

Review – Impact of Illegal Offshore Wagering

Terms of Reference

While regulation of gambling primarily rests with State and Territory Governments, the Commonwealth Government is committed to a national approach to gambling policy developed in a cohesive and consultative way.

The Government's policy on gambling sets out several commitments including matters relating to extending lines of credit to gamblers, controlling gambling advertising during sporting events, the impact of illegal offshore wagering and maintaining existing restrictions on online gambling services such as poker. The Government is delivering on the commitment it made prior to the 2013 election, to investigate methods of strengthening the enforcement of the *Interactive Gambling Act 2001* and ensuring Australians are protected from illegal online gambling operators.

As a result of operations of illegal offshore gambling operators, there is also a need to examine the emerging problems, as well as the effectiveness of enforcement options to address the operations of these services.

It is estimated that offshore wagering is a \$1 billion annual illegal business in Australia. 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.

Evidence suggests a significant number of illegitimate offshore operators are targeting Australian customers of racing and sports. Australian headquartered organisations are attempting to avoid legal obligations by basing their operations in unregulated international regions such as the Pacific and Asia.

Some State and Territory Governments have legislated to require betting services to be authorised. Additionally, the *Interactive Gambling Act 2001* prohibits online gambling services and exempts wagering in limited and express circumstances. The Act outlines requirements on penalties for breaches, and complaints systems.

A number of wagering operators are now moving offshore, leading to operators being able to avoid paying the product and other fees that assist with funding racing and sports facilities, integrity measures, prize money and participant payments and other operational costs. Importantly, offshoring operations also prevents regulators from having access to all betting transaction information. By avoiding the proper checks and balances and evading the fees, this arrangement has the potential to undermine the integrity of racing and sports in Australia.

A number of countries have developed actions to address issues of unauthorised wagering providers including the implementation of greater enforcement measures within their financial and telecommunication legislation.

The Review

Respecting jurisdictional frameworks, the Review will address the impact of illegal offshore wagering on the economic viability and integrity of the racing and sports industries. The Review will examine regulation in overseas jurisdictions that could be applied in Australia, and also review other technological and legislative options.

The Review will undertake an inquiry into the practice of providing offshore wagering services to customers in Australia under the *Interactive Gambling Act 2001*.

An independent reviewer appointed by the Minister for Social Services will lead the Review and be supported by a secretariat in the Department of Social Services and expert consultants. It will be undertaken in close consultation with stakeholders, in particular state and territory governments, the industry and community. There will also be a call for public submissions.

The Review will examine:

1. the economic impacts of illegal offshore wagering and associated financial transactions on legitimate Australian wagering businesses, including size of the illegal industry, growth, organisation and interrelationships with other criminal industries and networks;
2. international regulatory regimes or other measures that could be applied in the Australian context;
3. what other technological and legislative options are available to mitigate the costs of illegal offshore wagering; and
4. the efficacy of approaches to protect the consumer – including warnings, information resources, public information campaigns and any other measures, regulatory or otherwise, that could mitigate the risk of negative social impacts on consumers.

The Review will provide both a draft and final report to the Minister for Social Services and the Minister for Communications for their consideration. It will contain recommendations including those for mitigating illegal offshore wagering including but not limited to, through improved government controls, industry codes and standards, and information to customers to enhance self-responsibility.

Duration

The Review will report by 18th December 2015.