



Australian Government

Australian Institute of Family Studies

Betting restrictions and online wagering in Australia

A review of current knowledge

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Glossary of terms	
Key Term	Definition
Betting limits	Betting limits refer to limits on the size of bets. Limits may refer to maximum bets where a cap is placed on the bet size, typically as a harm minimisation or measure. Minimum betting limits can also refer to the minimum wager or winning payout that a bookmaker must accept without restricting or closing a customer's account. (See also Minimum bet limits)
Bonus bets	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defining feature of bonus bets is that they are often required to be bet or "played through" before any money can be withdrawn; in other words, the bettor must make additional bets in order to take advantage of the financial incentive. These "play through" requirements may apply to the bonus amount itself, to the bonus amount plus the stake required to attract the bonus, to the winnings obtained through using the bonus amount, or to a combination of these amounts.
Bonus abuse	"Bonus abuse" is a term used to describe when a gambler uses bonuses in a way other than intended to increase or guarantee their chances of winning.
Bookmaker	Bookmakers are persons or organisations who take bets, calculate odds and pay out winnings. Bookmakers are licensed in each jurisdiction. Traditionally, bookmakers have referred to individuals operating at event venues. More recently, corporate bookmakers also operate remotely from the gambler, accepting bets either by telephone or online.
Click-to-call	The "click-to-call" and similar features allow bettors to place in-play bets over their mobile device without speaking to an operator. The Northern Territory Government has recently banned this type of betting and the Commonwealth Government has clarified the existing law to respect the provisions and original intent of the <i>Interactive Gambling Act 2001</i> (IGA) by moving to prohibit "click-to-call" in-play wagering services through amendments to the IGA.
Illegal offshore wagering	In the context of this review, 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. Under the laws of each Australian state and territory, the provision of wagering services is permitted only when conducted by an operator licensed by the gambling regulator of an Australian State/Territory. Similarly, the totalisator in each Australian state/territory is licensed by the gambling regulator of that Australian State/Territory.
In-play betting	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. The bet might be on the outcome of a match/race or on an event within a match. Typically, the prices available to bettors will change as the match or event progresses. In Australia, in-play betting is permitted on-site or over the telephone for all events, and online for racing events. Also termed "live" or "in-the-run" betting. See also Micro and exotic bets.
Interactive gambling	Interactive gambling (including gaming and wagering) refers to gambling conducted using any of the following interactive mediums: <ul style="list-style-type: none"> • an Internet carriage service; • any other listed carriage service; • a broadcasting service; • a datacasting service; and • any other content service.

Glossary of terms	
Licensed online wagering	<p>In this report, licensed online 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. At the federal level, the IGA prohibits the provision of an online gambling service to Australian residents; however, online wagering (except 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>
Micro and exotic bets	<p>Micro bets are a specific category of “in-play” style gambling that involves the placement of bets having the following characteristics and circumstances:</p> <ul style="list-style-type: none"> • The placing, making, receiving or the acceptance of bets on particular events that occur during a session of a match or game. • The betting opportunity is repetitive and of a high frequency (for example, on a per ball basis in a game of cricket or a per point basis in tennis). • A bet is placed on one of a limited number of outcomes, although the number of possible outcomes may be more than two (e.g., whether the next serve will be a fault; whether the next ball will be a no ball). • The time between placing a bet and knowing the outcome is very short (usually less than five minutes, with the exception of appeals, intervals and interruptions). <p>An exotic bet, also commonly known as a prop bet or proposition bet, novelty bet or a special bet, typically refers to bet types that are not related to the final result of an event or match. For instance, betting markets that pay out on the first try scorer or top goal scorer are examples of exotic bets.</p> <p>Some bookmakers offer exotic multiples, which combine one or more single bets and/or parlays. The combinations offered and terms used to describe them can vary from bookmaker to bookmaker. Exotic multiples provide payouts for a low number of winning selections, with the greatest payout achieved if every selection wins.</p> <p>Another type of novelty bet is betting on non-sports/racing events (e.g., when the next royal child will be born or who will win a reality TV contest). While these are not traditional betting events, they are increasing in popularity and are often used as a way to encourage engagement with an operator through promotion and advertising.</p>
Minimum bet limits	<p>Minimum bet limits refer to the minimum wager to lose (win or win/place payout) that a bookmaker must accept without restricting or closing a customer’s account. Minimum bet limits have recently been introduced by Racing NSW, Racing Victoria and soon Queensland.</p>
Point of consumption tax	<p>A point of consumption tax is a tax applied to consumers in the jurisdiction where the transaction occurs. With regards to interactive gambling, a point of consumption tax refers to a tax applied to gambling operators’ product generated from Australian customers, no matter where in the world the operator itself is located.</p>
Product fees	<p>Product fees (and race fields 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. 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 the FFA and meet certain integrity obligations. In addition, wagering operators in Australia must seek approval from sporting organisations on the types of bets offered to their clients.</p>
Totes or pari-mutuel betting	<p>A totalisator (“tote”) 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.</p>

Source: O’Farrell, 2015

Abbreviations	
ACMA	Australian Communications and Media Authority
AIFS	Australian Institute of Family Studies
AGRC	Australian Gambling Research Centre
DSS	Department of Social Services
eCOGRA	ecommerce and Online Gaming Regulation and Assurance
IGA	Interactive Gambling Act 2001
NCPF	National Consumer Protection Framework
REA	Rapid Evidence Assessment

Executive summary

Background and rationale for the study

Despite its relatively small population, Australia is estimated to account for 5% of the global interactive or online gambling market (Gainsbury, 2012, p. 10). Further, with a longstanding cultural acceptance of gambling and one of the highest rates of Internet and smartphone usage globally, Australia has seen a seven-fold growth in the licensed onshore wagering market over the past 10 years. Comparatively little is known about the interactive betting behaviours of individuals, including that of online wagerers. This means that creating and implementing appropriate policy and regulation is challenging for legislators.

The current study was commissioned by the Department of Social Services (DSS) as part of the government's response to Recommendation 15 from the O'Farrell *Review into Illegal Offshore Wagering* (O'Farrell Review). The impetus for the recommendation in the O'Farrell Review and the subsequent response from the Commonwealth Government came from anecdotal reports that consumers are experiencing a range of restrictions to online wagering through licenced Australian operators including monetary limits placed on their bets and account closures. These reports suggest that this is often occurring as a result of successful or winning gamblers becoming unprofitable for operators. What is not clear from these anecdotal reports is the extent to which these restrictions might be occurring, the reasons they might be applied and what other contributing factors may be involved. A number of submissions to the O'Farrell Review proposed the implementation of a minimum bet rule similar to those adopted by Racing NSW and Victoria as a means to addressing these restrictions.

Of particular concern are indications that these restrictions imposed by operators and other government-imposed restrictions to online in-play sports betting may be acting as push factors to encourage Australian gamblers to use illegal offshore wagering operators. The government-imposed restriction on in-play sports betting is relevant in the context of the O'Farrell Review, Recommendation 3 that consideration of additional in-play betting products be deferred until such time as a national consumer protection framework (NCPF) is implemented.

Australians using illegal offshore wagering operators is an issue for a number of reasons. First, there are control and protection issues related to under- or un-regulated offshore sites in terms of adequate consumer protections, the potential for fraud, money-laundering and sporting integrity issues (e.g., match-fixing). Second, there is the issue of a loss of revenue to governments and sporting bodies through taxes, license and product fees and to Australian businesses through loss of customers.

This study sought to shed light on these issues to allow for informed policy to be developed. Understanding more about the nature of industry-levied betting restrictions, the circumstances under which they are applied and how they might be influencing gambling behaviour will provide valuable information to guide decision making for policy makers and regulators.

Study objectives and research questions

This Betting Restriction in Online Wagering in Australia study, sought to identify what is currently known about the occurrence of restrictions in Australian licensed online wagering operators and the impact of these on consumers' behaviour. The research questions were:

- What is the range of restrictions placed on Australian gamblers in an Australia interactive gambling context?
- To what extent do:
 - interactive gambling operators in Australia impose betting restrictions on customers?
 - governments impose betting restrictions on interactive gambling customers?
- What is the impact of these betting restrictions in terms of driving customers to bet through offshore operators?
- What are the broader implications for the community?

Methodology

This report synthesises information gathered using three approaches:

- A rapid evidence assessment (REA) was conducted of current knowledge pertaining to the issues of betting restrictions and account closures in the interactive gambling sector including academic and “grey” literature. To fully inform the study, the REA was supplemented with an examination of relevant industry and consumer websites, media and online articles.
- An environmental scan of the websites of Australian onshore wagering operators examined their terms and conditions to ascertain their consistency with reported practices of account restrictions and closures.
- Interviews were conducted with 17 community respondents and nine consultations with representatives of industry and sporting body stakeholders, and state and federal government bodies selected in consultation with the DSS. It should be noted that the community stakeholders comprised a small sample of gamblers who had previously made submissions to the DSS about the issues of account restrictions and closures, as well as “snowballing” of others who had heard about the study via social media and websites. Most self-identified as astute recreational, semi-professional or professional gamblers. This sample should not be viewed as representative of interactive gamblers generally or the wider gambling population.

Key findings

Rapid Evidence Assessment

The knowledge review revealed a gap in empirical research about the issues of online betting account restrictions and closures. There is an emerging body of literature about interactive gambling more generally that informed the study and guided the research interviews.

The key findings from this literature were:

- the rapidly growing and changing nature of the interactive gambling sector and the challenges this presents for regulators;
- the characteristics of interactive gamblers that sets them apart from the broader gambling population;
- the ways in which access to Internet technology allows this new “cohort” of gamblers to identify and exploit inaccuracies in betting markets;
- consumer concerns about trust and how complaints are handled by industry; and

- the vulnerability of unregulated offshore markets to infiltration by organised crime, money-laundering and match-fixing.

On the issues of most interest to this study, the academic literature was lacking. A review of other knowledge, however, including “grey” literature, consumer and industry websites, revealed the experiences of account restrictions and closures were widespread. One survey from the United Kingdom (UK), for example, highlighted the concerns of the British racing industry about the impacts these were having on their sport. This is particularly relevant as the arrival of UK-based operators into the Australian market was regarded as being partially responsible for the emergence of the practice here in Australia, and this view is supported by the interview data, summarised below.

Environmental scan

The environmental scan of 20 Australian wagering operators revealed that all had clauses within their terms and conditions that referred to their reserved rights to close or restrict accounts. However, these were usually embedded within a lengthy and legally worded document that customers would need to access through a small and not easily found link on the operator’s website homepage. In one case the customer had to sign-up to become a member before they could view the terms and conditions.

Consultation and interview data

Account closures and restrictions

Applying restrictions to the amount customers can wager is a common feature of the risk management practices of Australian licenced onshore wagering operators. The interviews and consultation data suggest they appear to be routinely applied to customers who are winning consistently over a period of time or whose losing margins are simply too low. Industry acknowledges these practices and believes they are justified from a business perspective because, they argue, gambling should be primarily for the purposes of “recreation or entertainment” and not to derive an income.

The terms and conditions of operators do clearly articulate their reserved rights to close or restrict accounts without limit. According to the community respondents, the most common restriction applied was to restrict the monetary amount a customer could place on a bet. In some cases, customers were restricted to placing bet amounts of less than one dollar. Other commonly reported restrictions included being offered different odds than were publicly displayed, not being offered fixed odds and having their account closed.

The community respondents to this study had each opened accounts with all or the majority of Australian onshore operators and after a period of successful gambling had subsequently had their accounts restricted or closed.

Reports from industry stakeholders and former employees of online wagering operators suggest that customers are profiled by operators in terms of commercial risk: “Low risk” being high-value losing gamblers (often referred to as VIP customers) who are reported to be routinely offered bonuses or promotions and incentivised to gamble in ever larger amounts; “high risk” being winning or low-margin gamblers who increase the liability for the operators and who may therefore be targeted for betting restrictions or refusals.

The extent of restrictions

The community respondents to this study had opened accounts with multiple Australian online wagering operators and had experienced restrictions or closures to all of their accounts with the exception of those with the betting exchange Betfair.

Account closures were reported to be less common than restrictions and, according to both community and industry stakeholders, likely impact on less than 1% of (or approximately 10,000) accounts. This includes accounts that are closed for reasons of fraud, irregular or illegal betting practices, bonus and promotion abuse and identity concerns as well as those closed for commercial reasons. Based on community respondent interviews and data from other studies, it is likely that account restrictions are more common. The study design prevented us from obtaining any clear estimate of the extent to which betting restrictions are imposed by industry.

Reasons for operator-imposed restrictions

Several commercial reasons were offered by respondents from all groups for why they believed account restrictions had become more common in recent years, including:

- the advent of corporate bookmakers from the UK, where these practises are common even with on-course bookmakers. This has also led to consolidation and increased competition as the industry has become more profit-driven and beholden to shareholders;
- high operational costs including taxation, licensing and, in particular, the increase in product fees charged by sports and racing bodies;
- the rise of a more astute gambler who uses Internet technology, computer modelling and access to data to exploit opportunities and weaknesses in markets exposes operators to greater commercial risk; and
- the consumer driven demand for more products across an ever-increasing range of sports markets but often with very little liquidity (only small pools of money wagered) exposes operators to greater liability.

A number of non-commercial reasons were also given by operators for why accounts might be restricted or suspended. These included bonus abuse and “collusion” by customers to use promotions in ways they were not intended or that guaranteed a win; insider knowledge; trying to place multiple bets on one event and using identity fraud or betting through other customers’ accounts (bowlers); suspicion of using automated “bots” to identify and exploit inaccuracies in the market pricing; and problem gambling concerns.

Implications of the restrictions

With one exception, all of the community respondents in this study had at least one account with an illegal offshore operator and most had three or four. The primary reason provided for operating these accounts was because they were unable to place bets in the monetary amounts they wished to with their onshore accounts. Some also used their offshore accounts for the convenience of in-play sports betting or to access better odds than were available with Australian operators.

The extent of lost revenue from taxation and product fees as a result of customers moving offshore could not be accurately calculated from this limited, exploratory study with a small number of community representatives. However, it is of note that many of these respondents reported individual annual turnovers of well over one million Australian dollars and in some

cases as high as seven million Australian dollars. This did not appear to be uncommon in this group of astute gamblers as several spoke of knowing other Australian online wagers who had far higher turnovers. Most community respondents in this study reported average profit margins of 3–4% per annum.

The restrictions on in-play sports betting also appear to be a push factor driving consumers offshore. It was generally agreed by respondents from all community and stakeholder groups in this study that in-play betting was now an integral part of sports wagering and had mass appeal. While all acknowledged that there were some concerns around the risk posed by in-play betting for problem gambling, they argued that a blanket restriction of these products online appeared to be against the global trend in the gambling market and was coming at some financial cost to Australian operators and sporting bodies.

Concerns expressed by regulators about the lack of consumer protections for customers moving to offshore operators were not echoed by community respondents who discussed using “reputable” offshore operators who were generally regulated in another jurisdiction. This study was not able to ascertain to what degree other groups of online wagers are at risk from under- or un-regulated operators. However, lack of transparency and the potential for Australians to be involved in fraud, money-laundering and match-fixing are clearly emerging issues. Issues of sporting integrity are increased for Australian sporting bodies if illegal offshore markets on Australian sports gain increased liquidity and become more attractive to organised crime.

Another implication for the wider gambling community that was raised in community interviews and by one smaller operator was that restricting the bets of more astute gamblers may disadvantage the average gambler by keeping odds low more generally on more popular outcomes (i.e. if the majority of the money has been bet on one team the odds for a win will generally be quite low. If, however, even a few large bets are placed on the other team by a few astute gamblers (the “smart” money), it may act to raise the odds on the popular team).

Finally, there also appears to be a degree of reputational damage to industry and sporting bodies as a result of the restrictions with community respondents feeling the current arrangements are unfair and exploitative. The recent decision by several Australian state horseracing bodies to introduce minimum bet limits was described by a stakeholder representative as largely a response to reputational damage to the racing industry due to bet restrictions.

Options and further research

The report offers a range of options and recommendations for further research to inform evidence-based regulatory change. It is strongly recommended that changes are not made in isolation of other considerations; for example, decision making with regard to liberalisation of other online products; regulations for the marketing of particular products; the potential for harm if the product is combined with other products (e.g., inducements); the need for transparency in gambling transactions; clarity of terms and conditions and the testing of other consumer protection measures under a new NCPF.

Account restrictions imposed by Australian onshore wagering operators

All of the options to address the account restrictions and closures imposed by onshore operators can be put in place concurrently with other options.

Option 1: Further research to fully understand the extent of the issues

There remains a need for greater knowledge regarding the practice of account restrictions and closures, including the extent to which restrictions are imposed by Australian licensed wagering operators across all groups of wagerers and why this happens (e.g., the reasons, type of products, amounts of betting). The most conservative approach would be to conduct this research before taking any further regulatory action.

Option 2: Research to understand effect of product fees and other costs

Further research is required to fully understand the specific effects of product fees and other costs (e.g., taxation) on industry actions and, through these, on consumer behaviour. Industry stakeholders in this study and in earlier submissions to the O'Farrell Review raised concerns about the impact of product fees and taxation on their businesses' profitability and their resulting inability to compete with offshore operators. Determining the full effects of these costs was outside the scope of this study; however, the findings suggested that product fees are one factor affecting operator's profitability and risk management decisions and as such may contribute to push and pull factors that drive gamblers to illegal offshore operators.

Option 3: Require greater transparency by operators about the circumstances under which an account would be restricted

The study found that operators provide terms and conditions regarding account restrictions but that they are difficult to find and opaque in regards to when they may apply. A mitigation for this that may increase consumer protections would be to require more transparency and clarity by operators about when and why restrictions may occur. This would include the requirement for clauses pertaining to restrictions to be clearly displayed as part of a new member's sign-up process as well as within the larger terms and conditions documents. It would also be appropriate as a requirement of the marketing of gambling products and the process of placing a bet that these terms and conditions are clearly displayed to inform consumers' betting decisions.

Option 4: Implementation of nationally harmonised minimum bet limits across racing and sports with cost-effectiveness evaluation

This option relates to the implementation of minimum bet limits at a national level across both sporting and racing codes. These would be similar to those currently imposed by Racing Victoria and Racing NSW (and soon to be introduced in Queensland). This option would include provisions that prevent an operator from closing or restricting a customer's account or refusing to open an account to avoid the provisions of the minimum bet limits or refusing to offer odds or fixed-odds that are publicly displayed.

While this measure could be introduced immediately, government may wish to undertake research such as described in Options 1 and 2 to ensure the potential effects of this measure on consumers and the market are well understood given the limited and exploratory nature of this current research project. Consideration should be given to (a) implementing a tiered arrangement that takes into account the variation in market liquidity in sports, and (b) an incremental approach.

It is also recommended that the implementation of this option include a cost-effectiveness evaluation covering, but not be limited to, the effect on consumers, increases in harmful gambling and the effect on migration to illegal offshore wagering operators; the costs to operators taking into account variances in market liquidity and other operational costs such as product fees; effects on sporting bodies and any unintended consequences.

In-play sports-betting restrictions imposed by government

We suggest an evidence-based approach to in-play sports betting. It is consistent with Recommendation 3 from the O'Farrell Review that any consideration of online in-play betting products be deferred until a stronger consumer protection framework is in place (e.g., the NCPF) and tested for effectiveness. It also emphasises the critical need for further research to examine the effects of these types of bets on gambling behaviour prior to any regulatory change.

Option 1: There is a critical need for further research to fully understand the effect of various types of in-play sports betting on different groups of consumers. This includes further investigation to better understand casual links, how different factors intersect and the implications for harm minimisation efforts. For example, does the relationship differ according to gambling platform, various types of in-play bets (e.g., micro bets), marketing strategies, inducements, and/or gambler characteristics.

Option 2: Consideration of online in-play sports betting within a frame of consumer protection, research evidence and evaluated trials.

The limited nature of this exploratory study does not allow us to make any recommendations with regard to a more liberalised approach. However, we would recommend that **IF** such considerations were to take place they occur after the NCPF is in place and tested for effectiveness in strengthening consumer protections and, importantly, these considerations are fully informed by the findings of future research with regard to risk of gambling problems resulting from factors associated with in-play betting.

We further recommend that **IF** a subsequent decision was made to move towards liberalisation of this market an initial trial is undertaken and fully evaluated to determine the effect of any liberalisation before it is fully rolled out. It would be expected that any such trials would be informed and guided by the results of emergent research findings and in consultation with stakeholders including researchers, individual sporting organisations and government bodies with responsibility for integrity issues. It should be noted, however, that increased liberalisation of the market even in this context may be hard to reverse at a later date. It is recommended that if this option were to proceed at any point, a full cost-effectiveness evaluation is conducted on the initial trial period and used to inform decision-making.

Limitations of the study and need for further research

This small exploratory study has allowed us to gain a better understanding of the range of restrictions that are applied to accounts by Australian operators and the impact these restrictions have as a push factor for driving customers to use illegal offshore wagering operators. However, the sample was small and not representative of the wider population of online wagers. As such, it does not allow for any clarity about the actual extent of the issues discussed.

The unwillingness of operators to contribute to the project until very late in the process also meant that we were unable to follow up on data that emerged from the consultations with industry stakeholders within the interviews with community respondents (e.g., the claims that gamblers that were restricted were, in the main, professionals, had insider knowledge, were “bowlers” for bigger operators, abused bonuses, and/or wanted to place large wagers in small obscure markets).

Research is needed to fully understand the extent to which restrictions and closures occur and to offer more clarity about why/when restrictions are imposed initially from both the consumer and

operator perspectives. Further research is also needed to offer insights about the relative importance of various push and pull factors that drive gamblers to offshore operators (e.g., better odds, markets and products not available onshore and anonymity). Research in this field would ideally:

- be informed by the exploratory findings from this study in respect to areas needing further clarification;
- encompass a much larger, more representative sample of the online wagering population to allow for generalisability of results;
- incorporate a mixture of research methods; and
- seek more transparency and access to data from operators about these issues so as policy can be informed by actuality.

1 Background and project scope

1.1 Review context

The Australian Institute of Family Studies (AIFS) was commissioned by the Department of Social Services (DSS) to conduct this study into the nature of alleged betting restrictions and account closures by Australian licensed online wagering operators. This included an examination of their impacts on gambling behaviour as well as the impacts of current governmental restrictions to in-play sports betting in Australia. There was a particular focus on whether and how these restrictions lead people to migrate to illegal offshore wagering. The aim of this study was to discover more about the current environment in relation to these issues, to locate relevant existing knowledge and empirical research and to identify the gaps in the knowledge. The Australian Gambling Research Centre (AGRC), which is housed at AIFS, undertook this work.

The O'Farrell Review of the Impact of Illegal Offshore Wagering was provided to the Assistant Minister for Social Services and the Minister for Communications in December 2015. On 28 April 2016, the Commonwealth Government released its response, agreeing in principle to 18 of the 19 recommendations. The Response committed to the development of a national consumer protection framework (NCPF) in addition to strengthening a number of areas of the *Interactive Gambling Act 2001*.

Recommendation 15 of the O'Farrell Review stated:

Further research should be undertaken on the impact of betting restrictions on illegal offshore wagering and the identification of options to improve the situation.

The response committed the government to examine the existing literature base on betting account restrictions and closures, to commission further research, undertake further consultations and explore options to address the impact of betting restrictions imposed by Australian licensed bookmakers and their influence in prompting gamblers to bet with offshore operators.

Further to the recommendations from the review, an e-petition to Federal Parliament on the Australian Parliament website requested research into the impact of betting restrictions with over 300 signatures. The DSS has also received around 20 letters from community members who were gamblers themselves expressing concern about this issue since December 2016.

Themes in this correspondence included but were not limited to:

- calls for the implementation of minimum bet limits for interactive wagering (similar to the minimum bet limits that have been imposed by several state racing authorities in Australia¹);
- concerns that licensed onshore operators were unfairly reducing consumers' bets or preventing particular consumers from holding betting accounts; and
- reports from more than half of the correspondents that these practices had led them to consider using or already be using illegal offshore wagering operators.

This study and associated report by the AGRC responds to Recommendation 15 of the O'Farrell Review. The study was conducted in three sections:

1. It examined evidence from Australian and international research literature, regulators, academics and government officials as well as a range of other "grey" literature such as is located on government, consumer advocacy or industry websites. It also identified areas where there appears to be significant gaps in the knowledge base.
2. It conducted an environmental scan of the "terms and conditions" of the interactive gambling operators currently licensed in Australia to identify and analyse their consistency with the anecdotal evidence and the interview findings in terms of betting restrictions and account closures.
3. It collected data from qualitative interviews and email questionnaires conducted with 17 community volunteers and consultations with representatives of nine industry and professional stakeholder groups. These interviews and consultations sought to understand the nature and range of the alleged betting restrictions by Australian operators; how, when and why they might be implemented; and what effects, if any, they have on consumer behaviour. A particular interest for this aspect of the study is whether these account restrictions and the recent closing of the loophole around "click-to-call" in-play sports betting are prompts that encourage gamblers to use illegal offshore operators.

This report aims to provide a balanced analysis of the issues across a range of perspectives and to provide recommendations and options for policy based on the findings.

1.2 The general background to this issue

Despite its relatively small population Australia is estimated to account for 5% of the global interactive gambling market (Gainsbury, 2012, p. 10). A longstanding cultural acceptance of gambling and one of the highest rates of Internet and smartphone usage globally have contributed to a rapid increase in the number of Australians participating in interactive gambling—with expenditure more than doubling between 2004 and 2014 to 2.4 billion AUD (Gainsbury et al., 2015, p. 2; O'Farrell Review, 2015, p. 44).

Driven by access to cheap high-speed Internet, the liberalisation of international markets, Internet-enabled mobile phones and wireless devices, and widespread marketing from gambling operators, there has been a seven-fold growth in the licensed Australian wagering market over the past 10 years. One study conducted in 2013 estimated that 21% of Australian gamblers participated in some form of interactive gambling over that year (Morgan, 2014). The number of

¹ Racing Victoria, Racing NSW and soon Racing Queensland have all imposed minimum bet limits. These set a minimum amount that a wagering operator must accept to lose on a single win and/or each way bet. Conditions also prohibit the bookmaker from restricting or closing a gamblers account to avoid complying with the minimum bet limit.

active online wagering accounts increased four times from 2004–2014 to 800,000 with many people holding more than one account (O'Farrell Review, 2015).

The rapid increase in interactive gambling has raised a range of concerns including the impact on vulnerable populations, the potential for fraud and money-laundering, the need to safe-guard the integrity of sporting bodies against match-fixing and the ability to effectively regulate across state borders (Gainsbury et al., 2015; McMullan & Rege, 2012). Comparatively little is known about the interactive betting behaviours of individuals. This means that creating and implementing appropriate policy and regulation is challenging for legislators. Indeed, it is possible that:

the prohibition of certain types of wagering or placement of strict restrictions on operators may have unintended consequences such as stimulating illegal or offshore gambling sites. (Gainsbury & Russell, 2015, p. 18)

Concerns have also been raised in the media and on a range of consumer (gambling) websites in Australia, as well as in other international betting markets, about the practices of online wagering operators in restricting and closing customer accounts and placing limits on bet amounts (GamblingSites.com, 2017; Mazella, 2016; Skene, 2007).

The likelihood that these restrictions could act as a trigger for gamblers to turn from regulated to illegal offshore wagering operators has raised concerns on a number of fronts. This includes consumer protections, fraud, money-laundering and sporting integrity issues on what are largely unregulated sites, as well as the impacts of a loss of revenue to governments and sporting bodies through taxes, license and product fees.

Understanding more about the nature of betting restrictions, the circumstances under which they are applied and how they might be influencing gambling behaviour will provide valuable information to guide decision-making for policy makers and regulators. As such it may also be important to understand more about the prevailing characteristics of interactive gamblers and how they may differ from the general gambling population in their preferences and practices. This may have implications for how gambling operators engage with those customers, as well as the nature of online gambling markets more generally.

1.3 Project objectives and research questions

Objectives

The objective of this study was to gather and articulate current knowledge (and gaps in knowledge) about the nature of betting account restrictions imposed by operators and governments in the online gambling environment and the impacts of these restrictions on gambling consumers. In particular, it sought to examine knowledge about the extent to which online wagering operators and governments in Australia impose betting restrictions on customers and how these may change gamblers' behaviours—specifically if this is driving customers to bet with offshore operators. The study was conducted in response to the need for better knowledge about these issues in order to inform future policy.

The analysis is based on:

- a knowledge review of relevant research in areas of gambling, e-commerce and public policy, including online and “grey” literature;

- an environmental scan of the websites and the terms and conditions of major online wagering operators licenced in Australia as they relate to account restrictions and closures.
- information gathered from interviews and consultations with key government, consumer advocacy and industry stakeholders in Australia and internationally; and
- interviews with community stakeholders who had previously expressed concerns in writing to the minister about the issue of betting account restrictions and some “snowballing”.

Research questions

The report addresses the following key questions related to the nature and impacts of betting account restrictions:

- What is the range of restrictions placed on Australian gamblers in an Australian interactive gambling context?
- To what extent do:
 - online wagering operators in Australia impose betting restrictors on customers?
 - governments impose betting restrictions on interactive gambling customers?
- What is the impact of these betting restrictions in terms of driving customers to bet through offshore operators?
- What are the broader implications for the community?

1.4 Summary of methodology

Literature review

A rapid evidence assessment (REA) was performed to provide an overview of existing research knowledge that addresses the issues of account closures and restrictions. An REA, rather than a systematic review, was conducted in response to the time frame specified in the project brief. An REA aims to be rigorous and explicit in method and remains systematic, but makes concessions on the breadth of the process by limiting particular aspects of the systematic review process (Government Social Research Service, 2009). The search process used by the research team is outlined in Figure 1.1.

Stage 1	
Identify sources/legislation to be searched Identify and pilot search terms	Identified electronic databases that had facilities to search academic, legislative and/or “grey” literature. Identified specialist websites to search. Defined combinations of search terms specific to each research question.
Stage 2	
Conduct initial search and create initial database of references	Entered search terms systematically into the databases. Created Endnote database of all hits.
Stage 3	
Remove duplicates, apply inclusion/exclusion criteria	Removed duplicate hits. Applied the inclusion/exclusion criteria by reading title and abstract.
Stage 4	
Group hits by research question, and revise and apply inclusion/exclusion criteria	Redefined and applied inclusion/exclusion criteria specific to the research questions, based on developing understanding of scope of literature and to ensure manageable number of hits.
Stage 5	
Read and extract data and/or relevant themes	Extracted information and applicable themes and terms relevant to research questions from each source using a data extraction template.
Stage 6	
Manual search and follow-up of references	Supplemented the systematic search by manually searching contents and bibliographies of key sources, conducting Internet searches of terms related to the themes and following-up leads, reviewing correspondence from the DSS for key themes.
Stage 7	
Quality assessment	Different strengths and weaknesses of each study were described and tabled. Studies and literature of greatest strength and relevance were identified.

Figure 1.1 Overview of rapid evidence assessment method

To fully inform the study, the REA was supplemented by an examination of relevant consumer and industry websites, media and online articles. These were sourced by conducting online searches of key words and themes identified in the empirical literature, reading and analysis of the hits to locate potentially related themes and sources, and in two cases making personal contact by email with the authors of online material for further clarification.

Environmental scan

An environmental scan was conducted firstly by identifying the current licenced onshore wagering operators in Australia. The lead researcher then accessed the website landing (home) pages of each of the licensed operators and followed the links provided on each site to view their terms and conditions. A review of the terms and conditions was then conducted of each site identifying the clauses relating to the practice of betting restrictions and account closures. The processes that a typical customer might follow to join or “become a member” when registering to open an account were also examined to discover the details of that process.

Stakeholder consultations and community interviews

Following the granting of ethics approval, stakeholder representatives and community members were invited to participate in the study.

Stakeholder consultations

Stakeholder consultations were conducted with representatives of Australian and state government bodies ($n=2$), and representatives of industry ($n=4$), regulatory ($n=1$) and sport and racing bodies ($n=2$) who, in consultation with the DSS, were identified as having expertise or knowledge relevant for the study. They were contacted by the lead researcher by email and invited to make an appointment to participate in a telephone interview. They also received information about the study and their rights to privacy, confidentiality and informed consent. Follow-up phone calls were made when required. The aim was to gain a range of perspectives about the issues so as to best inform policy. Eight stakeholder telephone interviews were conducted and one response to questions was provided by way of a written submission.

Community respondents

Telephone interviews were conducted with a convenience sample of 14 community members. Responses were also received by email from a further three respondents bringing the total number of community members to 17. These respondents were recruited by way of an email invitation sent by the DSS on behalf of the AGRC to 16 community members who had previously sent written submissions to the Minister about betting restrictions and account closures. These email invitations included information about the study, their rights to privacy, confidentiality and informed consent. They were invited to contact the AGRC to take part in the study. A designated password secure email and phone line was set up for this purpose. Five community members contacted the AGRC following the email.

The remainder of respondents resulted through “snowballing” via word of mouth from the originally invited sample, and through conversations on social media and gambling websites. Several of the respondents knew each other through their gambling practice and as such could be regarded as a cohort of like-minded individuals. The nature of recruitment means that the sample cannot be taken to be representative of the overall gambling population or even the gambling population who have experienced betting restrictions. Nonetheless it did offer a diverse range of characteristics within the sample, across age, modes of gambling and preferred gambling markets, as well a range of backgrounds including several former employees of bookmakers and the former owner of a small online wagering operation in the UK.

The interviews and consultations were semi-structured and primarily took place over the telephone for approximately half an hour. This type of interview allowed for the central themes of the study to be investigated using guiding questions but also left scope for individuals to provide additional information on matters about which they had expertise or that they felt were important. It also allowed the interviewer to adapt lines of enquiry to verify or clarify issues as they emerged in subsequent interviews. Further probing and follow-up questions were also asked. The community and stakeholder respondents who chose to provide data in written form were provided with a list of questions based on the semi-structured interview questions. These respondents were also given the opportunity to provide any additional information of interest. The qualitative data collected from the interviews and consultations revealed the explanations and interpretations of respondents about their experiences, knowledge and practices in relation to the central themes of the study.

With the participants' permission, the interviews were recorded and then de-identified and confidentially transcribed. Analysis and coding was based on themes that had emerged from the literature and that were relevant to answering the research questions.

1.5 Structure of the report

Chapter 2 of this report provides an overview of the current interactive gambling landscape in Australia including recent reviews and proposed legislative changes to the *Interactive Gambling Act 2001* and shifts in the industry more broadly. Chapter 3 reviews the available literature in relation to account restrictions and closures and provides some relevant insights into the prevailing characteristics of interactive gamblers, concerns about trust and consumer protection and the challenges for regulators. The chapter concludes with findings from a recent survey commissioned by the British Horseracing Association and conducted by the Horserace Bettors Forum (UKHBF, 2016) about the issues of betting restrictions and account closures in the interactive gambling market in the UK. Although limited in empirical rigour with respondents all self-selecting, this large survey suggests some similarities and possible implications for the Australian market. Chapter 4 provides a review of the findings from the environmental scan that looked at the terms and conditions and sign-up processes of interactive gambling websites. Chapter 5 summarises the data from the consultations with government and industry stakeholders and interviews with community gamblers. Chapter 6 draws the various data together, offering insights, options and conclusions to the report.

2 Interactive gambling in Australia

2.1 Interactive Gambling Act 2001 and recent developments

In 2001, the *Interactive Gambling Act* (the Act) in Australia prohibited provision of all interactive gambling, with the exceptions of licenced wagering—racing and sports betting—and lotteries. Operators holding licenses in one Australian state or territory are permitted to offer services to Australian residents in all states so long as they comply with the Act². The Act currently exempts online in-play wagering on horseracing events but not online in-play wagering on sports (this is still permitted at land-based venues or by telephone).

Since the introduction of the Act over 15 years ago, the online environment, advances in technology and the rapid increases in access to mobile and Internet services have allowed online wagering to develop into the fastest growing sector of the gambling industry, giving Australian consumers access to a wide array of domestic and offshore services (O'Farrell Review, 2015, p. 24). The Act created a partially legalised interactive gambling market in Australia, but left over 2,800 offshore gambling and wagering operators servicing Australian consumers in contravention to federal laws (Casino City, 2013; Gainsbury & Wood, 2011, p. 312).

Importantly, the Act does not criminalise betting at an illegal offshore online casino or with an illegal offshore wagering operator and Australian consumers cannot be charged for doing so under the Act. Rather it makes it illegal for offshore online wagering operators to advertise or offer services to, or accept business from Australian customers. Most offshore operators are licensed in at least one jurisdiction; however, these do not necessarily offer robust regulatory or consumer protection frameworks and they do not pay product fees, taxation or licencing fees in Australia (O'Farrell Review, 2015, pp. 30-31).

² The exception to this is lotteries, which need to be licensed in the state in which services are provided.

In recognising the inadequacies of many aspects of the existing Act in addressing the challenges of regulating this rapidly changing market, the recent O'Farrell Review (2015) brought forward 19 regulatory and legislative recommendations of which 14 have been accepted in full and four in principle by the government. On 21 June 2017, *The Interactive Gambling Amendment Bill 2016* (the Bill), was passed by the Lower House of Parliament. Its key elements are to:

- clarify the services to which the Act applies by recognising prohibited interactive gambling services and regulated interactive gambling services;
- prohibit a person providing regulated interactive gambling services to Australians unless the person holds a licence under the law of an Australian state and territory;
- introduce a civil penalty regime to be enforced by the Australian Communications and Media Authority (ACMA);
- prohibit “click-to-call” in-play sports betting services;
- streamline complaints handling and investigation processes;
- ban lines of credit being offered by online wagering operators and prohibit links between online wagering operators and payday lenders;
- establish a register of eligible regulated interactive gambling services to be published on the ACMA website;
- enable the Minister to determine by legislative instrument that a specific thing is, or is not, a sporting event for the purposes of the Act;
- make consequential amendments to the *Australian Communications and Media Authority Act 2005* to enable the ACMA to disclose certain information to foreign regulators and the Department of Immigration and Border Protection.

The Bill also provides a new definition of the “place-based betting service” stating that electronic betting terminals can be provided in places where the provider is licensed (e.g., TABs, clubs and casinos).

The government's commitment to prohibiting “click-to-call” in-play sports betting services as part of these amendments brought about a request from the Northern Territory Government for licensed operators in its jurisdiction to cease providing these services. This saw a cessation of “click-to-call” services that had previously been provided.

Some concerns have been raised by industry and sporting bodies about the prohibition of in-play sports betting, particularly in relation to platform neutrality. The continuation of in-premise (e.g., a TAB, hotel or club) in-play sports betting using tablets and smartphones provided by venue operators and covered under their licence, is regarded as creating an unfair playing field for operators (CoA, 2017, p. 27; IGA, 2016).

Concerns have also been raised about how restricting access to in-play sports betting for Australian operators may contribute to consumers migrating to using illegal offshore sites that offer these services, and the implications this may have for sporting integrity issues; for example, match-fixing. However, unease about the latter at present remains purely speculative without evidence to establish any empirical support for this claim. Current estimates of the amount gambled on in-play sports betting by Australians with illegal offshore operators fall between \$120-220 million per annum and this is expected to grow to \$600 million by 2020 (O'Farrell Review, 2015, p. 51). The O'Farrell Review identified the need for further knowledge about the

impacts of betting restrictions more broadly and how they may be influencing gambling behaviours. This includes bans on in-play sports betting.

A further recommendation from the review was a commitment from the government to establish a strong national consumer protection framework including but not limited to: self-exclusion and pre-commitment measures; the prohibition of lines of credit and discouraging links to payday lenders; operator activity statements; and standardised nationwide approaches to counselling, research and advertising (CoA, 2016).

Other recently flagged changes in the sector include the possible introduction of a federal “point of consumption” taxation (Mather, 2017). The flux within the industry, driven by both government and operators, highlights the need for policy makers to know as much as possible about how potential changes to legislation and regulation may impact consumer behaviours and practices. Further, there is the potential for policy makers to be informed by the impacts of regulation that already exists in other environments; in particular, the introduction in recent years of minimum bet limits on racing in NSW, Victoria and soon Queensland.

In Australia, there are currently around 20³ licenced corporate interactive gambling operators. This number does not include on-course bookmakers who can also provide online and telephone wagering services. A number of these have international roots (bet365, Ladbrokes and William Hill) and several have merged with or bought controlling stakes in smaller Australian companies. Some operate with more than one linking website and name (see Chapter 5 for further details), often using the same customer interface but providing a range of different page banners. Maintaining multiple sites allows operators to have a greater web-presence and for customer loyalty to be preserved when operators merge (Williams, Wood, & Parke, 2012, p. 5). It also allows operators to offer varying products and terms on different sites in order to appeal to a range of customer groups⁴. Betfair, for example, is a betting exchange⁵ and Crownbet is an online bookmaker. They are both owned jointly by Crown Resorts Pty Ltd (James Packer) and each offers different odds and betting services. Likewise, Centrebet, owned by William Hill, is positioning itself as a “high stakes” service for the “serious punter” that does not limit bets for winners (SportsBetting, 2017). The fact that they are using this as a point of difference and a marketing tool might be taken to suggest that placing limits on winning gamblers is a common, if unacknowledged, practice among operators.

³ The exact number changes regularly with new start-ups and mergers ongoing.

⁴ Centrebet, owned by William Hill, advertises that they do not restrict bets or close accounts.

⁵ Betfair is the only Australian online wagering operator that is a betting exchange. Betting exchanges differ from bookmakers in that bettors place wagers against odds set by other bettors not against a bookmaker’s odds. The exchange takes a commission (Williams, Wood, & Parker, 2012, p. 4).

Figure 2.1 Online wagering operators licenced in Australia reviewed in environmental scan⁶

Online wagering operator	Parent company	State licenced	Merged with or takeover of
bet365	bet365	NT	
Betstar	Ladbrokes UK	NT	
Betting Club		NT	
Betfair*	Crown Resorts	NT	
Bluebet		NSW	
Bookmaker.com	Ladbrokes	NT	
Centrebet	William Hill	NT	
Crownbet	Crown Resorts	NT	Betfair
Classicrobet		NT	
Ladbrokes	Ladbrokes, UK	NT	Betstar, Bookmaker.com,
Luxbet	Tabcorp Holdings	NT	
Madbookie		NT	
Palmerbet		NSW	
Sportsbet	Paddy Power UK	NT	
TAB.com.au	Tabcorp Holdings	ACT	
TABTouch	Tabcorp Holdings	WA	
Topbetta		NT	
TopSport		NSW	
Unibet		NT	
Ubet	Tatts Group	NT	
William Hill	William Hill UK	NT	Tom Waterhouse, Sportingbet, Centrebet

Note: *Betfair is a Betting Exchange

⁶ This table was compiled from a range of online gambling websites and by accessing the operator's websites

3 Knowledge review

The Rapid Evidence Assessment (REA) revealed a scarcity of literature in relation to interactive gambling generally and an absence of any rigorous empirical evidence relating to the impacts of account restrictions and closures that are the focus of this study. Hence, to fully inform this review of the knowledge, we drew on academic and “grey” literature, as well as a range of consumer and industry websites, media and online articles.

Literature in the gambling field appears to focus primarily on issues of harm minimisation and problem gambling behaviours. As leading scholars in the field argue, there seems to be a substantial knowledge gap regarding the “who, what, where, how and why in relation to consumer participation” and the fair, honest and responsible provision of interactive gambling (Parke, Parke, Rigbye, Suhonen, & Vaughan-Williams, 2012, p. 140). However, the broader gambling literature does provide some useful insights for policy makers seeking to understand and respond to the behaviours of interactive gambling consumers in what is a rapidly changing landscape.

What has also emerged is the extent to which the interests of sporting bodies, wagering operators and governments are increasingly enmeshed in an interdependent relationship that involves product fees, taxation and advertising revenue: what Hing and colleagues (Hing, Russell, Vitartas, & Lamont, 2015) have described as:

the “gamblification of sport” and the “sportification of gambling” where sports fans are encouraged to gamble as an extension of their interest in sport and betting is promoted as a healthy harmless activity akin to playing sport.

Researchers argue the need for a better understanding about the prevailing characteristics of interactive gamblers and how they feel about issues of trust, fairness and consumer protections. Also of relevance are the ways in which new Internet technologies provide prospects for astute gamblers to use these technologies to exploit opportunities in the interactive gambling market and to shift the balance of risk in their favour. It may be that this shift is in part responsible for prompting bookmakers to act in their own interests in order to remain profitable by placing betting restrictions on “winning” gamblers.

3.1 Interactive gamblers: an emerging cohort?

Generally, interactive gamblers appear to have particular qualities that set them apart from the broader gambling population. This may represent an emerging cohort that engages differently with interactive gambling markets (compared to other groups of gamblers) and potentially challenges the profitability of online gambling operators. For example, interactive gamblers are more likely to be male, tertiary educated and have more disposable income; they tend to be more systematic and strategic in their betting than land-based gamblers and are more likely to self-identify as “professional”. They tend to bet across a range of sports or game platforms in a more competitive and less social manner (Gainsbury, Wood, Russell, Hing, & Blaszczynski, 2012, pp. 1395-1396). They are also up to four times more likely to experience problems with their gambling than are land-based gamblers (Williams, Wood, & Parke, 2012, p. 352). This may be particularly relevant when considering the implications of policy, as those experiencing problems are also more likely to use offshore interactive gambling operators (Parke et al., 2012, p. 21). A recent Australian study found interactive gamblers are also generally younger and likely to spend

more money on gambling and that the majority had only started gambling online within the last five years (Gainsbury et al., 2015). This suggests that the impacts of this shift are yet to be fully understood.

The attractions of interactive gambling are broad and include convenience, privacy and accessibility. Gainsbury et al. (2012) argue that another part of the appeal is that novice bettors feel better informed about betting practices and gather tips and statistics to guide their betting. Some operators have sign-up offers that match initial deposits, which are also appealing despite the fact that the matched amounts often have to be played through⁷ several times before they can be withdrawn (Gainsbury et al., 2012, p. 1389). However, the research suggests that these incentives are less important to online gamblers than issues of trust, safety and consumer protection which are key factors influencing the choice of the majority of online gamblers to continue to use Australian licenced operators (Gainsbury et al., 2015, p. 3; Gainsbury et al., 2012, p. 1396). The same study found that other advantages offered by online gambling, such as improved game interface, variety of betting options and higher payouts, were less important to gamblers overall but concluded that there was a proportion of self-identified “professional” interactive gamblers for whom these factors were likely to be important.

The improved access to gambling data, information and betting software now available on the Internet allows for the rise of the “professional” or astute online bettor (Forrest, 2012, pp. 35, 42). These “advantage players” employ the legal use of gambling technology to analyse and compare odds across a range of sites and use wagering strategies to substantially reduce or remove the risk inherent in the betting transaction (Banks, 2013, p. 171). Some very astute online gamblers also engage in arbitrage betting⁸.

Astute gamblers are increasingly able to use technology or other means to exploit opportunities in online gambling markets, and in doing so make the market less profitable for operators. Markets will inevitably seek ways to address that unprofitability by limiting their exposure to loss (Constantinou & Fenton, 2013, p. 42). There are anecdotal reports, for example, of online operators using sophisticated software to monitor and profile customers and to analyse their profits and losses (Skene, 2007) in order to restrict the accounts of customers who are determined to be “too successful”.

Another interesting feature of the interactive gambling landscape is the number of websites designed to provide information and advice to gamblers about gambling practice and bookmaker reviews⁹. These often also have blogs attached to them where gamblers ask questions of “experts” but also of other gamblers. Many of these sites include information about betting account restrictions and the circumstances under which they might occur. One site includes information for Australian gamblers about legal onshore operators and illegal offshore operators without partiality¹⁰. They also provide advice to gamblers about how to avoid having their accounts restricted or closed: for example, “don’t abuse bonuses or promotions; don’t place

⁷ A customer has to re-wager the original bonus amount and sometimes also their winnings several times before they can withdraw their winnings.

⁸ A bet whereby profit is guaranteed on the basis of a negative profit margin that result from combining the published odds of multiple bookmakers (Constantinou & Fenton, 2013, p. 44).

⁹ See <www.trackdata.com.au>; <www.ausspotsbetting.com>.

¹⁰ See <www.aussportsbetting.com/betting-agencies/bookmaker-reviews/>.

strange bet sizes; use multiple sites; and place occasional sucker bets” (GamblingSites.com, 2017).

Another site¹¹, articulates in considerable detail the changes in the market that they believe are partly responsible for account restrictions and closures. These include:

- lack of market tolerance for low margin horse-racing turnover;
- disloyal punters looking for best odds;
- high cost of running an online bookmaking business;
- traders being replaced by accountants in decision making;
- traders being less astute and more risk averse;
- betting exchanges damaging the market; and
- competition for turnover favouring punters.

An author on one site believes that:

The modern punter has to adapt, accept that he will be factored [restricted] and closed on a regular basis, and find other avenues to secure the price which he desires. It is pointless moaning about it; indeed some pro’s almost take pleasure in telling the world about it in an ego-boosting way (Mazella, 2016).

In sum, it may be that the resources and technologies now available through the Internet are allowing for the emergence of a new cohort of gamblers who are younger, more educated and technologically sophisticated, with more income to spend and a greater propensity to have gambling problems (Gainsbury et al., 2015, p. 3). This access to technology appears to be facilitating a shift in the balance of the traditional risk relationship between gamblers and bookmakers from both sides. The characteristics of this emerging cohort and the influence of emerging technologies may require a more nuanced and adaptable approach to policy and regulation that accounts for this quickly changing and rapidly expanding market.

3.2 Lack of trust

A large international study of over 10,000 interactive gamblers commissioned by e-Commerce and Interactive Gaming Regulation and Assurance¹² (eCOGRA), found over one-third of participants reported feeling dissatisfied, concerned about fairness and unhappy with the complaints process (Parke et al., 2012, p. 140). In contrast, research in the Australian context published in 2012, found a relatively high level of trust in interactive gambling operators with only a minority concerned about the security of deposits and payouts, fairness of games and cheating by operators (Gainsbury et al., 2012). However, this study was conducted prior to the advent of large corporate operators in Australia, and a lack of concern about issues of trust and security could arguably mean customers are less likely to be vigilant about their consumer rights; for example, by not reading terms and conditions thoroughly.

¹¹ See <www.bettingexpert.com/how-to/bookmakers/avoid-betting-account-restrictions>.

¹² Established in 2003 and based in the United Kingdom, eCOGRA is an independent and internationally approved testing agency, specialising in the certification of online gaming software and systems. It is a not-for-profit organisation.

Further, a market that is embedded within the rapidly changing environment of Internet technology means that new issues of trust and customer dissatisfaction may emerge over time as licensing, product fees and other challenges to profitability put pressure on operators to find new strategies to manage risk. Customer concerns that have emerged more recently in relation to betting and account restrictions are one such example. The rapidly changing market means that lags in knowledge and research in this field are an inevitable problem for policy makers and regulators (Forrest, 2012; Gainsbury & Wood, 2011; McMullan & Rege, 2012; Parke et al., 2012).

3.3 Regulating the interactive market

There is general agreement among scholars that interactive gambling markets are inherently difficult to regulate and that they are characterised by unfair or irresponsible businesses with poor complaints processes (Forrest, 2012; Gainsbury & Wood, 2011; McMullan & Rege, 2012; Parke et al., 2012). Gainsbury et al. (2012) argue that with growing consumer demand and recognition for player rights and protection, the regulation of interactive gambling markets is likely to become increasingly liberalised (Gainsbury et al., 2012, p. 1389). Like other forms of Internet commerce, interactive gambling is not immune to criminal exploitation and there is a growing body of literature exploring the links between the two (Banks, 2017; McMullan & Rege, 2010). McMullan and Rege (2010, p. 72) suggest “what is beyond doubt is that the cases that come to the attention of the industry, regulatory authorities, consumers and academic researchers are likely to be the tip of the iceberg”.

The pending changes to the IGA include the tightening of the in-play sports betting restrictions, banning “click-to-call” technology, moves to further regulate access to illegal offshore wagering sites, banning lines of credit being offered by online wagering operators, and prohibiting the links between online wagering operators and payday lenders. These changes, together with a range of measures to be implemented through a NCPF for online wagering, signal attempts by the Australian Government and regulators to increase protections for Australian consumers. There have been a number of speculations made (IGA, 2016), however, that increases in regulation, in particular around in-play sports betting, will increase the likelihood of consumers accessing the same products through illegal offshore operators.

The lack of robust regulation for the majority of these offshore sites is argued to be a risk to consumers who may be unaware that they are betting on unlicensed sites with limited legal recourse (O’Farrell Review, 2015, pp. 116, 119). At present, however, there is little in the way of empirical evidence offered to support these claims. This coupled with a lack of consensus about the scale and exact nature of the issue suggests a need for more rigorous research to understand where the real risks are, how various restrictions impact on consumers’ decision-making and what the push and pull factors are for consumers to move to offshore operators.

The Australian Government in its response to the O’Farrell Review (CoA, 2016, p. 6), has indicated that it does not intend to expand the online gambling market by legalising online in-play sports betting. Regulating the availability of in-play sports betting in Australia responds to concerns that this type of product comes with the risk of increased problem gambling (Hing et al., 2015). Research by Hing and colleagues suggests that these concerns may be well-founded, as correlates between in-play sports betting and problem gambling have been found. What is less clear from that study is whether or not these links are causal (i.e., does online in-play betting *cause* an increase in problem gambling or are people with gambling problems simply more

interested in these products?), and how do other factors contribute to gambling problems (e.g., marketing, inducements, gambler characteristics, gambling platform)? The findings of Hing and colleagues (Hing et al., 2015) also suggest it is important to understand more about the appeal and impact of particular types of in-play betting (e.g., micro bets or exotic bets) and whether some may be more or less attractive or related to harm than others.

Parke et al. (2012) point to the need for a particular research focus on neglected areas including trust, disputes and customer service (Parke et al., 2012, p. 140). Their findings from a major international study concluded two manifest challenges. First, players' concerns need to be addressed in a real way through developing and maintaining high industry standards in player protection and fair play. Second, and perhaps more crucially, the study found that the Internet gambling industry is trying to deal with disputes, many of which may be unfounded. It argues that better explanation, greater transparency and more efficient communication is needed to provide players with clearer information to allow them to make more informed decisions, including in terms of site selection and decision-making during game play (Parke et al., 2012, p. 156). This would have an added benefit of reducing mistrust and disputes, particularly in cases without any basis.

3.4 Evidence from British and Australian surveys

Despite the gap in the academic literature about the restrictions and closures of accounts, the existence of these issues is strongly supported in anecdotal reports from a wide range of domestic and international sources, including blog sites, newspaper reports, websites and social media (see attached Appendices). The high level of public concern raised in recent years about these same issues in the United Kingdom prompted the British Horseracing Authority to establish a Horserace Bettors Forum (HBF) in 2015. The feedback from the forum led the HBF to commission an online survey over four weeks in early 2016, which registered 878 participants (UKHBF, 2016). This survey was dedicated solely to the issues of betting restrictions and account closures imposed by online wagering operators (see HBF [survey questions](#))

It should be noted that this survey was taken from a self-selected and likely biased sample, as it seems probable that respondents chose to participate because they had experienced account restrictions or closures¹³. As such it does not provide empirical or peer-reviewed evidence of the prevalence of these issues, simply an articulation of their presence.

Despite the limitations of the sample, the following key findings that were publicly reported may have implications for the Australian market and sports and racing industries:

- Seventy-five per cent of respondents had accounts restricted in the previous six months.
- Half of the respondents reported having at least one account closed.
- Account closures and restrictions were not just limited to horserace betting with 46% reporting restrictions on other sports.
- Fifty-nine per cent reported that the restrictions had reduced their interest in betting on horseracing.
- Ninety-five per cent had been given no reason for restrictions or were told it was a “trading decision”.

¹³ It should be noted that the same limitations apply to the community members who participated in the current study.

- A small number of accounts were closed before even striking a bet, but most commonly accounts were closed after between 20 and 100 bets.

Further enquiries with the lead researcher who conducted the survey revealed some additional findings that were not included in the published results. First, based on the data and on information collected from informal conversations with bookmakers as part of the study, they have estimated that approximately 20,000 accounts had been closed or restricted over a six-month period. They believe that, given that almost 60% of respondents in the survey reported that betting restrictions had made them less interested in horserace betting, it could be argued that this represented a potential loss of over 12,000 customers. The probable loss of revenue to the racing industry as a consequence was a primary concern for the HBF.

The respondents were largely regular gamblers who could be regarded as “astute” bettors with around 5% being arbitrage bettors or what is referred to in the industry as “arbers”. The study found that the main factors that respondents believed increased their risk of account closures were:

- winning over an extended period;
- betting on “sharp” markets (for example each-way betting in races with odds on favourites);
- betting on horses that subsequently had odds shortened; and
- appearing to follow or actually following other punters or tipsters.

Confidential discussions with bookmakers conducted as part of the survey revealed a range of other gambling behaviours that might lead to account restrictions or closures. Many bookmakers offer one-off bonus credit to new customers and bonus “abuse” was reported to be a major issue¹⁴. There were reports from bookmakers of gamblers paying students £50 to open new accounts in their name in order to exploit sign-up bonuses. One individual reportedly “ran” 2,500 of these accounts. Gamblers would also have accounts closed if they won more than £3,000 over 18 months. The lead researcher for this survey also confirmed that many bookmakers reported having automated systems to detect these types of “abuses”. He said he believed that ordinary gamblers are often also caught up in them, although he noted that the bookmakers apparently deny that it happens.

In a smaller but similar survey conducted by Champion Bets, a leading Australian tipping website¹⁵, 266 of their members were surveyed about their betting practices. The survey included one question related to betting restrictions. This survey offers a clearer sense of the scale of the impact as although it was a smaller sample size and all were members of this tipping website, unlike the UK study, it was not specifically related to betting restrictions. The Australian survey found that of the gamblers that had placed bets at the six most popular bookmakers (those used at least once by between 69–85% of their clients) on average 40% had accounts restricted or closed. The survey did not offer any insights into why accounts were closed.

In sum, it is clear from the literature that the interactive gambling environment provides some new and very specific challenges for operators and that the online consumer appears to be engaging with gambling in ways that are perhaps challenging the profitability of gambling

¹⁴ Taking advantage of bonuses in ways that guarantee returns; for example, using a \$50 bonus to stake \$50 each on two players in a tennis match.

¹⁵ Champion Bets <www.championbets.com.au/blog/featured/survey-results-2/>.

markets in ways that have not occurred in the past. There is, however, almost no empirical research specifically related to the issues of account restrictions and closures. Although the data we have is quite limited in rigour due to the source of the survey samples, it suggests that the restrictions are widespread and occur in other jurisdictions as well as in Australia. It also indicates that restrictions are practiced by most operators and as such may have a range of impacts on consumers.

4 Environmental scan

4.1 Australian operator websites

The environmental scan revealed an Australian online wagering sector that is now characterised by a number of large internationally based players (e.g., Ladbrokes, William Hill and bet365) that have moved into the Australian market and in some cases, have bought controlling shares or taken over existing smaller Australian operators (e.g., Tom Waterhouse, Sportingbet and Centrebet are all owned by William Hill). Most operators are now licensed in the Northern Territory due to more beneficial taxation arrangements. There are still some minor independent operators—some quite new to the market. The state of play seems fluid with mergers and takeovers ongoing.

In some cases, a separate web presence is maintained in the name of the original smaller operator (often no more than a page banner) even though they are now owned by a larger parent company. This may be to maintain customers loyal to the original operators. In at least one case (William Hill and Centrebet), this separate online presence allowed the operator to offer different terms to its customers through the different sites.

4.2 Accessing terms and conditions

A review of 20 Australian licensed wagering operators currently operating, identified through online searches of industry and consumer websites, found that all had a link to terms and conditions (also, T&Cs) or similarly worded “rules of play” in very small font at the bottom of the homepage, available on both desktop and mobile devices (see Figure 4.1). These could be accessed in full from the homepage in all but one case.

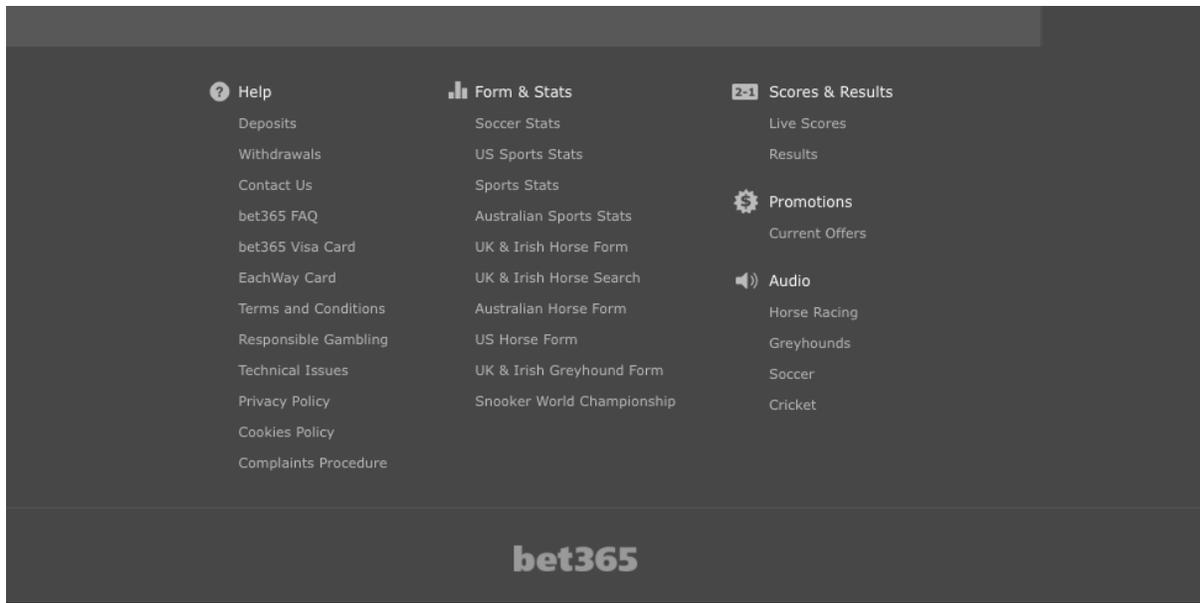


Figure 4.1 Link to terms and conditions at the bottom of bet365 homepage

The exception (Classicbet) required the customer to sign-up as a member, giving full personal details and contact information before being granted access to view these rules (Figure 4.2).

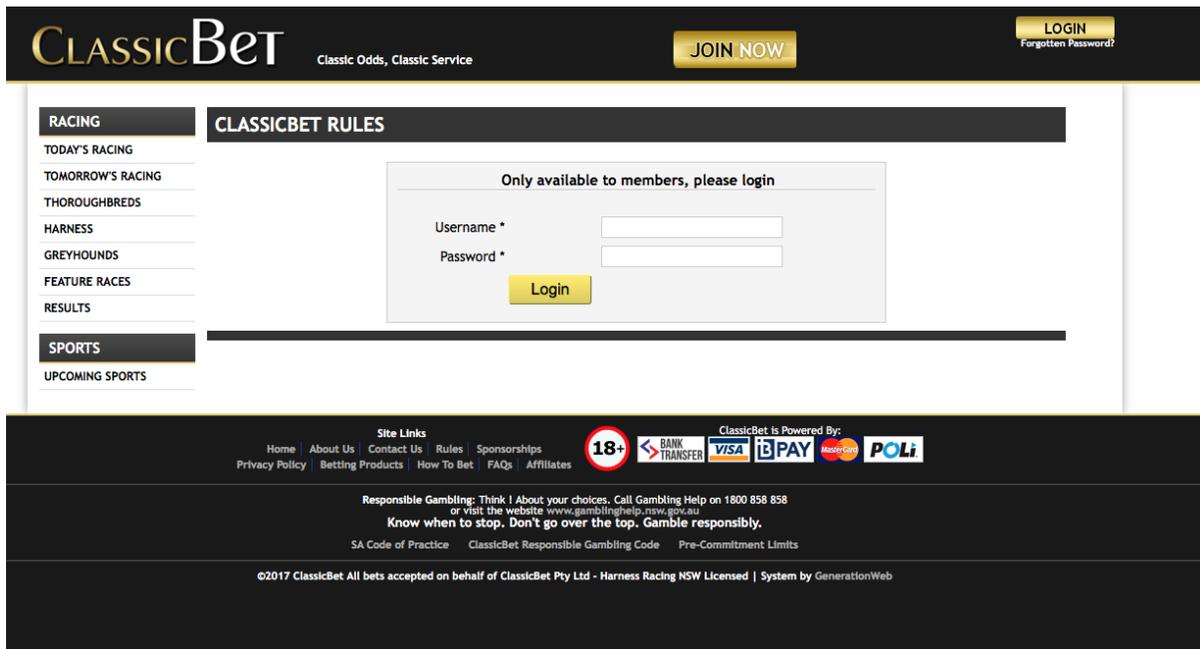


Figure 4.2 ClassicBet terms and conditions only available to members

When opening a new account all other operators provided the customer with an optional link to terms and conditions with a required check-box for the new customer to acknowledge that they had read and accepted those terms and conditions (Figure 4.3). It should be noted, however, that customers were not required to have accessed the link to the terms and conditions in order to check the box. The requirement to accept terms and conditions usually appeared on the first registration page before any personal information was required. The exception to this was

Ladbrokes and their affiliates, where the customer's name and email address were required before the check box and the link to the terms and conditions appeared.

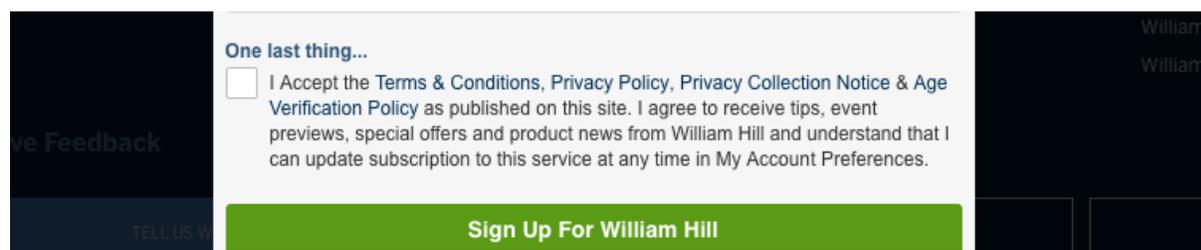


Figure 4.3 Check-box agreeing to terms and conditions with William Hill

This may seem like a minor difference; however, providing any personal contact information online can allow operators to market directly to customers, even if they decide not to proceed with joining at the time. As an example of this, in conducting the environmental scan, one of the authors followed the registration process of one operator, but did not complete the full process of “joining up”. The author now routinely receives advertising material from that operator attached to other completely unrelated websites.

4.3 Terms and conditions related to bet restrictions

When clicking on hyperlinks from the operator's homepage to terms and conditions or rules, the customer is directed to what are, in most cases, extremely lengthy and legally worded documents.

All of the terms and conditions that were accessed in this study did state that the online wagering operator reserved the right to close or restrict accounts, limit wagers and change odds at their discretion without need to provide justification. Most also provided some additional circumstances under which this may occur but with the caveat that they were not limited by those. The following examples are representative:

bet365 reserves the right to decline all, or part, of any bet/wager requested at its sole and absolute discretion. All bets/wagers are placed at your own risk and discretion.

bet365 reserves the right to close or suspend your account at any time and for any reason. Without limiting the preceding sentence bet365 shall be entitled to close or suspend your account if:

- you become bankrupt;
- bet365 considers that you have used the website in a fraudulent manner for illegal and/or unlawful purposes;
- bet365 considers that you have used the website in an unfair manner or have deliberately cheated or taken unfair advantage of bet365 or any of its customers;
- bet365 is requested to do so by the police, any regulatory authority or court;
- bet365 considers that any of the events referred to in a) to c) above may have occurred or are likely to occur; or

- your account is deemed dormant and its balance is, or reaches zero in accordance with paragraph B.5.1 below.¹⁶

Unibet reserves the right to refuse any wager. Without limiting this paragraph, Unibet reserves the right to refuse any wager or part of a wager without giving a reason at any time if any one or more of the following occur ...

Unibet reserves the right to close a Clients Betting Account and refund the balance of the Betting Account without further explanation.¹⁷

These types of clauses were usually deeply embedded within the terms and conditions, such that the potential consumer would need to carefully read the full document or be looking for that particular information to find it. The clauses that pertained to account limits and restrictions did have headings that clearly identified what they were pertaining to. For example:

- BetFair: “Cancellation, Termination and Suspension”
- Unibet: “Unibet’s Reserved Rights”
- Luxbet: “Closure, Suspension or Restriction of a Luxbet Account”

4.4 Bonus bets

In this study, one feature of online wagering that has emerged as a trigger for accounts to be closed is “bonus abuse”. Bonuses and other promotional offers are designed to attract and persuade individuals to participate in gambling; however, as Hing and colleagues found, they were most effective with gamblers who were already struggling with problem-gambling and addiction (Hing, Cherney, Blaszczynski, Gainsbury, & Lubman, 2014). Promotions act to extend gambling time through free bets and deposits and require recipients to play through bonus money several times before they can claim winnings. This is thought to encourage further consumption among existing users (Hing et al., 2014, p. 397). However, the terms and conditions of operators indicate they have little tolerance for gamblers who seek to turn these bonuses to their own advantage.

A number of sites have separate T&Cs that apply to bonuses, how they can be used and the penalties for “abuse”, although these seem rather arbitrary.

This Offer is only open to bona fide account holders, who act at all times in good faith, with integrity, who place bets with Sportsbet for the purpose of recreation and entertainment ... Professional gamblers or other gamblers considered by Sportsbet management to be abusing this Offer may have their right to participate in the Offer revoked.¹⁸

Clients considered to be abusing Bonus Promotions by any means (or breaching the Rules of the terms and conditions for a promotion) may have Promotional Bonuses and any winnings resulting from such Promotional Bonuses cancelled or revoked.¹⁹

¹⁶ From <www.bet365.com.au>

¹⁷ From <www.unibet.com.au>

¹⁸ From <www.sportsbet.com.au>

¹⁹ From <www.williamhill.com.au/betting/help/bonus-bets/>

4.5 Transparency and clarity

Given the lack of prominence of the hyperlinks to terms and conditions on the website homepages and the size and complexity of documents themselves, it would seem very unlikely that many potential new customers would take the time to read them in detail. All operators have a similar digital sign-up process with a box, which once checked, represents a contractual agreement between the customer and the operator.

I've read, completely understand and accept the terms and conditions and privacy policy.²⁰

Further, when applying for membership or to become a customer with any of the online wagering operators viewed in this study, it appears that while the customer is required to check a box confirming that they have read the terms and conditions they are not required to have actually accessed these documents in order to read them. In an analysis of account restrictions in the Spanish online gambling sector, Agustinoy (2017, pp. 1-2) argues that from a legal standpoint, "the relationship that exists between operators and players is primarily regulated through the terms and conditions players are required to accept when registering". He further contends that if licensed operators are complying with the minimum required contents defined in the applicable regulations then the issue is essentially of a contractual rather than a regulatory nature.

The Northern Territory Code of Practice for Responsible Online Gambling 2016 stipulates that:

Online gambling operators must ensure their terms and conditions are easily located on their website, with a link to them on each page. Terms and conditions must be clear with regards to how betting is managed, particularly where maximum payout limits exist. Staff should also be appropriately trained to ensure client questions regarding terms and conditions are answered correctly, readily and clearly.

Nettleton and Chong (2013, p. 2) contend that it is well settled in Australian law that gamblers are not owed a duty of care by the person with whom bets are placed. While this would undoubtedly clear operators of any legal liability, it may be that, in the interests of consumer protection and on ethical grounds, a more transparent process and increased clarity regarding these types of restrictions, and the conditions under which they may apply, would be an improvement to industry practice.

The environmental scan has revealed that despite the growing number of international and corporate bookmakers now operating in Australia there is relative homogeneity in the terms and conditions of Australian onshore wagering operators. They are all very clear about their reserved rights to limit bets and close accounts without limits; however, the onus is very much on the customer to seek out and read the terms and conditions before signing up. The processes by which customers become members or sign-up with an operator are detailed and require the declaration of a significant amount of personally identifying data. This would suggest that a tighter consumer protection framework may be called for, particularly in relation to transparency and clarity about customers rights and account restrictions.

²⁰ From new customer registration page at www.madbookie.com.au

5 Consultation and interview data

The study sought to offer a wide range of perspectives by including the voices of community members who had themselves experienced these restrictions, as well as government regulators, representatives of sports and racing bodies, and independent and corporate industry. Community interviews and stakeholder consultations were conducted as part of this study to gain an understanding about the range of account restrictions that are being imposed on consumers, the reasons they might be occurring and the impacts for community, gamblers, industry and sporting bodies. In particular, the data collected helps clarify the role these restrictions might play in driving gamblers to use illegal offshore wagering operators.

In total, nine stakeholder consultations were conducted with state and federal regulators, industry, sports and racing representatives. In addition, interviews were conducted with 17 community members. A detailed discussion of their characteristics can be found below followed by a discussion of findings from the combined data.

5.1 Gambling characteristics of the community respondents

The 17 community respondents to the study come from a narrow group of online gamblers who all reported experiencing betting account restrictions. Therefore, it must be acknowledged that the findings presented here are not generalisable to the wider online gambling population. Nonetheless, the sample provided a wide range of gambling experiences and perspectives about the issues of interest to the study. Within the sample, there was diversity in age, gambling habits and the types of markets they preferred, their gambling turnover and background. All of the respondents reported being current active bettors and included individuals that had previously worked in the UK and Australian online wagering sector as traders or as business owners themselves. One respondent had a blog for gamblers and a tipping business and another operated a sports integrity consultancy. As such they were able to articulate on the issue with some inside knowledge. Many respondents were knowledgeable about aspects of the gambling industry more broadly, including the proposed changes to the IGA and were able to offer insights into how the industry and the gambling experience had changed over the past decade, with a particular focus on changes over the past four to five years. Several said that while they recognised the need for bookmakers to be profitable there was a need for transparency and fairness in the industry.

All of the respondents currently or had previously held accounts with most or all of the Australian online wagering operators. All had had their accounts limited in various ways by these operators and in some cases accounts had also been closed (with the exception of the betting exchange, Betfair²¹). The range of ways in which accounts were restricted and the reported reasons and timelines are discussed in detail in the following section.

Several respondents reported that when they first started gambling, they were largely unsuccessful, but that over a number of years, operators had offered them a range of promotions, bonuses and incentives to gamble in increasingly large amounts. Respondents recounted (and in one case provided email evidence) that operators that had been willing to accept and even encouraged large bets, offering to match deposits or provide other incentives such as tickets to sporting events. A number of these respondents felt there was an element of unfairness and even

²¹ Betfair is a betting exchange and operates differently to bookmakers. For the purposes of this report, Betfair will not be included in the findings about online wagering operators who are bookmakers.

predatory behaviour by operators who were happy to take large wagers when gamblers were regularly losing, but not once they started winning.

The respondents were asked about any betting practices that may have been deemed as warranting account sanctions; for example, using false identities to open multiple accounts with an operator, or other fraudulent actions, bonus abuse or arbitraging. Two respondents reported they had opened accounts in friends or relatives' names, but only after they had already had accounts closed or restricted. All respondents said that once they had become more successful they were no longer offered bonuses. Some had adopted strategies to "disguise" their winning accounts, which are discussed further in this chapter.

The majority of the respondents self-identified or described their betting characteristics in ways that implied they were either semi-professional or astute recreational gamblers²², with two overtly claiming to be professional gamblers. Most had preferred betting markets, having acquired a level of expertise in those markets, and did not routinely venture to place bets on other markets: for example, some gambled almost entirely on horseracing, others on a small selection of sports (AFL, cricket and NRL were common) and racing, and others only on a select range of sports. Most reported that they were strategic about their gambling, looked to place bets where they believed the bookmakers had set the odds too high, kept detailed records of their gambling activity and viewed their success over the long-term rather than in isolated bets. Several regularly used tipping sites, data management software and other computer-based modelling and analytic tools.

Of those that declared their annual gambling turnover, the amounts ranged from \$100,000 to \$7 million per annum over a number of years. More than one respondent reported that much larger amounts were not uncommon among other gamblers. Of those that reported their profit margins, 3-4% per annum was around the average. None reported overall losses.

Only one of the respondents in the study did not have offshore accounts. All of the others had at least one and in most cases three or four offshore accounts. Pinnacle (which was considered by the respondents to be the most reputable of the offshore operators) was the most commonly used, with Matchbook, SBOBet, 5Dimes and Citibet also popular.

Respondents reported that they had opened offshore accounts for a range of reasons. A number of respondents also gambled on casino games and, in particular, online poker, and had already established offshore accounts for this purpose. However, the most common reason for opening an offshore account was because they could no longer place bets of more than a few dollars and in some case of any size through any of their Australian accounts. Those that wanted to place sports bets in-play also preferred to do that through offshore accounts rather than via the telephone or at land-based sites with Australian operators. Not all of the respondents used in-play sports betting although the majority of those who preferred sports betting did so. Respondents said another reason that they preferred to use offshore sites was because they generally offered better odds than Australian operators. Most also said that if they could place in-play sports bets and bets for the amounts they wished to with Australian licensed operators they would generally

²² Professional gambler (defined as "gambling is your main occupation/source of income"), semi-professional gambler ("gambling forms part of your main occupation/source of income"), or amateur or recreational gambler ("gambling is an entertainment activity/pastime") (Hing et al., 2015, p. 1803).

prefer to do so, even with lower odds. Customer experiences and views about gambling with offshore operators will be discussed further in the section.

5.2 Betting restrictions placed on Australian gamblers in an online wagering context: the range, extent and reasons

The range of restrictions imposed by operators

All of the respondents in the study had experienced having all of their accounts with licensed onshore wagering operators restricted in some way or closed. While the practice of restrictions and closures was reported to be in place with all operators, some operators were reported to be more likely to impose restrictions, or to do so more quickly once a customer began winning.

Limits to bet amount

The most commonly reported restriction by community respondents was having bets declined or limited in amount. In some cases, respondents said they were offered bet limits of just a few cents. Several said that they were restricted in some markets where they were winning but could still place bets into other markets. Many of the respondents said they routinely bet amounts over \$1,000 and in some cases substantially more. Operators had previously accepted these amounts but once a customer began to win routinely, and in some cases after only one or two successes, bets were restricted or refused.

The quickest being [name removed], who reduced my limits from \$8,000 to \$4,000 to \$10 over a period of three weekends of AFL betting. [name removed] were similarly fast. I think it took them about three to four weeks of accepting bets in the \$1–2k range, before restricting my bets to win \$50. (Community Respondent A12)

Consultations with professional and industry stakeholders revealed that account restrictions are a routine part of all online wagering operators' risk management strategies although they provided very little clarity around how common the practice was. Corporate bookmakers explained that bet restrictions were put in place based on what they described as "market liability limits". In some cases, even losing or what are termed "low-margin" customers are restricted. Commercial reasons for bet restrictions given by operators included lack of liquidity in some sporting markets (e.g., in less popular sports or minor leagues where the betting pool is small), "razor-thin" profit margins as a result of product fees and taxation, and timing—where a market may have already reached a point where an operator cannot accept any further risk. It was also reported by operators and former traders that customers were profiled into risk rating categories and that this had some bearing on which bets they might be able to place. Operators also reported using automated risk management software and that there was a chance of what was described as "collateral damage", as a result of automated processes, whereby customers who had perhaps just had a lucky run, might have their accounts restricted inadvertently. Operators who used a more manual oversight of this process said this was less likely to happen. It should be noted that restrictions in terms of bet limits are only likely to be imposed on fixed-odds betting. Bet limits do not appear to be imposed in pari-mutuel or "totes" betting, as operators are able to manage the risk through price variation.

A number of non-commercial reasons were also given by operators for why accounts might be restricted. These included bonus abuse and "collusion" by customers to use promotions in ways they were not intended or that guaranteed a win; insider knowledge; failure to complete identity

verification; involvement in match fixing or organised criminal syndicates; trying to place multiple bets on one event and using identity fraud or betting through other customers' accounts (bowlers); suspicion of using automated "bots" to identify and exploit inaccuracies in the market pricing; and problem gambling concerns. These issues might also lead to accounts being suspended or closed.

Account closures

In a number of cases respondents had accounts closed, although this was much less common than account restrictions. Most had only had one or two of their accounts closed and respondent reports indicated there were operators who were more inclined to close accounts than others.

Most corporate bookmakers will usually not close your accounts, but restrict you to the point that you can't get anything near the bet we want on, you know, which forces you to look at other options; for example, overseas bookmakers. (Community Respondent A6)

Lower odds than those publicly displayed

Several community respondents said that it was not uncommon to be offered lower odds once they had logged into their account (compared to those displayed on the operator's home screen). While short-term market fluctuations could account for this, it was widely reported by the community respondents in this study, which suggests it may be a more systemic issue.

And then the other option is you have places like [name removed] who, advertise—and this is a really disgusting thing that they do, they'll advertise one price when you access the website. So, let's say that you wanted to bet on something and they're advertising it is \$1.90, when I log in that will only be \$1.75 for me—just for me. So, you know, to me like that's—that's like—that's like the equivalent of you know a shop advertising, come and buy this TV for \$999 and then you go in there and because of prejudice, you have to pay \$1500 for it. It's just not—it's totally wrong, it's just completely wrong. (Community Respondent A3)

Industry and non-industry stakeholders also confirmed these reports of what they termed "differential pricing", although this does not appear to be done consistently as one industry operator reported that they had made a strategic decision not to do this. It should be noted that the provisions of the minimum bet limits recently imposed by Racing Victoria stipulate that "laying lesser odds to a person than is publicly displayed" contravenes those provisions. This again suggests that this might not be an uncommon industry practice.

To what extent do wagering operators impose restrictions?

The qualitative data from this study cannot offer a clear picture of the extent to which these restrictions might be occurring in terms of the number of individuals or the amount of revenue involved. While all of the government, industry and regulatory stakeholders that participated in the study acknowledged that betting restrictions were taking place we were unable to gain a clear sense from operators of how widespread this practice was. There was, however, consensus among community and professional stakeholders that it was acknowledged practice to some degree for all Australian online wagering operators to impose restrictions on winning or low-margin accounts, as well for a range of other non-commercial reasons. Corporate industry stakeholders offered little clarity on the extent to which these restrictions are employed. Interviews with former traders and one smaller independent operator suggest that the practice of

restricting accounts is common but without a larger sample and greater transparency from industry it is difficult to know how common it is.

While we are unable to provide an accurate estimate of the prevalence of account restrictions by Australian operators, we were able to ascertain the following:

- Industry reported account closures affect a very small number of accounts (less than 1% of the total account/customer base) and this includes those closed for non-commercial reasons such as bonus abuse, identity fraud and other irregular gambling practice in addition to commercial reasons.
- Global Betting and Gaming Consultants (GBGC, 2015) reported that in 2015 there were 800,000 active online accounts with licensed operators in Australia. Anticipated growth is around 7% per annum so that number could potentially be as high as one million accounts at the time of writing.
- If account closures occurred at close to 1% that suggests up to 10,000 accounts closed. Given that most of the respondents in this study had more than one account closed the number of individuals affected is likely to be fewer.
- Gamblers interviewed had opened accounts at all or most Australian onshore wagering operators so probably have on average between fifteen and twenty accounts each.
- Most had only had one or two of their accounts closed but all other accounts had been restricted. Based on our interviews and the number of restricted accounts as opposed to closed accounts (a ratio of 8:1 in most cases), the incidence of restricted accounts is likely to be significantly higher than what is suggested by operators.

What are the factors that might be leading to restrictions?

There appeared to be a general consensus from community respondents and regulators that the restrictions and closures of accounts had only become a significant issue over the past three to five years and were essentially an issue of profitability for the bookmakers. Community respondents and other stakeholders pointed to a range of changes that had occurred in the Australian gambling landscape over that time that might be driving operators to impose restrictions in order to protect their profit margins.

Increasingly competitive marketplace

One of the perceived changes is the advent of large international operators, particularly those with roots in the UK, which have led to a more profit-driven market and a gambling culture that was different to that which had previously existed in Australia. There was support for this view from a range of participants, including current industry representatives and community respondents who had previously worked in the industry. The rise of corporate bookmakers who were answerable to shareholders was also seen as another dimension of this with respondents who had previously worked in the industry claiming that the focus was on building up a clientele of gamblers who were more likely to lose than win.

One former trader with a leading Australian online wagering operator explained the changes:

Then a change begun [sic] to occur in the industry and the company decided it would be cheaper and easier to either restrict these smart customers to bet amounts not worth their effort or simply reject their bets all together and just take bets from losing punters. It started gradually with winning punters being restricted to \$3,000, then \$1,000, then \$500

to \$100 to \$50 and some even \$0. Then became the issue of how to handle new accounts. This caused the company to set up a team of analysts whose job is to profile the betting activity of all accounts. Their job is to look for both smart/winning customers and heavy losers ... it isn't even all winning customers that get restricted, those who don't lose at a large enough rate (more than 5% on turnover) to be significantly profitable are also restricted. There would be thousands of accounts that are restricted at this company.

Meanwhile, when they find the heavy losers, they set their limits to massive amounts, tens of thousands to hundreds of thousands, so they don't have any trouble getting bets on. This is done as they don't want these sorts of customers inadvertently having their bets restricted or inconvenienced. These [losing gamblers] are the “VIP customers”. (Community Respondent A15)

The rise of the astute gambler

Respondents from all sectors discussed the rise of the more informed gambler with access to Internet technology and able to draw on a wealth of online data as a group who were making it more difficult for bookmakers to keep their operations profitable. In fact, most of the respondents in this study used a range of Internet tools and modelling as well as tipping websites. There has been a rise in the number of different markets, particularly in sports, both domestically and internationally. Betting opportunities are available over longer time periods including “futures” markets²³. This combined with the wide range of derivatives that can now be wagered on within individual events, makes it increasingly challenging for bookmakers to keep the odds “sharp” on every market. Astute gamblers are in a much better position than they were just a few years ago to exploit any inaccuracies in markets to their advantage.

Relatively small size of Australian market

Another factor that was regarded as impacting on commercial decisions to accept or refuse bets was that Australian markets are often relatively small in all but the major sporting codes (AFL, NRL and cricket). The lack of liquidity (small amounts of money wagered in a pool) compared to those seen in bigger markets makes it more difficult for operators to absorb large losses or even small margins after operating costs are taken into account. This may particularly be the case for smaller non-corporate operators.

Minimum bet limits

The recent introduction of minimum bet limits by Racing Victoria and Racing NSW (and soon Queensland), have addressed the concerns of Australian gamblers who had been experiencing betting restrictions on horseracing according to community respondents and racing stakeholders. One smaller operator, however, argued that this might result in more restrictions in other markets for low-margin gamblers (those who do not lose enough). In having to accept bets from more astute low-margin gamblers as a result of minimum bet limits, operators might look to make-up for losses they incur. This same respondent said they could do this by offering lower odds or limiting bets in other markets such as sports. One corporate industry representative stated that they were not in favour of minimum bet limits in any markets, arguing that they led to lower odds for all customers. He explained that when bookmakers are required to accept minimum bet limits they are exposed to higher risk and as such may lower the odds for all customers to limit that risk.

²³ For example, betting on the outcome of every AFL draw for the year or the Finals before the season begins.

Several of the community respondents reported that they had accounts closed prior to the introduction of minimum bet limits but that operators had re-opened them after the minimum bet limits had been introduced. In some cases this had only happened after the customer threatened to lodge a complaint with the racing body.

They had to reopen them after the NSW minimum bet rule came in and I asked them to reopen them. So, they all reopened but you know, they only give [sic] me really what they have to give me and that is the NSW and now Victorian racing minimum bet rule. They virtually won't let me bet on anything else. (Community Respondent A8)

It should be noted that in the first half of the 2016–17 financial year, a period that corresponds with the introduction of minimum bet limits in Victoria, Racing Victoria reported an overall above average wagering turnover of 6%. The same period saw an increase in fixed-odds wagering turnover of almost 24% at the expense of “totes”²⁴. The product fees (race fields fees) are typically calculated as a percentage of wagering turnover. As such Racing Victoria reaps the benefits of this windfall in the form of increased product fees. When asked, industry and racing representatives interviewed in this study did not concede that there was any link between an increase in fixed-odds wagering activity and the introduction of minimum bet limits despite the above average increases seen over the same period. The racing representatives reported that while the introduction of minimum bet limits appeared to have reduced the number of complaints they had received about bet restrictions, they had “made very little difference” to turnover or revenue, reiterating their view that it was only “a small vocal group” who were impacted by restrictions and as a consequence benefiting from the introduction of minimum bet limits. The same spokesperson for the racing sector stated that they regarded the introduction of minimum bet limits as addressing an issue of reputational damage for the sector.

Product fees

One of the most significant issues identified by industry stakeholders as impacting on the profitability of operators was product fees. While one operator reported that product fees had directly impacted on his ability to accept large bets from winning or low-margin customers, other operators indicated that product fees contribute to their lack of ability to compete with offshore operators in terms of bet amounts and the odds they offered. The importance of this issue and its influence on market liability and commercial decisions to restrict betting was also raised by representatives of sporting bodies and one or two of the community respondents that had previous links to the industry. Australian operators are paying on average 2.5% of turnover or between 20 and 30%²⁵ of Gross Gambling Revenue (GGR) to Australian racing and sporting bodies for the rights to run books on their products, unlike operators in other jurisdictions who do not pay product fees. One smaller operator revealed that the race fields fees (horseracing product fees) for his operation during the Spring Racing Carnival are calculated on a day-by-day basis at 3% of total turnover, or 30% of GGR, whichever is the greater.

Given that online gambling operators generally run with relatively narrow profit margins of around 3–4%, this is a significant impost. The same operator reported that they had had to reduce

²⁴ Racing Victoria: Racing and Performance Overview—First Half of 2016–17 Season.

²⁵ 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 however they can also be hybrid arrangements.

their racing turnover by approximately 60% in order to remain viable and to do this they had to limit the dollar amount of the wagers they accepted.

These product fees are unique to the Australian jurisdiction and came into force around four years ago. This coincides with the time that many community respondents felt that restrictions on their accounts began to escalate. Several submissions to the O'Farrell Review (O'Farrell Review, 2015) from operators pointed to the increases to product fees as a significant issue. See the below box for some exemplars of the submissions.

CrownBet–O'Farrell Review submission

Further, rapidly increasing product fees charged by racing authorities around Australia are not paid by offshore operators (in addition to avoiding GST and wagering tax). The upshot is that offshore operators can offer significantly better odds and attract larger bets from low-margin customers simply due to having a vastly reduced cost base. Price sensitive customers are offered more attractive options overseas than when betting in Australia and therefore may seek to transfer their wagering activity to these operators.

Bet365–O'Farrell Review submission

The key issue is that a relatively small number of high-spending customers may be attracted to offshore sites because of better customer value. Offshore sites have “inbuilt better value” because they do not pay product fees (wagering tax) to Australian racing bodies. These product fees are high, have increased several times over the past few years, are based on turnover rather than revenue and therefore local operators have to keep their margins relatively high and their customer value lower in order to compensate. bet365 is not arguing against product fees in this submission, though it has to be recognised that no other country in which we operate imposes a similar regime on wagering operators. High racing product fees in Australia are impacting on the customer's value proposition.

Topsport– O'Farrell Review submission

The current Product Fees models are flawed and excessive in the extreme and their escalation in recent months is totally out of control.

While none of the submissions specifically stated that account restrictions acted as push factors for low-margin customers migrating to offshore operators, they do clearly state that product fees make them less competitive in a global marketplace. Although two operators focused on pull factors such as higher odds as being the driver for customers moving offshore, this is not supported by the interviews with most of the community respondents who said they would prefer to bet with Australian operators if their bet amounts were accepted, even if odds were lower.

Government-imposed restrictions

In-play sports betting

Government-imposed restrictions to online in-play sports betting in Australia contributed to some of the community respondents in this study no longer betting with Australian operators in these markets, the interview data shows. While it is still possible to place in-play sports bets by telephone and with land-based operators, the community respondents in this study who did use in-play sports betting moved to place their in-play sports bets online with offshore operators since the “click-to-call” option had been removed.

The vast majority of this type of betting appears to occur in sports. Although online live betting on horseracing is legal in Australia, only one respondent in this study said they placed live or “in-the-run” bets on horseracing. A number of respondents, including racing industry stakeholders, felt that live betting was less popular on horseracing than for sports-betting as the duration of a horse race rarely allowed time for additional bets to be placed. In sports, where

events can last hours, or in some cases days and even weeks (golf or road cycling, for example), the opportunity to place bets on a range of outcomes during play is far greater.

It was widely felt by respondents from all sectors that in-play sports betting is now such a popular and significant feature of contemporary gambling markets that a more liberal approach to legislation in this area would be desirable and help to stem the flow of online wagering to offshore operators. While industry and regulatory stakeholders acknowledged that relaxing this restriction potentially holds risks for problem gambling through increased opportunities to place bets and chase losses, they emphasised that the causal links between problem gambling and in-play sports betting have not yet been empirically supported. Some respondents argued that opportunities to bet in-play allowed them to reposition themselves based on changes in form, progress during games, and other emerging factors such as injury that were not apparent prior to an event or game commencing, thus improving their chance to win. It was also reported by community and other stakeholders that in-play betting added to the enjoyment and level of engagement for audiences of sport.

Consultations with industry and sporting stakeholders indicated that individual sporting bodies have the control to determine what types of bets they will allow in their sports as part of the product fee agreements they have with online wagering operators. For example, they do not allow for betting on negative outcomes (e.g., missing a goal or shot) as this is more likely to lead to match-fixing. Regulatory and sporting stakeholder consultations reported that sports integrity and harm minimisation concerns about particular in-play sports bets such as micro-betting and exotic betting could also be addressed through this process.

Government stakeholders discussed the benefits of Australians gambling with onshore operators as this would allow greater transparency of their betting activity, thus facilitating monitoring in relation to issues such as match-fixing—something that is not possible when people bet with offshore operators who are not regulated by these agreements. All of the representatives of regulatory bodies in this study spoke about the problems that may arise due to an inability to collect data, monitor for criminal activity or irregular betting patterns associated with match-fixing and police for organised crime with offshore sites when Australians bet offshore.

Casino and gaming

The majority of offshore gambling by Australians is in casino games with an estimated 1.3 million casino accounts held in 2013 (O'Farrell Review, 2015, p. 45). Several of the respondents in this study had previously played online poker and already had established access to offshore accounts due to restrictions in Australia in relation to online casino gaming. Extending their activity into online wagering when their Australian accounts were restricted was a natural progression.

Illegal offshore wagering operators

Government legislation that makes it illegal for offshore wagering operators to provide services to Australians had very little impact on the respondents in this study who, with the exception of one, all had at least one account with an illegal offshore operator and in most cases more than one.

Not surprisingly, all industry, sporting and regulatory stakeholders we spoke with were strongly in favour of tighter controls around the policing of and penalties for provision of illegal offshore wagering. When asked where they thought gamblers who had been restricted by Australian

operators could place bets if and when policing of illegal offshore operators occurred, one industry representative suggested this group could still place bets in person at land-based venues, on the “tote” (pari-mutuel betting) where limits are generally not applied, or they could reduce the amounts of their bets. They further suggested this group could spread their bets over multiple operators; however, community respondents in this study said they had already tried this and had already had all their accounts limited to very small amounts.

5.3 What are the impacts of restrictions?

Community respondents reported a range of responses to having their accounts restricted or closed that, as already mentioned, included opening at least one offshore account for all but one of the respondents. Initially, community respondents tried to manage the issue through a variety of strategies.

Strategies employed to try to keep accounts active

Opening multiple accounts

The first response by respondents when they had accounts restricted was to open accounts with other Australian operators to spread their wagering across multiple accounts. All of the respondents in this study had accounts with the majority of Australian operators, but over time all of their accounts had been restricted in some way, and in some cases closed.

Complaints—how are they handled

These were a group of very well-informed gamblers so all community respondents said that they were aware that the terms and conditions of the operators gave them the legal right to restrict or close their accounts for any reason. However, most had still lodged complaints about having their accounts restricted. Some had received responses by email such as: “you are no longer profitable”; “it is a trader’s decision”; or they were told that the operator’s terms and conditions allowed them to restrict accounts without providing any reason. One respondent knew a few traders personally and could sometimes call them and ask for some leniency or a compromise wager amount. Some community respondents said that even after the introduction of minimum bet limits in horseracing, they had bets in that market refused by operators, in contravention of the new regulations. It was only once they had complained or contacted racing authorities that their bets had been accepted.

“Mug bets” and then hedge on betting exchange

Some gamblers in the study reported using strategies to “throw the operators off”, such as placing a small losing “mug bet” with one Australian operator and then “hedging” that by placing a larger wager with a betting exchange or an offshore operator. By trying to appear to be a losing gambler with some Australian operators they hoped to avoid being restricted. This usually only worked for a short time, if at all.

Pseudonyms and “new bowlers”

Some of the community respondents reported that they had opened accounts in another person’s name or had asked friends to open accounts on their behalf. These so called “bowlers” are often eventually restricted as well and several of the respondents to this study thought that some of the larger wagering operators have the means to trace links between locations and IP addresses of customers that make these links easily detectable. It should be noted that the respondents in this

study said they had only done this after their accounts had already been restricted. This practice does give operators legitimate reasons to close accounts.

Ultimately, despite their various attempts to keep their Australian accounts active, these community respondents migrated at least some of their betting to overseas operators.

Go to offshore sites

The most common response to account restrictions and closures was to open accounts with offshore operators. All but one of the community respondents in this study had at least one account with an offshore operator. Most reported that they now placed between 70 and 90% of their wagers with an offshore operator. Most also said that they would prefer to use Australian operators if they could get their bets accepted here.

Customers experiences of illegal offshore operators

Most respondents reported having had positive experiences with offshore operators although they were conscious that there were some risks. Several respondents said that while they acknowledged there was a risk of losing their deposits or credit card theft with offshore operators, they had also lost money when Australian companies had failed. The respondents in this study predominantly used Pinnacle²⁶, a company that they felt was the most reputable of the overseas operators and always accepted bets, even large ones. They were also seen as an operator that offered better odds (some suggested by as much as 60%) than were available on Australian sites.

All respondents that used offshore operators said that it was not difficult for them to access those sites using a VPN. They reported that one company gave each new customer their own personal URL to access their login page. There was some concern among community respondents that proposed changes to the IGA legislation to tighten restrictions in terms of access to overseas operators would mean that the more reputable operators, such as Pinnacle, would voluntarily decline Australian customers. This, they felt, would leave only the less reputable operators open to them. They therefore saw that this could increase, rather than decrease, the risks for Australian gamblers. Several community respondents used agents or brokers who placed bets with offshore operators on their behalf or had contacts overseas who acted as proxies or placed bets for them and all of the respondents who currently used offshore operators said they thought they would have no difficulty in continuing to do so even after the new restrictions came into place.

What are the broader implications of restrictions for the community?

From the perspective of industry, sporting and regulatory authorities the impacts of driving gamblers offshore are multiple and have effects across the community.

Regulators and sporting bodies expressed concern about the lack of transparency and access to data with offshore operators. One regulator referred to them as a “black-hole”. Issues around match-fixing in sport and reputational damage in sport, money laundering and organised crime were raised. According to one sports stakeholder the number of Australians now betting on sports such as AFL through offshore markets poses an increasing integrity risk for players and the reputation of sport. As markets grow and have increasing liquidity—they are still relatively small by global standards—they become more attractive to criminal organisations.

²⁶ Pinnacle is the largest online wagering operator globally and is licensed in the Caribbean.

The loss of revenue in the form of taxation, licensing and product fees when Australians gamble with offshore operators appears to be significant. Although the scope of this study means that we cannot accurately determine the amount of this loss, a number of individual gamblers in this study were routinely turning over more than four million Australian dollars per annum each, primarily with offshore operators. One respondent had moved to Canada with his family in order to pursue his gambling in a more liberal jurisdiction. Thus, even if this represents a small number of individuals, the loss of revenue to Australia remains significant.

The lack of consumer protections when gamblers migrate to offshore operators was expressed as a concern by regulators. As discussed above, most community respondents said that they felt that there were some offshore operators (Pinnacle was often cited) who were more reputable and trustworthy than other operators.

Several community respondents and one smaller operator discussed the effect that restricting (or not restricting) particular gamblers had on the odds generally. They argued that when operators do not accept bets from winning gamblers—what they described as “the smart money”—markets become one-sided, creating artificially low odds for the popular or favourite bets, which are generally attractive for the large pools of average recreational gamblers. This means that even if the favourite does win, the resulting payout will be reduced. If the favourite loses, the bookmaker benefits doubly by not only retaining the stakes of the majority, but also because they did not accept larger “smart money” bets on the other, winning side. In this way, bookmakers are arguably able to increase their own profit margins at the expense of average recreational gamblers who are offered lower odds and therefore lower payouts than they would otherwise receive.

Feedback from community respondents suggested that the position of operators—that gambling is for “entertainment and recreation”, and that this therefore allows them to preclude those who seek to profit from gambling or to exploit opportunities in the market—is seen as flawed and unfair²⁷. This was particularly the case where operators were viewed as willing to continue accepting and profiting from large wagers from losing gamblers.

I've known a few guys that have been given credit up to \$900,000 and lost it all ... it is just ridiculous that they can take losing gamblers and treat them like VIPs while not taking one bet from someone that's not going to make them a huge amount of money.
(Community Respondent A12)

Several of the community respondents had received emails from operators advising them that their account had been restricted as it “is no longer commercially viable” or similar. Another had been advised that as he was regarded as a “professional gambler” his bets were limited, but only on some markets. Most community respondents described what they felt was predatory profiling and, in some instances, the courting or grooming of losing gamblers.

They will only take action from guys who are losing insane amounts, so even if you're not winning, but like breaking even, they won't even bother taking your action.
(Community Respondent A9)

²⁷ It should be noted this operator position was raised by community respondents but also noted in a written response from industry and seen in some terms and conditions on operator websites.

Previous research, as well as reports from community respondents who had industry links claimed that Australian and overseas operators reportedly target and encourage “low-risk” losing gamblers. This group is also likely to include those experiencing gambling problems.

Encouraging and accepting large wagers from these individuals who are often profiled in advance, and rejecting the bets of successful ones or even those who do not lose enough (in some instances one and the same person on different occasions), has led to a strong sentiment in community respondents that consumers are not being given a “fair go”.

The people who need protecting are the punters who've lost for the last 10 years, and then they've sort of done their time, they've done their apprenticeship, and now suddenly they can turn a profit and the bookmaker just says, "No thanks, I've had enough." You know, you can lose for 10 years and win for three months and you're gone. So, these punters don't even get a chance to get to win their initial money back, which more than anything is just grossly unfair. (Community Respondent A11)

Another impact of these restrictions on the broader community that was raised in community interviews and discussions with racing stakeholders was the potential damage to the image of sports and gambling generally. One community respondent summed up what he described as “reputational damage”.

The bookmakers are so intrinsically linked with sport now through the—you know, just being engulfed by advertising and so on, to have the bookmakers so closely linked to the sports through advertising, and then to treat, you know, punters with such contempt, it just breeds contempt, and you know, it's just bad all round. (Community Respondent A4)

In concluding, it seems clear from the interview and consultation data collected that account restrictions and closures are a commonly used risk-management strategy by all Australian wagering operators. Account closures appear to be more limited (less than 1% of accounts appear to be closed) and this is reportedly more likely to occur as a result of illegal or irregular betting practices than for commercial reasons. Nonetheless, most of the community respondents interviewed reported having at least one of their accounts closed after consistently winning. Account restrictions appear to be more widely practiced as operators seek to manage the liability of markets as a result of a range of commercial and non-commercial challenges. While this study was unable to ascertain the extent of these practices with any accuracy, all of the community respondents had experienced restrictions and in some cases bet refusal across all or most of their Australian accounts. Consultations with industry confirm the practice is common, however they offered little clarity about the extent of the practice. What did emerge from the study was that restrictions on accounts and restrictions to in-play sports betting pushed all but one of the gamblers participating in this study to use illegal offshore wagering operators, with implications for government, industry, sporting bodies and the community.

6 Key findings, options and recommendations for further research

6.1 Key findings

This investigation into the impact of betting restrictions on illegal offshore wagering in response to Recommendation 15 of the O’Farrell Review sought to ascertain the types of restrictions being imposed, the extent to which they were being imposed and the reasons for them. It also sought to identify the implications of those restrictions, particularly as a potential push factor for gamblers to migrate to illegal offshore operators but also for the broader community. The researchers were also asked to provide possible options to address the issues that emerged.

The key findings from the study:

- There is a significant gap in the empirical literature specifically about the issues of account restrictions and closures that needs addressing.
- Actual account closures appeared to be less frequent and less of an issue for community respondents than were restrictions to the amounts they could wager. Operators reported that in most cases when accounts were closed, it was more likely to be connected to irregular or illegal gambling practices than for commercial risk management reasons.
- The potential to restrict or close accounts is overtly mentioned by all operators in their terms and conditions, albeit generally fairly hidden within lengthy legally worded documents.
- There is a need for greater transparency and clarity about consumers’ rights and the terms and conditions of operators in relation to betting restrictions. This includes the conditions under which betting restrictions may occur.
- Industry estimates suggest less than 1% of Australian-based online wagering accounts are closed, translating to up to 10,000 accounts. However, as has been noted, most of the respondents in this study had multiple accounts (as many as 20 in some cases) and so these numbers are likely to reflect a much smaller number of individuals. The degree to which betting restrictions are imposed beyond the small group of astute, professional and semi-professional gamblers who were interviewed in this study is unknown.
- While the findings from this study allow us to articulate on the type of restrictions imposed and why they may be imposed, our data cannot provide accurate information on the extent to which it occurs. A larger sampling of the Australian online wagering population would provide a clearer picture of the extent and exact nature of account restrictions and closures as well as the various impacts of these on gamblers and the wider community.
- All except one of the community respondents in this study held and regularly used accounts with illegal offshore wagering operators. They offered a range of push and pull factors to explain this. Push factors were bet restrictions, account closures and lack of access to in-play sports betting. Pull factors were better odds and, in a couple of cases, additional products.
- Most community respondents had accounts with several illegal offshore wagering operators and believed the risk associated with using offshore operators was negligible, particularly as they believed that the operators they used had good reputations. Despite this, most community respondents stated that they would prefer to bet with Australian operators if they could place bets in the amounts they wished. They believed that a minimum bet limit on sports wagering would address this.

- Of particular concern to many of the community respondents was the allegedly common practice whereby operators offered promotions, bonuses and incentives to continue and even increase gambling by those termed “VIP customers” due to their propensity to lose. At the same time, operators were seen to restrict or reject bets from customers when they started to win (or even to lose with lower margins). Community respondents felt that this indicated potentially predatory behaviour of some elements of the industry that reflected poorly on the industry as a whole, as well as sporting bodies and regulators.
- Respondents from across all sectors expressed a sense that many of the changes in the Australian online wagering market had emerged since the advent of the international corporate bookmakers from the UK. This has come concordant with industry consolidation and increased competition with profit-driven corporate operators beholden to shareholders.
- The impost on operators of a range of costs, including product fees and taxation, also emerged as likely factors leading to the use of account restrictions as part of operators’ risk management processes.
- Community respondents and other stakeholders in this study suggested that recent proposed changes to IGA legislation to further police and penalise illegal offshore activity will do little to restrict customer access to these offshore services. This exemplifies the difficulties of regulating in the online environment.
- The wider implications to the community of restrictions to accounts including in-play sports betting include loss of revenue (to sporting and racing bodies, government and Australian industry), reputational damage to both racing and sporting bodies and to the associated gambling industry; risks to consumers through continued use of unregulated illegal offshore operators; and issues of sports integrity associated with match-fixing and organised crime.
- A consistent message from both community and stakeholder respondents was that the banning of online in-play sports betting was out of step with overseas jurisdictions and that a more liberal approach to legislation would help to stem the flow of online wagering to offshore operators. A key requirement of government, however, is to balance market freedoms with the need to provide adequate consumer protections and harm minimisation controls. Concerns have been raised that the higher continuity that betting in-play affords increases the risk of harm. Recommendation 3 of the O’Farrell Review and the introduction of “click-to-call” bans in the revisions to the IGA reflect this ongoing concern.
- The results of the research evidence to date suggest that a conservative approach is required, in line with the recommendations of the O’Farrell Review. There is a need for further research to fully understand the relationships between various types of in-play betting and gambling problems. This would include an examination of the influence of other associated factors (e.g., marketing, gambling platform, inducements, gambler characteristics) prior to any consideration of more liberal regulation in this area.

In drawing together the findings from this study the following section offers a range of response options (regulatory and non-regulatory). These are intended to provide some guidance on the relative benefits and disadvantages of different courses of action but should not be taken as recommendations.

6.2 Options

This section provides a range of options for possible action. This includes leaving current arrangements in place until further research has been conducted to fully inform policy development, through to some options for regulatory change. We have included this range to provide government with the full extent of knowledge that emerged from the study and have identified the benefits and disadvantages of each option. As indicated below, the very limited scope of the current study means that the provision of these various options cannot not be taken to infer recommendations for particular courses of regulatory action.

Nonetheless, we did identify a critical need for further empirical data to offer greater clarity about the issues and the impact of other connected factors. It would appear valuable to undertake this research before any actions are taken that would further liberalise regulation. In addition, it will be important to evaluate the various costs and benefits of any changes that are imposed—both economic and social.

Finally, it is recommended that changes are not made in isolation of other considerations; for example, regulations for the marketing of particular products; the potential for harm if the product is combined with other products (e.g., inducements); and the need for transparency in gambling transactions, clarity of terms and conditions and other consumer protection measures.

Account restrictions imposed by Australian onshore wagering operators

All of the options in this section to address the account restrictions and closures imposed by onshore operators can be put in place concurrently with other options.

Option 1: Further research to fully understand the extent of the issues

There remains a critical need for greater knowledge regarding the practice of operator-imposed account restrictions and closures. This includes a need for better understanding of the extent to which restrictions are imposed across all groups of wagerers and why this happens (e.g., the reasons, type of products, the size of wagers that trigger them). The most conservative approach would be to conduct this research before taking any further regulatory action.

Key benefits:

- allows for evidence-based policy that takes account of all factors and impacts on all stakeholders;
- reduces the risk of unintended consequences; and
- builds a much-needed knowledge resource for the future.

Key disadvantages:

- While increased powers to ACMA under amendments to the IGA may reduce leakage of consumers to illegal offshore wagering operators, respondents to this study suggested that if bets are heavily restricted consumers would continue to access illegal offshore sites.
- It is also possible that these new powers under IGA could result in more reputable offshore operators ceasing to offer services to Australian gamblers, leading to the unintended consequence that consumers begin accessing less reputable offshore operators.
- The continued use of restrictions would likely affect more consumers over time as the industry grows and more gamblers engage with online platforms. It is also likely that consolidation and competition in the Australian market will lead to operators continuing to

implement risk management strategies such as bet limits. This, in turn, may lead to increasing numbers of consumers migrating to offshore operators.

- There could be a continued lack of transparency in transactional data due to offshore betting by Australians (e.g., Who is betting? How much are they betting? Where is the money coming from and going to? As well as concerns about money laundering, match fixing and organised crime).
- There could be possible reputational damage to industry and potentially to government through perceived lack of action to prevent betting restrictions in the interim.

Option 2: Research to understand effect of product fees and other costs

Further research is required to fully understand the specific effects of product fees and other costs (e.g., taxation) on industry actions and, through these, consumer behaviour.

Industry stakeholders in this study and in earlier submissions to the O’Farrell Review raised concerns about the high impost that product fees²⁸ and other costs had on their businesses’ profitability, and their resulting inability to compete with offshore operators. Ascertaining the full effects of these costs was outside the scope of this study; however, the findings suggested that product fees are one factor affecting operators’ profitability and influencing subsequent risk management strategies. Where risk management leads to significant account restrictions this appears to be a push factor driving gamblers to illegal offshore operators. If offshore operators do not have similar costs to bear, they may be able to offer better odds to customers, resulting in an additional pull factor for Australian consumers.

Areas of interest for research may include:

- How are product fees calculated and what factors determine them?
- How do they compare with other jurisdictions outside of Australia?
- What are the benefits to racing, sports and community of charging these fees?
- To what extent are they contributing to market inefficiencies (profitability) or limiting operators’ capacity to absorb market liability?
- Are they contributing to operators’ risk management practices and in what ways?
- Have there been changes to the online wagering industry, or to the racing or sport industry as a result of the introduction of product fees?
- Would a reduction in product fees, or changes to the way they are charged, reduce operator risk management procedures in terms of betting restrictions?
- What are the other operational costs that impact on operators, and what is the effect of these?

Option 3: Require greater transparency by operators about the circumstances under which an account would be restricted

The current study found that operators provide terms and conditions regarding account restrictions but these are difficult to find and opaque in terms of when they may apply. A mitigation for this that may increase consumer protections would be to require operators to provide more transparency and clarity about when and why restrictions may occur. This would include the requirement for clauses pertaining to restrictions to be clearly displayed as part of a

²⁸ Also called Race Field’s fees in the racing sector.

new member's sign-up process as well as within the larger terms and conditions documents. It would also be appropriate, as a requirement of the marketing of gambling products and the process of placing a bet, that these terms and conditions are clearly displayed so that consumers are made aware that the amount they can wager may be limited at any time at the operator's discretion.

Key benefits:

- allows consumers to make more informed choices; and
- provides greater consumer protection and transparency around industry practices.

Option 4: Implementation of nationally harmonised minimum bet limits across racing and sports with cost-effectiveness evaluation

This option relates to the implementation of minimum bet limits at a national level and across racing and sporting codes. This would mirror limits currently imposed by Racing Victoria and Racing NSW (and soon to be introduced in Queensland) such that an online wagering operator is required to accept a customer's bet whereby they may lose up to a stipulated minimum limit (e.g., on metropolitan racing in Victoria the amount is set at \$2,000 for a "win only" bet). As with the conditions implemented by Racing Victoria and Racing NSW, this option would include provisions that prevent an operator from closing or restricting a customer's account or refusing to open an account to avoid the provisions of the minimum bet limits or refusing to offer odds or fixed-odds that are publicly displayed.

While this measure could be put in place immediately, government may wish to undertake research such as described in Options 1 and 2 to ensure that the potential effects of this measure on consumers and the market are well known. The current study has been an exploratory project that interviewed a small, unrepresentative sample of consumers and conducted limited consultations with some industry stakeholders. To inform decision-making with regards to this option we have outlined potential benefits and disadvantages identified from this study and stakeholder discussions. These relate to the effects of the regulatory structure as it stands currently, and there may be additional issues and factors of which we are not aware.

If this option was implemented at some stage, consideration should be given to (a) implementing a tiered arrangement that takes into account the variation in market liquidity in sports betting (similar to racing where regional bet limits are set lower than metropolitan bet limits), and (b) an incremental approach. This should be informed by discussions with relevant stakeholders.

It is also recommended that if this approach were implemented it include a cost-effectiveness evaluation. This evaluation would cover, but not be limited to, the effect on consumers, including increases in harmful gambling and the effect on migration to illegal offshore wagering operators; the costs to operators taking into account variances in market liquidity and other operational costs such as product fees; effects on sporting bodies; and any unintended consequences.

Key benefits:

- addresses most consumer issues regarding restrictions and closures on accounts;
- likely to reduce the number of Australians wagering with illegal offshore operators;
- reduces the impact to consumers when tighter restrictions are placed on supply of products to Australian gamblers by the offshore market through amendments to the IGA.

Key disadvantages:

- Minimum bet limits in racing are currently with individual state-based racing bodies as part of race field (product fees) arrangements. Implementation from a national perspective will require nationally harmonised legislation/regulation across multiple sports, which may prove to be complex.
- Operators may not be able to afford to offer products in smaller markets, which could result in customers continuing to access offshore markets for those products.
- Higher risk exposure for operators may result in unintended consequences including lower odds for customers overall, operators going bankrupt and the exploitation of other customer groups to make up profits.
- This measure will facilitate higher rates of wagering for anyone who has had their betting restricted by an Australian-based operator for commercial reasons. As such, gambling harm is a possible unintended consequence for some gamblers.

In-play sports-betting bets restrictions imposed by government

Consistent with Recommendation 3 from the O’Farrell Review, any consideration of online in-play betting products should be deferred until (a) a stronger consumer protection framework is in place (i.e., the NCPF) and tested for effectiveness, and (b) research is conducted to examine the effect of these types of bets on gambling behaviour. This approach is also in line with the recent amendments and clarifications to the IGA that prohibits in-play sports betting except by telephone or in land-based venues.

Option 1: Research to fully understand the effects of in-play sports betting

There is a critical need for research to understand the relationship between in-play sports betting and gambling problems and the effectiveness of current restrictions as a harm minimisation measure. Recent research (Hing et al., 2015; Hing, Russell, Vitartas, & Li, Forthcoming) provides early evidence of a positive relationship between gambling problems and in-play sports betting. In particular this research points to a positive relationship between specific forms of in-play betting—micro-betting and exotic betting - and gambling problems.

There remains a need for further investigation to understand the specific relationships better, including how different factors intersect and the implications for harm minimisation efforts. For example, does the relationship differ according to the gambling platform, various types of in-play bets (e.g., micro bets), marketing strategies, inducements, and/or gambler characteristics. If possible, research should also be undertaken to identify causal links.

Key benefits:

- maintains any harm minimisation impact by limiting the speed with which bets can be placed thereby reducing the potential for impulsive gambling during a sporting event;
- contains the growth of the gambling products legally available to Australian consumers; and
- ensures that the impacts of adding further online in-play products to the Australian market are understood before proceeding with any liberalisation of the regulations.

Key disadvantages:

- Lack of access to online in-play sports betting in Australia is likely to continue to be a significant push factor for customers to use illegal offshore operators. While the increased powers given to ACMA under amendments to the IGA may prevent some leakage, it would

appear likely that consumers would continue to attempt to access illegal offshore sites for betting products that are not available in Australia.

- There is also some concern that the new powers under the IGA will see more reputable offshore operators ceasing to offer services to Australian gamblers, leading to an unintended consequence whereby consumers access less reputable offshore operators.
- Leakage to offshore operators means a continued lack of transparency regarding in-play sports bets placed either offshore or at land-based venues, as no identification is required.
- The lack of platform neutrality is seen to create a prejudicial advantage to land-based operators.

Option 2: Consideration of online in-play sports betting within a frame of consumer protection, research evidence and evaluated trials

As discussed above no consideration of further liberalisation of regulations should take place until NCPF is in place and tested for effectiveness in strengthening consumer protections and further research has been conducted to articulate the harms associated with in-play sports betting.

It must also be reiterated at this point that this was an exploratory project conducted with a small, unrepresentative sample of consumers and a limited number of other stakeholders. The conclusions that can therefore be drawn from these findings are preliminary. Potential benefits that the current research suggested could possibly flow from a more liberalised approach include

- platform neutrality;
- removing a key reason for Australians to bet with illegal offshore operators; and
- improving transparency of data for regulators in matters of sporting integrity when wagering takes place through Australian licensed online wagering operators rather than through illegal offshore operators or from land-based venues.

While we are not recommending that any further liberalisation should take place, we do strongly recommend that **IF** any consideration were to take place regarding a more liberalised approach, it should be fully informed by future research evidence. Government should be particularly cognisant of findings with regard to the risk of gambling problems resulting from different factors associated with in-play betting (e.g., Are there particular issues associated with specific gambling platforms or specific types of in-play bets? Are there issues associated with the marketing of inducements to encourage in-play betting? Are particular groups of consumers at risk?).

It is also recommended that Government does not make decisions in relation to this in isolation from other relevant considerations. This includes, but is not limited to, decision-making regarding liberalisation of other online products; the potential for harm if the product is combined with other products (e.g., inducements); regulations around the marketing of this and other online products).

We further recommend that **IF** a decision was subsequently made to move towards liberalising the market with respect to online in-play betting, an initial trial is undertaken to fully test the effects of this liberalisation. It should be noted, however, that increased liberalisation of the market, even in this context, may be hard to reverse at a later date, regardless of whether the

evaluation demonstrates a causal link between this type of betting and gambling problems. In addition, increasing the range of gambling products available during sports events may strengthen associations between sports and gambling in the public's minds—what Hing and colleagues (Hing et al., 2015) refer to as the “gamblification of sport” and the “sportification of gambling”.

A trial of this sort may include offering online in-play sports betting on a limited number of more popular sports and/or a limited range of betting types (e.g., outcome-based bets). This would need to be decided in light of emerging research findings and in consultation with stakeholders including researchers, individual sporting organisations and government bodies with responsibility for integrity issues. This option also notes that individual sports organisations have the capacity to place additional regulations on the types of betting products they will permit under their product fee agreements.

It is also recommended that if this option were to proceed at any point, that a full cost-effectiveness evaluation is conducted on the initial trial period. This would include, but not be limited to, an evaluation of the positive and negative effects on consumers and on their migration to illegal offshore wagering operators, the effects on operators and sporting bodies, and any unintended consequences. Decisions on whether or not to proceed to a more liberalised approach should be informed by the results of this evaluation.

6.3 Limitations of the study and recommendations for further research

The interviews from this exploratory study into Betting Restrictions in Online Wagering in Australia allowed us to gain a better understanding of the range of restrictions that are applied to accounts by Australian operators and the impact that these restrictions have as a push factor for driving customers to use illegal offshore wagering operators. However, the sample was small and not representative of the wider population of online wagerers. As such it provides some insight into what the issues are but does not allow for any clarity about the actual extent of the issues discussed.

The unwillingness of operators to contribute to the project until very late in the process also meant that we were unable to follow up on data that emerged from the consultations with industry stakeholders within the interviews with community respondents (e.g., claims that gamblers that were restricted were, in the main, professionals, had insider knowledge, were “bowlers” for bigger operators, abused bonuses, and/or wanted to place large wagers in small obscure markets).

The findings from this study indicate a significant gap in empirical knowledge demonstrating a critical need for further research to inform evidence-based policy about these issues. Research is needed to fully understand the extent to which restrictions and closures occur and to offer more clarity about why/when restrictions are imposed initially from both the consumer and operator perspectives. Further research is also required to offer insights about the relative importance of various push and pull factors that drive gamblers to offshore operators (e.g., better odds, markets and products not available onshore and anonymity).

As discussed in the previous options section of this report, any future changes in relation to minimum bet limits or additions to betting products such as online in-play sports betting or other gaming products should be informed by research evidence and come with a full evaluation of the

costs and benefits, in particular in relation to gambling problems and harm minimisation. Research in this field would ideally:

- be informed by the exploratory findings from this study in respect to areas needing further clarification;
- encompass a much larger, more representative sample of the online wagering population to allow for generalisability of results;
- incorporate a mixture of research methods (e.g., surveys and/or structured interviews, unstructured or semi-structured interviews to allow for the collection of both statistical data and the qualitative, interpretative data that allows respondents to provide meaning and researchers to seek greater clarity); and
- seek more transparency and access to data from operators about these issues so policy can be informed by actuality.

6.4 Conclusion

The findings from this study suggest that the practice of account restrictions and closures is now a common and widely practised part of the risk management of the majority of online wagering operators in Australia and other jurisdictions. However, there is a clear lack of rigor and depth in current research about the practice that points to a gap in knowledge about the online wagering sector more broadly. Current knowledge provides a sense of the evolving and particular nature of both the interactive gambling sector and also the characteristics of its respondents. This study has found that much less is known about more specific practices of individual gamblers, operators and regulatory frameworks and their broader social and economic impacts, and argues the need for further research to inform any future policy and reform in this area.

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