and accessible to a wide range of groups across Australia and should therefore be designed in consideration of the jurisdiction in which they are displayed and
- terminology of messaging is crucial to their effectiveness as a consumer protection measure, and messages should be designed in collaboration with experts (harnessing new and existing research).

The detail around the messaging used, including format, style, consistency and imagery will be tested and further researched to ensure their effectiveness as a consumer protection measure.

Ministers also agreed that further research would be undertaken into the effectiveness of the current Gambling Help Online service. Ministers also acknowledged the importance of online counselling and support services.

Staff training in the responsible conduct of gambling

Subject to consultation and further work by senior officials, ministers agreed in-principle that:

- under the Framework, all staff who are involved in the provision of wagering services, or who have the capacity to influence the wagering service, must undertake responsible services of gambling training, to create a culture of responsible gambling within the organisation
- this will be done through approved training providers to ensure high-quality of training and consistency of training delivered
- regulators would approve the content of the training including key minimum learning objectives and
- training should occur within three months of commencing employment as a minimum standard, with frequent refresher courses.

Ministers agreed this should be included in state licensing arrangements, or other state-based mechanism, by the end of 2017.

Reducing the current 90-day verification timeframe for customer verification

Ministers agreed to reduce the current customer verification period to 21 days (or a lesser period) for online wagering across all jurisdictions. This will be tested with industry. Ministers acknowledged that the verification process is an important consumer protection tool, and is critical to restricting access to online gambling by underage consumers and for those self-excluded consumers.

Prohibiting links between online wagering providers and payday lenders

Ministers agreed there will be a prohibition on advertising or direct marketing of small amount credit contract providers (payday lenders) on online wagering providers' websites.

In addition to this, there will also be a prohibition on online providers from referring consumers to credit organisations to finance wagering activity and providing consumer information to payday lenders.

Ministers further agreed to explore whether this ban should extend to affiliated organisations of wagering providers.

The Commonwealth will implement these requirements by the end of 2017.

Greater national consistency in advertising of online wagering services

Ministers agreed that the current level of gambling advertising is not liked or desired by the broader community.

Ministers noted the Commonwealth Government is actively considering this issue.

Other issues

Ministers also noted work being undertaken by Commonwealth and state and territory Treasurers on a national wagering tax.

Appendix E: Third Ministers Meeting Communiqué

Ministers Meeting on Illegal Offshore Wagering Reform

Friday, 8 September 2017

Communiqué

Melbourne

Commonwealth and state and territory ministers met today to continue progress on important reforms to online wagering.

At their third meeting, ministers reaffirmed their commitment to ensuring greater protection for Australians gambling online and to the final stages of the establishment of a strong, consistent and best-practice National Consumer Protection Framework (National Framework).

National Consumer Protection Framework

Ministers acknowledged the important work that Commonwealth and state and territory officials have undertaken through their engagement with the wagering sector, academics, the community sector and individuals. This has resulted in a set of strong options for each National Framework measure, based on evidence and stakeholder feedback.

Building on the previous meetings, ministers announced their intention for the National Framework to include stronger restrictions on inducements and mandating requirements on account closures.

Ministers noted that significant trial and testing of some of the measures will be undertaken to further improve the effectiveness of the consumer protections available, and to enhance the reform package.

Ministers noted there will need to be flexibility in the implementation of the measures, and expressed a strong commitment for the National Framework to regularly be reviewed and updated.

The Commonwealth Government has agreed to develop a performance and evaluation strategy for the National Framework.

Governments aim to release a final National Framework by the end of 2017. The measures of the National Framework will then be implemented in a staged approach over the next 12 months.

The detailed in-principle agreed position, subject to each jurisdiction's formal approval processes, for each measure is:

A National Self-Exclusion Register for online wagering

Ministers agreed that a national self-exclusion register (NSER) is established through a centralised system across all wagering operators. The Commonwealth will coordinate this

effort with the states and territories. We will aim to have the NSER operational by December 2018, supported by trialling and testing. The NSER will:

- be industry-funded
- apply across all operators, with further work on modular options
- be quick and simple to apply to and take immediate effect
- be effectively promoted so consumers are educated about self-exclusion and aware of the scheme
- be offered across all phone and web-based digital platforms
- allow individuals to choose their exclusion period and this will range from three months to permanent exclusion
- allow individuals to nominate a sponsor
- have information on gambling support services, financial services and counselling at the point in time a consumer nominates to self-exclude, including information about land-based self-exclusion tools
- have information on gambling consumer protection available on the self-exclusion website
- prohibit providers from providing any marketing and/or promotional material during the period of self-exclusion
- ensure all funds held in active accounts are returned to the excluded consumer once all wagers/bets are settled, and then the account to be closed
- provide a process for revocation of self-exclusion, with evidence that the consumer has seen a counsellor, and a further seven day cooling off period
- require consumers to actively approach the wagering provider to open a wagering account.

A voluntary opt-out-pre-commitment scheme for online wagering

Ministers agreed the voluntary opt-out pre-commitment scheme for online wagering is implemented with nationally consistent features at the operator level. State and territory governments will implement this measure, with the aim for pre-commitment requirements to be fully operational by June 2018. The key features include:

- be easily accessible and effectively promoted to consumers
- prompt a customer to set a limit at account sign-up process
- mandate deposit limits only, with other limits optional for operators
- limits should be binding
- decreasing of limits should apply immediately, with a cooling-off period for limit increases being seven days

- all consumers should be prompted to set and review pre-commitment limits at regular intervals, possibly every year, including to consumers who have chosen not to set a limit (subject to testing)
- options will be available for the consumer to determine the time period for their limit, including daily, weekly, fortnightly and monthly
- limit setting can be accessed online, using a mobile application, over the phone, and using a written form
- the availability of the scheme will be promoted beyond initial account sign-up, with education and awareness of the scheme shown on a provider's website and in promotional material.

Further enhancement to these features will be considered after trialling and testing has occurred.

Ministers also agreed to conduct a feasibility study into a multi-provider pre-commitment system, following the successful implementation of a provider based scheme. 5

Ensure offering of inducements is consistent with responsible gambling

Ministers have agreed to the following minimum requirements in relation to inducements:

- Inducements to open an account or refer a friend to open an account will be prohibited.
- Inducements not part of an approved loyalty program in a jurisdiction that only permits inducements as part of an approved loyalty program will continue to be prohibited.
- The winnings from a bonus bet must be able to be withdrawn and not subject to turnover requirements.
- All customers of wagering services must opt-in to receive direct marketing material.
 - All marketing communications must contain a functional and easily accessible option to unsubscribe from receiving marketing material.

Some jurisdictions expressed support for additional forms of inducements to be prohibited and further restrictions on the advertising of inducements. Those jurisdictions reserve the right to pursue those measures through their own regulations and licensing arrangements.

Provision of activity statements on demand and on a regular basis

Ministers agreed that activity statements are implemented with a standardised approach at the operator level. The below high level principles will form part of the initial National Framework to be finalised by the end of this year, and will be mandated by state and territory governments.

- be easily accessible at all times
- clearly articulate the net win/loss for the specified period
- provide practical information that is clear and not complex

- be provided by operators free of charge, but operators should be able to recover the costs purely associated with sending a statement to customers by mail, if a customer elects this delivery method.

Further to this, ministers noted that extensive trialling and testing of this measure is already underway, with a scoping study being prepared by the Commonwealth's Behavioural Economics Unit in the Department of the Prime Minister and Cabinet. This will include consideration of responsible gambling messaging. It is expected that comprehensive trials of the effectiveness of various features of activity statements will be finalised in the first half of next year. The National Framework will then be further enhanced with the results of these trials in the second half of 2018, at which time the measure will become operational.

More consistent gambling messaging

Ministers agreed that gambling messaging is implemented with a nationally consistent set of standards, based on evidence for gambling messaging relevant to online wagering. The below high level principles will form part of the initial National Framework with the aim to be finalised by the end of this year, and will be mandated by state and territory governments.

The key features include:

- that gambling messaging is easily understood and accessible to a wide range of groups across Australia and therefore be designed in consideration of the jurisdiction they are displayed
- recognition that terminology of messaging is crucial to their effectiveness as a consumer protection measure, and messages should be designed in collaboration with experts (harnessing new and existing research).

This measure is two-fold: industry would have one set of gambling messages to use in its advertising nation-wide, and states and territories can tailor this message for their own respective campaigns. 6

Further to this, ministers noted that extensive trialling and testing of this measure is already underway, with a scoping study being prepared by Commonwealth's Behavioural Economics Unit in the Department of the Prime Minister and Cabinet. It is expected that comprehensive trials of the effectiveness of various features of gambling messaging will be finalised by mid-2018. The National Framework will then be further enhanced with the results of these trials in the second half of 2018, at which time the measure will become operational.

Staff training in the responsible conduct of gambling

Ministers agreed that mandatory, industry funded online training for the responsible services of gambling will aim to be developed by October 2018. This will be mandated as a minimum for all staff that are involved in the provision of online wagering services or have the capacity to influence the online wagering service. Compliance with the training obligations will be regulated by state and territory governments, and aim for the measure to be fully operational by December 2018. Key features include:

- all staff who are involved in the provision of wagering services, or who have the capacity to influence the wagering service, must undertake responsible services of gambling training, to create a culture of responsible gambling within the organisation

- the approved online training program is industry funded
- an annual refresher training course is to be developed, which would refresh content knowledge and information on any recent changes in consumer protection and/or gambling harm
- new staff must undertake the online training within one month of commencing work with the wagering operator, and staff dealing directly with customers would have to undertake the training before they interact with any customers.

Reducing the current 90-day verification timeframe for customer verification

Ministers agreed that customer verification is reduced to a maximum 14-day timeframe. This measure will take effect through Commonwealth Anti-Money Laundering and Counter Terrorism Financing Rules and will be operational by March 2018. The key features include:

- customers to be verified within a maximum 14 day period to continue using an online wagering account
- wagering operators must return deposited funds and close an account immediately if customer verification identifies a person is under 18 years of age or self-excluded
- winnings are not able to be withdrawn prior to identity verification.

Ministers agreed that a 72 hour customer verification timeframe is preferable, and the Commonwealth will explore the feasibility of this by the end of 2017.

Account Closure

Ministers agreed that the process for customer initiated account closure should be included in the National Framework. This will be implemented by state and territory governments with the aim to be operational by June 2018. The key features include:

- that account closure information be included and clearly articulated within each customer's 'My Account' window
- consideration will be given to ensure the process for account closure is simple for customers
- online wagering operators are prohibited from providing any direct promotional or marketing material to customers following the suspension or closure of an account.

Interactive Gambling Amendment Bill 2016 and disruption measures

Ministers noted that two important measures under the National Framework, banning lines of credit being offered by online wagering providers and stopping the links between payday lenders and online wagering providers, have been prohibited through the *Interactive Gambling Amendments Bill 2016* (the Bill).

The Bill received Royal Assent on 16 August 2017 and will take effect in the *Interactive Gambling Act 2001* from 13 September 2017. There is a six month transition period to allow industry and customers to adjust their business and betting practices for these two measures.

Ministers noted the progress of the other disruption measures, Internet Service Provider (ISP) blocking and financial payment blocking, to curb illegal offshore wagering activity.

Other wagering reforms

Ministers noted the work of the Wagering Working Group that is considering a common national approach on examining a point of consumption tax for online wagering and will report back to the next Council on Federal Financial Relations meeting later in the year.

Ministers also noted the progress for restrictions to gambling advertising and that the Commonwealth Government is working with industry to implement these restrictions through broadcasting codes of practice and legislative amendments to capture online services.

9. Glossary of key terms

Term	Description
Activity statements	Activity statements refer to information that detail an individual's betting history, such as the outcomes of bets, aggregate wins and losses, and deposit information. Activity statements typically provide a list of all transactions over a specific time period.
At-risk gamblers	At-risk gamblers are defined as those people identified by the Problem Gambling Severity Index (PGSI) as being either 'moderate risk' or 'high risk' of experiencing gambling problems. The PGSI is a self-reporting assessment tool used to gauge the degree to which a person's gambling is problematic.
Betting limits	Betting limits refer to limits on the size of bets. Limits may refer to maximum betting limits where a cap is placed on bet size, typically as a harm minimisation measure and/or as a risk management measure for bookmakers, or minimum limits that refer to a minimum bet size that bookmakers must accept.
Binding limits	Binding limits refer to self-imposed wagering limits set by individuals, that are enforceable as part of the voluntary pre-commitment tool. This means once a wagering limit is set, it is unable to be increased for a specific period of time, and as such, that individual is unable to continue gambling once they have reached their limit.
Bonus bets	<p>Bonus bets are free betting credits provided to gamblers as an inducement to commence betting or continue betting with a specific operator. The defining feature of bonus bets is that they are often required to be bet or 'played through' before they can be withdrawn; in other words, the bettor must make additional bets in order to take advantage of the financial incentive.</p> <p>These play-through requirements may apply to the bonus amount itself, to the bonus amount plus the stake that is required to attract the bonus, to the winnings obtained through using the bonus amount, or to a combination of these amounts.</p>
Bookmaker	Bookmakers are persons or organisations who take bets, calculate odds and pay out winnings. Bookmakers are licenced in each jurisdiction. Traditionally, bookmakers have referred to referred to individuals operating at event venues. More recently, corporate bookmakers operating online have been established.

Term	Description
Click-to-call	<p>The 'click-to-call' and similar features, allow bettors to place in-play bets over their mobile device without speaking to an operator.</p> <p>Recent amendments to the <i>Interactive Gambling Act 2001</i> clarify that these features are prohibited under the law.</p>
Consistent gambling messaging	<p>Consistent gambling messaging (previously referred to as 'responsible gambling messaging' in the Consultation RIS) refers to nationally standardised and consistent messaging, relevant to online wagering. It includes the detail of the messaging used such as terminology, format, style and imagery.</p> <p>Consistent gambling messages are intended to be easily understood by a wide range of groups across Australia and relevant for the jurisdiction they are displayed.</p>
Consumer Protection	<p>Consumer protection refers to government policies, regulations and programs that seek to encourage gamblers to gamble within their limits and reduce the potential for harms from gambling.</p>
Cooling-off period	<p>A cooling-off period refers to a period of time after an individual has made a decision in relation to their wagering activity, such as for self-exclusion or pre-commitment.</p>
Credit betting	<p>Credit betting refers to the provision of a line of credit by a gambling operator to allow a customer to place bets without using deposited funds and to reconcile the account at a later date.</p> <p>Credit betting does not refer to the use of credit cards to deposit funds into an online gambling account.</p>
Customer verification	<p>Customer verification refers to the process of collecting and verifying a customer's identity information upon registration of a new online wagering account. This involves identity verification confirming a customer's name, and/or age, and residential address in accordance with the AML/CTF Rules.</p>
Deposit limits	<p>A deposit limit is a limit on the amount of money that can be deposited by the customer into a single gambling account over a defined period of time.</p> <p>At present, a number of online operators allow customers to set deposit limits, typically when their account is registered. The services typically limit the amount that may be deposited during a day (24 hours), week (seven days) or month (30 days).</p>

Term	Description
Dynamic messaging	Dynamic messaging involves the display of pop-up messages which are specific to an individual customer's gambling activity. The aim of dynamic messaging is to force a break in the customer's wagering activity to encourage individuals to evaluate their wagering behaviour.
Gambling	<p>In the context of the O'Farrell Review and the Government Response, and therefore this RIS, gambling is defined as all forms of gaming and wagering, including betting on sports, racing and fantasy sports, lotteries, EGMs and all casino games including poker.</p> <p>In Australia, gambling is a collective term for the sub-categories of 'gaming' and 'wagering'. Wagering is a gambling event that takes place generally on a sports field or racetrack. Online wagering refers to these forms of gambling, with the internet simply a mechanism for placing the wager.</p> <p>Interactive gambling (also referred to as online or remote gambling) is a joint term capturing gaming and wagering on the internet. The converging capabilities of various technologies such as computers and smart phones allow interactive gambling to be available almost anywhere at any time.</p>
Harm minimisation	<p>Harm minimisation measures, in the context of gambling and related industries, refers to measures that seek to reduce the negative consequences of gambling, in particular those consequences associated with at-risk gambling.</p> <p>Examples of harm minimisation measures include, among others, pre-commitment requirements and self-exclusion registers.</p>
Harmonisation	In the context of the National Framework, harmonisation refers to adjusting the current differences and inconsistencies in online wagering regulations across Australian jurisdictions and making them uniform or mutually compatible.
Illegal offshore wagering	<p>In the context of the O'Farrell Review and the Government Response, and therefore this RIS, illegal offshore wagering refers to the provision of illegal wagering services by operators based in overseas jurisdictions to Australian residents. Illegal wagering services can include prohibited services under the IGA (such as interactive gaming or in-play betting) or services prohibited under state and territory laws.</p> <p>Under the laws of each Australian state or territory, the provision of wagering services is permitted in that state or territory only when conducted by an operator licensed by the gambling regulator of the respective state or territory. Similarly, the totalisator in each Australian state or territory is licensed by the respective state or territory.</p>

Term	Description
In-play betting	<p>In-play betting refers to betting markets that allow bets to be placed after the commencement of an event such as a sporting match or racing event. Typically, the prices available to bettors may change as the match or event progresses.</p> <p>In Australia, in-play betting is permitted on site or over the telephone for all events, and online for racing events.</p> <p>Interactive forms of this type of gambling are specifically prohibited for other events such as sporting matches, in accordance with section 8A(3) of the IGA.</p>
Inducements	<p>In the context of the O’Farrell Review and the Government Response, and therefore this RIS, inducements refer to financial incentives provided to gamblers or potential gamblers to encourage the initial or continued use of a specific operator. These include:</p> <ul style="list-style-type: none"> • sign-up offers (including free bets or matching of initial deposits) • multi-bet offers • deposit bonuses (including free bets or matching of additional deposits) • payouts on certain losing bets (including protest or extra-time payouts) • referral credits • promotional odds (such as ‘bonus’ odds) • promotional winnings (such as ‘bonus’ winnings) • competitions offering bonus bets as prizes • reduced commissions • free bets • cash rebates. <p>Please refer to section 5.4 of this RIS for further information on the proposed reform options for inducements, which include requiring a clearer definition of inducements that is consistent across Australian jurisdictions.</p>
Integrity in sports/racing	<p>A sport that displays integrity can often be recognised as honest and genuine in its dealings, championing good sportsmanship, providing safe, fair and inclusive environments for all involved. It will also be expected to ‘play by the rules’ defined by its code.</p> <p>With regards to gambling, integrity typically refers to an absence of uncompetitive measures used to distort the normal function of gambling markets such as match-fixing.</p> <p>A sport that generally displays integrity has a level of community confidence, trust and support behind them. The impact of this on their business cannot be underestimated.</p>

Term	Description
Interactive gambling (or online or remote gambling)	<p>Interactive gambling (including gaming and wagering) refers to gambling conducted using any of the following interactive mediums:</p> <ul style="list-style-type: none"> • an internet carriage service • any other listed carriage service • a broadcasting service • a datacasting service • any other content service. <p>The prohibition of online gambling services does not apply to wagering services such as betting on racing, sporting or other events (placed before the event commences). It also does not apply to lotteries and other services declared exempt by the responsible Minister.</p>
Interactive gambling service	<p>Interactive gambling service refers to a gambling service (in the ordinary meaning of the term), where the service is provided in the course of carrying on a business and the service is provided to customers, using any of the following:</p> <ul style="list-style-type: none"> • an internet carriage service • any other listed carriage service • a broadcasting service • a datacasting service • any other content service. <p>See sections 4 and 5 of the IGA for prohibited interactive gambling services, section 8E for regulated interactive gambling services.</p>
Internet blocking (or website blocking)	<p>Internet blocking refers to the blocking of Internet Protocol (IP) addresses to restrict access to websites by internet users, typically for legal reasons. These filtering systems are applied at the Internet Service Provider level.</p> <p>With regard to online gambling, a number of countries use IP filtering to control access to prohibited online gambling services.</p>
Licensed onshore wagering	<p>In the context of the O’Farrell Review and the Government Response, and therefore this RIS, licensed onshore wagering refers to interactive wagering services provided by operators licensed in an Australian state and territory (excluding external territories such as Norfolk Island) and operating in accordance with all relevant state and Commonwealth laws.</p> <p>At the Commonwealth level, the IGA prohibits the provision of an online gambling service to Australian residents; however, online wagering (save for in-play betting on sports events) and lotteries are exempt from this prohibition.</p> <p>In other words, the provision of an online wagering service to Australian residents is permitted under the IGA, provided that the operator does not offer in-play betting on sports events. This position does not affect state and territory laws that apply to online gambling and that contain additional prohibitions.</p>

Term	Description
Multi-operator self-exclusion	Multi-operator self-exclusion is considered a collective approach to self-exclusion that connects self-exclusion across online wagering operators and relevant regulatory bodies. A multi-operator self-exclusion scheme enables individuals who wish to self-exclude entirely from gambling to do so at a single point rather than needing to self-exclude from each operator.
Opt-in	Opt-in refers to individuals expressing their choice to participate in, or receive, something. For example allowing an operator to send marketing and/or promotional material or to sign up to use an online tool, such as voluntary pre-commitment.
Opt-out	Opt-out refers to individuals expressing their choice to not participate in, or not receive, something. This may include individuals choosing to opt-out of pre-commitment if they do not wish to set wagering limits, however, individuals will need to make a conscious decision to opt-out.
Payday lenders	Payday lenders are legally referred to as a small amount credit contract (SACC) providers. However, payday lenders and payday lending are more commonly used terms. Refer to small amount credit contract .
Payment blocking	Payment blocking is a system used to monitor and limit financial transactions between online gambling services and their customers. Typically, this refers to the blocking of credit card transactions based on the merchant code (code that identifies the type of vendor associated with credit card transactions) for online gambling.
People adversely affected by gambling (Problem Gamblers)	People for whom gambling has had a detrimental effect on their life and/or wellbeing. These people may be referred to as 'problem gamblers', although this term may have negative connotations.
Pre-commitment	In the context of gambling and this RIS, pre-commitment refers to the voluntary self-setting of limits to gambling prior to the commencement of the gambling sessions and is a potential harm minimisation measure. Pre-commitment may be voluntary or mandatory. At present, a number of licensed operators providing online wagering services in Australia provide voluntary pre-commitment options.
Predatory approach	<p>Predatory approach refers to the marketing approach and practices used by operators to encourage at-risk players to gamble or continue to gamble.</p> <p>These practices may include, among others, targeting profitable at-risk gamblers by promoting/offering financial or other inducements to those players who have and use mail, phone and email solicitations to offer free credit and other inducements such as access to sporting events.</p>

Term	Description
Product fees	<p>Product fees are fees paid by licensed betting operators in Australia to Australian sporting and racing bodies. Typically, under these agreements, product fees paid to sporting bodies are based on 'gross revenue' and fees paid to racing bodies are based on turnover.</p> <p>For example, if a wagering operator wishes to take bets on the A-League, they must have an approval from Football Federation Australia (FFA). Under the conditions of this approval, the wagering operator must pay a product fee to FFA and meet certain integrity obligations.</p> <p>In addition, wagering operators licensed in Australia must seek approval from sporting organisations on the types of bets offered to their clients.</p>
Push notification	<p>A push notification is a message that pops up on a mobile device, relating to a mobile application. Publishers of applications can send out these messages or notifications at any time – users do not have to be in the respective application at the time. In the context of this RIS, they are considered for the purposes of notifying customers of player activity statements being available.</p>
Regulatory impact	<p>Regulatory impact is a systematic approach to assessing the positive and negative effects of proposed and existing regulations and non-regulatory alternatives. It is an important element of an evidence-based approach to policy making.</p>
Responsible gambling	<p>Responsible gambling refers to a gambling environment that is safe, socially responsible and supportive and where the potential for harm associated with gambling is minimised and people can make informed decisions about their participation in gambling.</p> <p>Responsible gambling typically refers to measures that are applied by the industry to minimise harm. However, the measures involved may be similar to measures mandated by governments as part of the licensing and regulatory framework.</p>
Revocation	<p>Revocation refers to the ability and process to revoke a self-exclusion.</p>
Self-exclusion	<p>Self-exclusion is a voluntary process whereby a person with a gambling concern can have themselves excluded from specific gambling venues, or from accessing gambling products provided by particular providers.</p>

Term	Description
Small Amount Credit Contract	<p>A small amount credit contract (SACC) is a contract that has a credit limit of \$2,000 or less, and has a contract term between 16 days and one year. A SACC is not a continuing credit contract and is unsecured and not provided by an authorised deposit-taking institution (ADI's). ADI's include banks, building societies and credit unions.</p> <p>SACCs are more commonly known as a payday loan, or a loan offered by payday lenders.</p>
Totalisator	<p>A totalisator is an entity that provides gambling services as part of a pari-mutuel betting system, that is, a system where the payouts are automatically determined based on the amount gambled. Historically, totalisators (such as the various TABs) have been regulated separately to bookmakers in Australian states and territories. In recent years, totalisators have expanded to include online bookmaking operations similar to those provided by corporate bookmakers.</p>
Turnover	<p>In gambling markets, turnover refers to the total amount of money staked by gamblers; this includes the value of payouts to gamblers.</p>

10. Abbreviations

Abbreviation	Description
ACL	Australian Consumer Law
ACMA	Australian Communications and Media Authority
AML/CTF Act	<i>Anti-Money Laundering and Counter-Terrorism Financing Act 2006</i>
AML/CTF Rules	Anti-Money Laundering and Counter-Terrorism Financing Rules 2007
AUD	Australian Dollars
AUSTRAC	Australian Transaction Reports and Analysis Centre
BETA	Behavioural Economics Team of the Australian Government
CGM	Consistent Gambling Messaging
COAG	Council of Australian Governments
DOB	Date of birth
GHO	Gambling Help Online
GBGC	Global Betting and Gambling Consultants
ICT	Information Communication Technology
ISP	Internet Service Provider
IGA	<i>Interactive Gambling Act 2001</i>
MP	Member of Parliament
NSER	National self-exclusion register
PC	Productivity Commission
RBMF	Regulatory Burden Measurement Framework
RIS	Regulatory Impact Statement
SACC	Small amount credit contract
USD	United States/American Dollars
UK	United Kingdom
VIP	Very important person
VRGF	Victorian Responsible Gambling Foundation

