

Submission of Visa Europe on

The European Commission public consultation on the Green Paper on on-line gambling in the Internal Market - COM (2011) 128

Visa Europe¹ welcomes the Commission's initiative to consult on the subject of on-line gambling and shares the European Commission objective to contribute to the emergence in the EU Member States of a legal framework for on-line gambling providing for greater legal certainty for all stakeholders.

Visa Europe does not permit the use of Visa branded cards to acquire goods or services that are illegal in the customer's country of residence. The internet as a global market place has brought huge benefits to consumers and retailers, but it has also raised new challenges for retailers and law enforcement authorities. Visa Europe is committed to helping its member banks, retailers, the public and the authorities meet these new challenges ensuring that payment cards are used lawfully in a border-less online environment.

We have not commented on the whole text but have concentrated on the main issues which are of interest for our business. Visa Europe would be happy to provide more detailed comments in due course should these be required by the Commission in the context of any further initiative in the field of on-line gambling.

Question 14: Are there specific problems associated with customer verification in a cross-border context?

Visa Europe is especially attentive to the correct identification of gambling transactions to ensure that members can actively manage card usage in this area, and this in respect of both Anti-Money Laundering (AML) and 'know your customer' (KYC) aspects. Consequently, Visa Europe works with the Members who are acquiring gambling merchants to ensure that the Visa rules are adhered to.

As far as issuing members are concerned, they are consistently provided with specific transaction details to assess the validity of individual transactions performed by their customers. Furthermore, the issuers communicate to their customers the terms of use and

¹ Visa Europe is an association of over 4,600 Member Banks. Visa Europe was incorporated as a European-owned and operated organisation on July 2004. This enables greater local control and allows Visa Europe to respond quickly to the specific needs and circumstances of European banks and their customers – retailers and consumers. Visa establishes standards that ensure global interoperability and security and plays a leading role in developing new technologies. While Visa does not have a role to play in issuing cards or signing up (acquiring) merchants, it plays a pivotal role providing the global platforms and systems needed by Members to develop and run profitable card payment businesses.

any restrictions applying to the issued card at the time of the account opening, and are then required to periodically remind the cardholder of these terms and conditions.

Since Visa cards are used to fund gambling transactions, the Visa Operating Regulations ensure that cardholders who wish to engage in legitimate gambling activities can do so in a structured and transparent environment that ensures all stakeholders are aware of the nature of the transaction.

All Visa card transactions are tagged with a specific four-digit identifier called a Merchant Category Code (MCC). This number is based on ISO standards and is applied globally by Visa issuing and acquiring member banks. The purpose of the MCC is to identify the goods or services the merchant provides or to classify the nature of the merchant's business. There is a specific MCC number which is the universal identifier for gaming and gambling merchants and which is linked to all transactions from these merchants. It covers all transactions (face to face and on-line) from merchants that provide betting, lottery tickets, casino gambling chips, off-track betting and wagers at racetracks.

Visa Europe rules mandate that merchants who offer some or all gambling services are required to identify all their transactions using this MCC, including the services to top-up an e-money account or wallet that could be subsequently used for gambling purposes.

The presence of this MCC enables Visa members to monitor and control the use of a specific Visa debit, credit or prepaid card in the gambling environment. Furthermore, this enables the banks to intervene to stop gambling transactions if they are deemed illegal in the national jurisdiction or if the cardholder requests this.

As far as the payment of winnings is concerned, since 2004, Visa Europe has required that any winnings on a gambling transaction or gaming account are to be paid directly to the Visa card number from which the bet originated.

As the e-commerce environment brings its own challenges, Visa Europe has been actively working with acquiring banks and their gambling merchants to ensure that the most up-to-date risk management and authentication tools have been implemented, amongst which CVV2 and Verified by Visa (VbV). These apply to e-commerce transactions including gambling transactions.

As far as CVV2 is concerned, this means that for traditional Card not present (CNP) transactions, merchants request the three-digit Card Verification Value (CVV2) from the back of the Visa card.

As far as VbV is concerned, the participation in the VbV service by the merchant and their acquiring bank combined with a cardholder who has enrolled in their bank card issuer's authentication programme will ensure the full end-to-end authentication of the cardholder, card payment details and the merchant.

Question 16: Do you have evidence that the instruments listed above are central and/or efficient to prevent or limit problem gambling relating to on-line gambling services?

We believe that preventing or limiting problem gambling is an important and challenging task for all the involved stakeholders as the final responsibility lies with the individual who decides to gamble.

As explained above in our answer to question 15, the card issuers are consistently provided with specific transaction details to assess the validity of individual transactions performed by their customers. Furthermore, the issuers communicate to the cardholder the terms of use and any restrictions linked to the use of the issued card at the time of the account opening, and are required to periodically remind the cardholder of these terms and conditions.

Moreover, it is possible for any cardholder who is a gambling addict or who is just simply concerned about his gambling attitude to contact the card issuer and request that gambling activity on the card is blocked. Furthermore as far as prepaid products are concerned, the very nature of prepaid products allows spending limits to be set and to keep gaming funds separated from day to day spend, thus helping to promote responsible gaming.

As far as the measures on age limits the European Commission refers to in the consultation paper are concerned, Visa Europe is aware that there is some concern that cards may be used by people under the age at which gambling is legal. It should be said in this respect that credit cards are not offered to people below 18 years of age in Europe.

The concern relates consequently more to debit and pre-paid cards. Whilst it is not possible to run up debt using these cards, it may be possible for the person concerned to break the law by illegally purchasing age-restricted goods or services. The prime responsibility not to break the law rests with the cardholder himself. In addition, the legal responsibility for checking the age of potential customers is squarely with the merchant. There are a number of services available today for merchants and their acquirers that allow them to verify the age of their customers before allowing them to purchase age-restricted goods and services.

Question 35: Do you have experience and/or evidence of best practice to detect and prevent money laundering?

As acknowledged by the Commission in the consultation paper, there is a range of operational practices to fight against money laundering, which includes the rule concerning the payment of winnings we outlined above. As already stated, since 2004 Visa Europe has required that any winnings on a gambling transaction or gaming account are to be paid directly to the Visa card number from which the bet originated. Such rule was developed to reduce fraud and has had a positive effect, as the mandate of the

payment back to the card that placed the original bet has, for example, reduced significantly the practice of gambling with a stolen card.

As far as Know Your Customer (KYC) practices are concerned, the KYC requirements on any of Visa products are always subject to local Anti Money Laundering laws in the country in which the product is offered, and are applicable to both issuers and acquirers; all issuers and acquires have the obligation to monitor for suspicious activity.

We would like to take this opportunity to also inform the European Commission about the Visa Europe “Keeping children safe online” initiative. Visa Europe is committed to keeping children safe on line and ensuring that our products cannot be used to buy child abuse images.

In April 2006, Visa signed a three-year partnership agreement with the Child Exploitation and Online Protection Centre (CEOP). CEOP provides a single point of contact for the public, law enforcers and the communications industry, enabling suspicious activity to be reported direct, 24-hours a day. The unit, staffed by about 100 police, computer technicians and child welfare specialists, also offers advice to parents and potential victims.

Visa Europe provides financial support and makes available all its knowledge and resources to strengthen the CEOP’s finance desk, which identifies people engaged in the exploitation of children for profit and sets out to confiscate offenders’ assets and disrupt their activities. Visa Europe is actively working with CEOP to protect children and ensure that our products are not used to pay for the exploitation of children.

Question 50: Are any of the methods mentioned above, or any other technical means, applied at national level to limit access to on-line gambling services or to restrict payment services? Are you aware of any cross-border initiative(s) aimed at enforcing such methods? How do you assess their effectiveness in the field of online gambling?

We agree with the European Commission that a payment blocking mechanism, which may be based on the operators "Merchant Category Codes" (MCC), may result in blocking licit commercial transactions other than payments relating to stakes and prizes.

Visa Europe believes that the responsibility for ensuring that payment cards are used lawfully to purchase goods and services in the online environment lies with the merchant, in the same way that it does in a face-to-face environment today. This is equally relevant to gambling transactions as to the purchase of other age-restricted goods and services.

As stated above, Visa Europe’s systems already identify all gambling transactions via a specific MCC. This makes it possible for individual issuing banks to block gambling transactions if this is their policy, or if the cardholder requests. Visa issuing banks must

be compliant with local legislation and so in countries where it is illegal for people to use payment cards to gamble, any attempt to do so will be blocked.

For further comments and future consultations, please contact the following Visa Europe (Brussels office) representatives: Peter Moller Jensen (tel. 02 501 08 45; email jensenp@visa.com), Monica Monaco (tel. 02 501 08 46; email monacom@visa.com)

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