



World Lottery Association
Lange Gasse 20
P.O. Box CH-4002 Basel, Switzerland
29 July 2011

Attention:
European Commission
DG Internal Market and Services
(J-59 08/061)
Rue de la Loi 200
B-1049

Regarding : The WLA's view on some of the questions raised in the EU-Commission's Green Paper on "On-line gambling in the Internal Market"

The World Lottery Association (WLA) would like to thank the EU-Commission for the opportunity to present its views on the questions raised in the Green Paper on "On-line gambling in the Internal Market", (Com (2011) 128).

About the WLA

The WLA was created in 1999. However, it has a significantly longer history as it is a result of a merger of two previous international lottery associations namely: AILE and Intertoto which were in existence since the 1960's. It is a global association representing 144 state controlled lotteries from 82 countries situated on all five continents. The membership breakdown is as follows:

- Europe: 70 members, from 41 countries, of which 66 are also members of The EL;
- Africa: 13 members from 12 countries;
- Asia/Pacific: 26 members from 12 countries;
- Latin America: 14 from 10 countries;
- North America: 21 from 5 countries.

Half of the WLA's membership are either government agencies, departments, or companies owned by their governments whilst the other half are either privately owned or a mix of government and private ownership, and are licensed by their respective governments.

The Association also counts 59 lottery suppliers as associate members.

The WLA serves the interests of the international lottery community providing a global medium of information exchange, a lottery resource centre, training program and a global voice for the lottery sector as a whole.

It does this by:

- providing forums for the exchange of experience and information;

- establishing of codes of conduct and certification of standards for lottery operations as well as programs to assist in technical and educational areas;
- it is also named to represent several or all Members in conveying positions or opinions to authorities, private or public, wherever such Members have authorized the Association to speak on their behalf, which explain why we are submitting this paper.

All of the WLA members respect national or local authority over gambling. Thus, none of them sell their services in jurisdictions where they do not have a local authorisation to do so. They also have a mandatory duty to provide sustainable funding for society infrastructure and institutions in areas like sports, education, environment, art and health. The obligation to re-allocate profit from lotteries to society is a pre-requisite to become a WLA member (WLA bylaws paragraph 6.1.2). For more details of the membership, please consult WWW.WLA.org.

The WLA views on selected questions raised in the Green Paper

The WLA works closely with the European State Lotteries and Toto Association (EL) and fully supports the views expressed in that Association's submission to you. Consequently the WLA is limiting its comments to the questions raised in the Green Paper where the view of non EU based lotteries could be of particular interest.

The WLA welcomes the Green Paper and the dialogue on on-line gambling raised by the EU-Commission. All of the issues have obvious importance both at the national and at the regional level. However, Internet technology and the related on-line gambling services have a global character which ultimately requires global views, solutions and frameworks so that it can be handled efficiently and in the interest of most.

Please be assured that the WLA's comments are written in the spirit of cooperation and a desire to support the EU-Commission in its effort to collect facts, assess the issues and gather the views of all interested stakeholders.

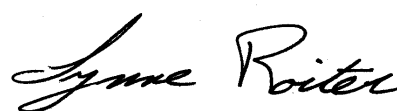
Sincerely yours,



Risto Nieminen
WLA President and
CEO of Veikkaus Oy
risto.nieminen@veikkaus.fi



Jean Jorgensen
Executive Director
WLA- Basel Office
Jean.jorgensen@youmail.dk



Lynne Roiter
Secretary General
WLA- Montreal Office
lynne.roiter@loto-quebec.com

The WLA's view on some of the questions raised in the EU-Commission's Green Paper on "Online Gambling in the Internal Market"

WLA remarks on Page 3, footnote 1 states:

The notion of "grey" market is often used to describe a factual or legal situation in the context of EU law (regarding for instance, i.e., the parallel imports of goods). For the purpose of this consultation, it is used to describe markets consisting of operators duly licensed in one or more Member States providing on-line gambling services in other Member States without having obtained an authorization to do so under the corresponding national legislation. In contrast, illegal or black markets are used to describe markets on which unlicensed operators seek to provide on-line gambling services.

As shown in the response to various questions discussed below, in other jurisdictions the distinction made in the Green Paper between "grey" market and an illegal one does not exist. Operators who offer their services in a jurisdiction without the proper authorisation from the governing authorities of that jurisdiction are illegal, even if they do have a license from another jurisdiction.

WLA remarks on Page 9 question 2:

(2) Are you aware of any available data or studies relating to the nature and size of the black market for on-line gambling services? (Unlicensed operators)

The results of the studies from various jurisdictions around the world indicate that it is not possible to definitively establish the size of the illegal market. The EU Green paper refers to "out of 14,823 active sites in Europe more than 85% operated without any license". The French Study *Incidences des sites illégaux sur le marché français des jeux en lignes*, by Francis Merlin speaks of about 10 000 to 15 000 illegal gaming sites, with 10% of them offering a French interface.(p.1).

The American Study *Online Gambling Five Years after UIGEA*, for its part, cites 2,679 Internet Gambling sites owned by 665 companies.

In Canada :

- **Canadian Gaming Market Report, May 2011, Gambling data, Gaming Compliance Ltd.**

Comments on the Unregulated Internet Gaming Market: "The Canadian Gaming Association estimates that the unregulated Internet gambling market currently generates around C\$1bn in revenues annually, while a survey by market research firm Ipsos came up with an estimate in April 2010 of deposit levels of around C\$868m." (p.1)

“The Ipsos figures provide some kind of guide however. According to their data, which found a participation rate for online gaming among the adult population of 8 percent, it found that poker was the most popular product with people who played on the Internet at least once in the past year at 28 percent. Next up was sports betting at 30 percent, with skill games at 28 percent, and then casino slots, raffle tickets and bingo on 26 percent. Casino table games came in at 23 percent and horseracing was the least popular at 20 percent.” (p.4)

“In the absence of further publicly available data, GamblingData believes that the unregulated Internet gambling market is not shrinking.”(p. 4)

The author stresses that: “There is little publicly available data to corroborate the association’s estimate. In fact, PartyGaming is the only listed Internet gambling operator to quantify its exposure to Canada. According to the flotation prospectus for Bwin.Party Digital Entertainment (BPDE), PartyGaming derived revenues of approximately €42.3m, or C\$67.3m, from Canada in FY2009, down from €54.6m, or C\$85.2m, in FY2008. PartyGaming, though, does not disclose what share of the Canadian market it believes it controls.” (p. 15)

In the United States

- **David O. Stewart, *Online Gaming Five years after UIGEA*, American Gaming Association White Paper, 2011**

The study finds that “in 2010, global revenue for online gambling was nearly \$30 billion, and less than 15 percent came from the U.S. As of June 30, 2010, one survey found 2,679 Internet gambling sites owned by 665 companies. These included: 865 online casinos, 616 online poker rooms, 516 sports betting sites, 426 online bingo sites, 187 lottery and other sites.”(p. 4)

Excerpts from the White Paper: “The popularity of Internet gambling persists despite government attempts to discourage it. Enactment of UIGEA in 2006 temporarily reduced online gambling by U.S. residents, but the volume of online bets from the United States soon recovered. In 2010, online gambling revenues from U.S. bettors exceeded \$4 billion.”(p.8)

It has been found that despite the “Black Friday” indictment, “an estimated 300 offshore gambling operators — mostly those based in lightly regulated or unregulated jurisdictions in the Western Hemisphere — continue to operate in the U.S. market through more than 1,000 online gambling websites”, and that “In the immediate aftermath of the Black Friday indictment, those remaining operators saw a surge in their business: traffic at Merge Gaming Network was up 23 percent, Bodog rose 26 percent, and Cake Poker Network rose 19 percent” (p.8-9)

In Australia

- **Commonwealth of Australia, Productivity Commission 2010, *Gambling*, Report no. 50, Canberra.**

The level of online gambling services is invisible in official records but it is estimated that it was worth some \$800M in 2008-09 in Australia. The Commonwealth Government enacted the *Interactive Gambling Act 2001* and it prohibits the provision of online gambling services to customers in Australia but does not outlaw Australians from accessing online gaming services. It is from this position that the report suggests that various changes are needed to better protect Australian players.

WLA remarks on Page 14 and the definition of on-line services:

On-line gambling services are any service which involves wagering a stake with monetary value in games of chance, including lotteries and betting transactions that are provided at a distance, by electronic means and at individual request (51) of a recipient of services

- The Green Paper's definition of on-line services appears to be too all in compassing. The way it is formulated terrestrial sales of lottery tickets by lottery terminals as well the new generations of VLT machines from which games can be downloaded from a central system are included.
- In fact, the first electronic terminals capable of generating and storing a lottery ticket, at a distance, to be sold to a lottery player, at his request, were introduced in 1975 in New Jersey U.S.A.
<http://www.naspl.org/index.cfm?fuseaction=content&PageID=12&PageCategory=11>.
- The Green Paper's definition takes this into account with footnote (51). However, it would seem prudent to include wording in the definition itself, as footnotes may be forgotten over time

In the United States

- The United States seems to be following the sage harbour definition of the *Unlawful Internet Gambling Enforcement Act of 2006*¹ - so long as the I-Gaming is offered only to people located in- state, and properly supervised, it gets a pass. See below 31 U.S.C. § 5362 (1) (B):

(10) UNLAWFUL INTERNET GAMBLING.—

(A) IN GENERAL.—The term ‘unlawful Internet gambling’ means to place, receive, or otherwise knowingly transmit a bet or wager by any means which involves the use, at least in part, of the Internet where such bet or wager is

¹ 31 U.S.C. § 5361- 5367

unlawful under any applicable Federal or State law in the State or Tribal lands in which the bet or wager is initiated, received, or otherwise made.

(B) INTRASTATE TRANSACTIONS.—The term ‘unlawful Internet gambling’ shall not include placing, receiving, or otherwise transmitting a bet or wager where—

(i) the bet or wager is initiated and received or otherwise made exclusively within a single State;

(ii) the bet or wager and the method by which the bet or wager is initiated and received or otherwise made is expressly authorized by and placed in accordance with the laws of such State, and the State law or regulations include—

(I) age and location verification requirements reasonably designed to block access to minors and persons located out of such State; and

(II) appropriate data security standards to prevent unauthorized access by any person whose age and current location has not been verified in accordance with such State’s law or regulations; and

(iii) the bet or wager does not violate any provision of the—

(I) Interstate Horseracing Act;

(II) Professional and Amateur Sports Protection Act;

(III) Gambling Devices Transportation Act; or

(IV) Indian Gaming Regulatory Act.

In Canada:

- Some provinces have adopted definition of on-line gaming in various types of legislation - however s. 197 of the *Criminal Code* does not define what online gaming is.
- For example, the province of Ontario has adopted measures to prohibit the advertisement of Internet gaming to its consumers in its *Consumer Protection Act*, SO 2002, c 30, Sch A. That act defines an “*Internet Gaming Site*” in the following terms:

“internet gaming site” means an internet site that accepts or offers to accept wagers or bets over the internet,

(a) as part of the playing of or participation in any game of chance or mixed chance and skill that is to take place inside or outside of Canada, or

(b) on any contingency or on any event that may or is to take place inside or outside of Canada,

including, without restricting the generality of the foregoing, a casino game, card game, horse race, fight, match, sporting event or contest; (“site de jeux en ligne”)

- S. 197 of the *Criminal Cod* defines “bet” in the following terms:

“bet” means a bet that is placed on any contingency or event that is to take place in or out of Canada, and without restricting the generality of the foregoing, includes a bet that is placed on any contingency relating to a horse-race, fight, match or sporting event that is to take place in or out of Canada

- Subsection 207(4) specifically provides that a provincial government may conduct and manage a lottery scheme on or through a computer, but may not license others to do so.
- Provincial governments are permitted to operate computer-based lottery schemes like Internet gambling to their own residents:

Internet gaming (a “lottery scheme...operated on or through a computer”) may only be conducted by provincial government—ss. 207(1)(a) and (b) and 207(4) of the Code

In Australia

- The *Interactive Gambling Act 2001* (IGA) regulates interactive gambling services by placing restrictions on certain services being provided to customers in Australia. The IGA aims to limit the harmful effects of gambling on the Australian community.
- The prohibited interactive gambling content under the IGA includes services that are often described as 'online casinos' and usually involve using the internet to play games of chance, or games of mixed chance and skill. Examples include roulette, poker, craps, online 'pokies' and blackjack.
- 'Interactive gambling services' are defined in section 5 of the IGA:

*(1) For the purposes of this Act, an **interactive gambling service** is a gambling service, where:*

(a) the service is provided in the course of carrying on a business; and

(b) *the service is provided to customers using any or the following:*

- (i) *an internet carriage service;*
- (ii) *any other listed carriage service;*
- (iii) *a broadcasting service;*
- (iv) *any other content service;*
- (v) *a datacasting service.*

Note : This definition relates to the offences created by section 15 and Part 7A.

(2) *Subsection (1) has effect subject to subsection (3).*

Excluded services

(3) *For the purposes of this Act, none of the following services is an interactive gambling services:*

- (a) *a telephone betting services;*
 - (aa) *an excluded wagering services (see section 8A);*
 - (ab) *an excluded gaming services (see section 8B);*
 - (ac) *a service that has a designated broadcasting link (see section 8C);*
 - (ad) *a service that has a designated datacasting link (see section 8C);*
 - (ae) *an excluded lottery services (see section 8D);*
- (b) *a service to the extent to which it relates to the entering into of contracts that are financial products within the meaning of Chapter 7 of the Corporations Act 2001*
- (c) *an exempt service (see section 10).*

- The IGA targets the providers of interactive gambling services, not their potential or actual customers. The IGA makes it an offence to provide an interactive gambling service to a customer physically present in Australia.

Definitions of on-line gambling by authors:

- **Spectrum Gaming Group, National gaming association and Member Indian Nation and Tribes, (October 4, 2010), *White Paper: Internet Gaming Developments in International Jurisdictions***

“Internet gambling” is broadly defined as any monetary wagering transactions conducted over the Internet. This definition includes casino games, poker, sports betting, lottery, bingo and various other games of chance currently available online through gaming websites. This definition may be expanded to include other delivery media, such as mobile or interactive television, in which case it is commonly referred to as remote gambling. (p.11)

WLA remarks on Page 17 question 11:

(11) With focus on the categories mentioned above, how are commercial communications for (on-line) gambling services regulated for at national level? Are there specific problems with such cross-border commercial communications?

The categories are the following:

- **Promotion of on-line gambling – Commercial Communications**
- **On-line commercial communications**
- **Sales promotions**
- **Direct marketing**
- **Sponsorship**

In the United States:

- Inter-state online gambling is prohibited under the *Federal Interstate Wire Act of 1961*. The Wire Act was intended to enforce the various states and possession of the United States' respective laws on gambling and bookmaking and to suppress organized gambling activities.

§ 1084. Transmission of wagering information; penalties

(a) Whoever being engaged in the business of betting or wagering knowingly uses a wire communication facility for the transmission in interstate or foreign commerce of bets or wagers or information assisting in the placing of bets or wagers on any sporting event or contest, or for the transmission of a wire communication which entitles the recipient to receive money or credit as a result of bets or wagers, or for information assisting in the placing of bets or wagers, shall be fined under this title or imprisoned not more than two years, or both.

(b) Nothing in this section shall be construed to prevent the transmission in interstate or foreign commerce of information for use in news reporting of sporting events or contests, or for the transmission of information assisting in the placing of bets or wagers on a sporting event or contest from a State or foreign country where betting on that sporting event or contest is legal into a State or foreign country in which such betting is legal.

- Furthermore in 2006, the Congress has adopted the *Unlawful Internet Gambling Enforcement Act* (UIGEA), which imposes an obligation on financial transaction providers to identify and block transactions that they suspect are related to illegal online gambling. The UIGEA prohibits persons "engaged in the business of betting or wagering" from "knowingly" accepting payment in connection with the participation of another in "unlawful Internet gambling. In other words, this legislation targets financial transaction providers which transfer funds between bettors and off-shore Internet gambling websites. The UIGEA is not directed at individuals who participate in Internet gaming. It makes it illegal for all "financial transactions providers to make fund transfers to online sites that accept bets or wagers on "outcomes of a contest, sports event or a game subject to chance"

In Canada:

- Advertising or otherwise giving notice of “any offer, invitation or inducement” to bet on the results of contests is forbidden by ss. 202(1)(h) of the Code –applicable to ads for interactive sports books.
- Secondly, any province that did wish to operate an Internet lottery scheme needs to set up the site in such a way that it does not allow residents from other provinces to participate (Section 207 [1]). The *Criminal Code* specifically prohibits one province from offering lottery schemes to residents of another province without the agreement of the other provinces.

(Re Earth Future Lottery, 166 CCC (3d) 373)

- Recently, some Canadian provinces have adopted measures to prohibit the advertising of internet gaming sites
- For example, the province of Ontario has adopted measures to prohibit the advertisement of illegal Internet sites to its consumers in its Consumer Protection Act, SO 2002, c 30, Sch A., although to date, it has not yet been enforced.

Advertising illegal site

13.1 (1) No person shall advertise an internet gaming site that is operated contrary to the Criminal Code (Canada).

Facilitating

(2) No person, other than an internet service provider, shall arrange for or otherwise facilitate advertising prohibited under subsection (1) on behalf of another person.

Meaning of “advertise”

(3) For the purpose of subsection (1), a person advertises an internet gaming site only if the advertising originates in Ontario or is primarily intended for Ontario residents

Same

(4) For the purpose of subsection (1), “advertise” includes,

(a) providing, by print, publication, broadcast, telecommunication or distribution by any means, information for the purpose of promoting the use of an internet gaming site;

(b) providing a link in a website for the purpose of promoting the use of an internet gaming site, but does not include a link generated as the result of a search carried out by means of an internet search engine; and

(c) entering into a sponsorship relationship for the purpose of promoting the use of an internet gaming site.

Application

(5) This section applies despite subsection 2 (1).

In Australia

- The federal government introduced the *Interactive Gambling Act (IGA)* as a means to prohibit the provision of internet gambling services to Australian residents. The law applies to all interactive gambling service providers, whether based in Australia or off-shore, whether Australian or foreign owned.
- The Act has not been challenged by any State as being ultra vires the Constitution and so it can be anticipated that the Australian Government will continue to utilise this head of power so long as it is not used in such a manner as to fundamentally encroach on a State's ability to regulate gambling.
- The IGA also prohibits the publishing or broadcasting of advertisements for internet gambling services (IGA, Part, 7A, section 61BA):

61BA Basic meaning of interactive gambling service advertisement

*(1) For the purposes of this Part, an **interactive gambling service advertisement** is any writing, still or moving picture, sign, symbol or other visual image, or any audible message, or any combination of 2 or more of those things, that gives publicity to, or otherwise promotes or is intended to promote:*

(a) an interactive gambling service; or

(b) interactive gambling services in general; or

(c) the whole or part of a trade mark in respect of an interactive gambling service; or

(d) a domain name or URL that relates to an interactive gambling service; or

(e) any words that are closely associated with an interactive gambling service (whether also closely associated with other kinds of services or products)

- This prohibition of advertising is subject to certain exceptions:
 - These exceptions include political communication, incidental or accidental advertising, products or services having the same name as an interactive gambling service or anti-gambling advertisements
 - A number of gambling services are excluded from the definition of an 'interactive gambling service'—for example, excluded wagering and excluded lottery services. The advertising ban does not apply to such excluded services
 - The prohibition does not extend to advertisements published in overseas media, such as magazines that are published overseas, or websites that are aimed at non-Australian audiences

- A report of the federal parliament in 2005 on the effectiveness of the advertising prohibition indicated that there were no findings of contravention of this provision of the IGA.

WLA remarks on Page 20 question 15:

(15) Do you have evidence that the factors listed above are linked to and/or central for the development of problem gambling or excessive use of on-line gambling services? (If possible, please rank them)

The factors being:

- (1) *Event frequency. The briefer the time between the game taking place and the opportunity to place a stake the greater the risk.*
 - (2) *Payout interval. The time between placing of the stake and the result. The shorter this is the greater the risk.*
 - (3) *Accessibility and social environment.*
 - (4) *Chasing losses or being close to winning.*
 - (5) *Perceived skills and “involvement”.*
 - (6) *Commercial communications that could trigger vulnerable groups.*
- **Mark Griffiths, Technology and gambling: *The Social impact of Internet Gambling*, The Society for the Study of Gambling, Newsletter, Spring 2003, number 36.**

The influence of technology in the field of gambling innovation continues to grow at a rapid pace. Author stressed that the role of technological revolution in the development of Internet gambling should not be examined uncritically as there are areas of potential concerns.

This review examines the impact of technology on gambling by highlighting salient factors in the rise of Internet gambling (i.e., accessibility, affordability, anonymity, convenience, escape immersion/dissociation, disinhibition, event frequency, associability, interactivity, and simulation). The paper also examines other factors in relation to Internet gambling including the relationship between Internet addiction and Internet gambling addiction.

The author concludes that structural characteristics of gambling appear to be enhanced through technological innovation.
 - **Schull, N.D. (2005), *Digital Gambling: The coincidence of desire and design*. The Annals of American Academy of Political and Social Science, 597, 1, 65-81; Griffiths, M.D. (2003) *Internet Gambling: Issues, Concerns and Recommendations*, CyberPsychology and Behavior, 6, 557-568; Griffiths, M.D.**

and Wood, R.T.A. (2000) *Risk Factors in adolescence: the Case of Gambling, Videogame playing, and the Internet*, Journal of Gambling Studies, 16, 2-3, 199-225.; King, S.A. and Barak A. (1999), *Compulsive Internet Gambling: A New Form of an Old Clinical Pathology*, CyberPsychology & Behavior, 2,5, 441-456

These researchers have suggested that issues such as the use of virtual cash, (potentially) increased accessibility to gambling opportunities, gambling in non-gambling venues (e.g., at home) the solitary nature of gambling on the Internet, and the possibility to play whilst intoxicated, may all be risk factors for problem gambling development.

- **Williams, R.J. & Wood, R.T. (2007). *Internet gambling: A comprehensive review and synthesis of the literature*. Report prepared for the Ontario Problem Gambling Research Centre**

This study finds that online gamblers are more prevalent in locations where Internet access is available but which are remote from land-based casinos, implying that issues of access, physical environment and availability may play a role in Internet gambling motivation.

“Internet gambling has some attributes that clearly distinguish it from land-based gambling. The most obvious one is much greater convenience, as people can gamble anytime of the day from their home. Another one is that online venues tend to offer better payout rates, due to very low overheads and because competition for patronage is much stiffer, as people can switch venues in the few seconds it takes to click a mouse. A third one is that certain forms of online gambling (e.g., betting exchanges) do not have any land-based equivalent.”(p.21)

- **Turner, N., Jain, U., Spence, W. & Zangeneh, M. (2008). *Pathways to pathological gambling: Component analysis of variables related to pathological gambling*. *International Gambling Studies*, 8, 281-298.**

Study lends support to the notion that the development of PG is based upon many different risk factors. From the Abstract: “We found a significant relationship between severity of pathological gambling and various measures of impulsivity, depression, anxiety, erroneous beliefs, and reports of early wins. Component analysis of these variables found four distinct components: emotional vulnerability, impulsivity, erroneous beliefs, and the experiences of wins”. (p.281)

- **Spectrum Gaming Group, National gaming association and Member Indian Nation and Tribes, (October 4, 2010), *White Paper: Internet Gaming Developments in International Jurisdictions***

As cited on p.34 of the White Paper:

“The reasons people wager online are the same as in land-based operations: The primary motivation is the excitement and fun of gambling, supported by the possibility of winning.”

However, the authors stressed that the accessibility of Internet has a direct influence in the attractiveness of Internet gambling.

“The primary attraction for gambling on the Internet is convenience, defined as the ability to easily gamble at any time of day from the convenience of one’s own home. Other influential attributes include perceived better payout rates, a wide variety and range of available gaming options, the availability of games without land-based equivalents, faster play speed, lower minimum bets (or play-for-fun capability), anonymity and privacy, multi-lingual services, and the ability to easily switch venues and play on multiple sites.”

“Anonymity is an interesting psychological factor, as players can maintain a greater sense of privacy or even pretend to be someone else online, such as feigning that they are members of the opposite sex in order to gain a perceived advantage in poker. Conversely, Internet gambling and online poker in particular, benefit from the increasing popularity of social networking.”

An excerpt of p.35, referred to as “Proprietary Research” in the study, is also revealing:

“What players seek in an online casino site are lucrative bonuses, the widest variety and selection of gaming options, a trustworthy reputation, crisp and appealing graphics, reliable software operation and Internet connectivity, ease of navigation, efficient deposit processes, and speedy and convenient cash-out processes. More experienced casino players also look for responsive customer call-center support, and such players’ club benefits as comps, loyalty bonuses and cash back for play.

Poker players look for sites with liquidity, meaning a large player base for the ability to easily find games and tournaments that fit their budget and gaming profile. In poker, more experienced players, or “sharks,” look for the presence of large numbers of inexperienced players, i.e., “little fish,” who are easier to beat and represent a profit opportunity. Players also look for robust software, the ability to play multiple tables, and fast cash-out capability. In addition, individual preferences for tournaments, betting limits, and particular games or game rules often determine poker site preference.”

- **Miller, N. V. & Currie, S. R. A. (2008). *Canadian population level analysis of the roles of irrational gambling cognitions and risky gambling practices as correlates of gambling intensity and pathological gambling. Journal of Gambling Studies, 24, 257–274***

Study finds irrational gambling cognitions to be associated both with the intensity of gambling behavior and with “tolerance” – the latter also being an indicator of PG in land-based types of games as well as on-line gambling.

- **Pantalon, M. V., Maciejewski, P. K., Desai, R. A. & Potenza, M. N. (2008). *Excitement-seeking gambling in a nationally representative sample of recreational gamblers. Journal of Gambling Studies, 24, 63–78.***

In summary, the authors find that *excitement seeking* has been associated with problematic gambling behaviours, and this study identifies factors associated with

excitement seeking gamblers. Substance abuse, prior incarceration, PG symptoms along with larger wins and losses were all correlated. Authors claim that impaired impulse control may be an issue, and invoke sensation seeking theory as a promising avenue for future study directions.

It appears that this factor is also associated with problematic on-line gambling behaviour.

- **Commonwealth of Australia, Productivity Commission, *Gambling*, Report no. 50, Canberra.**

The issues identified in the report were ease of access and use of credit cards, particular products as socially isolating, less monitoring of players occurs online, inadequate consumer protections are provided with online gambling and there is a greater risk to young people. (paragh. 15.2 page 15.7)

- **Wood, R. T. & Williams, R. J. (2007). *Problem gambling on the internet: Implications for internet gambling policy in North America. New Media & Society, 9, 520-542.***

Authors discuss a study launched at characteristics of internet gamblers. According to the authors, on a sample of on-line gamblers, 2/3 of the respondents gambling on the Internet are likely to have problems.

The authors conclude that Internet may be a particularly attractive medium for individuals with gambling problems.

WLA remarks on Page 23 question 17:

(17) Do you have evidence (e.g. studies, statistical data) on the scale of problem gambling at national or EU level?

- **Wood, R.T. & Williams, R.J. (2009). *Internet Gambling: Prevalence, Patterns, Problems, and Policy Options*. Final Report prepared for the Ontario Problem Gambling Research Centre, Guelph, Ontario, CANADA. January 5, 2009.**

The prevalence of problem gambling is 3 to 4 times higher in Internet gamblers compared to Non-Internet gamblers. (p.10)

In Canada, the rate of CPGI moderate and severe problem gambling among Internet gamblers is 17.1%, compared to 4.1% for Non-Internet gamblers. Among the International online sample, 16.6% were either moderate or severe problem gamblers, versus a rate of 5.7% among land-based gamblers. (p.10)

It should be noted that this study was conducted when the only Internet gambling sites available in Canada were operated by illegal operators.

- **Collins P., & Barr G. (2007) *Gambling and problem gambling in South Africa: The national 2006 prevalence study*. National Centre for the Study of Gambling at the University of Cape Town.**

“On the face of it, it seems obvious that if you make more gambling more easily available you are going to find more people succumbing to the temptation to gamble to excess. To claim, in particular, that you can substantially increase the availability of rapid-action, high-stakes and high-or-frequent prize gambling without having an increase in problem gambling sounds implausible to the point of perversity” (p.5)

The following consideration is offered by the authors: “What all this evidence seems to show may be summarised as follows. If a jurisdiction introduces new forms of gambling and does nothing else it will most likely experience an increase in the incidence of problem gambling, However, if the jurisdiction combines the introduction of new forms of gambling especially with an effective public awareness campaign about the dangers of gambling and how to avoid them, it is likely to experience a decrease in problem gambling numbers and even in the numbers of people who gamble regularly as well.” (p.6)

- **Welte J., Barnes G., Wieczorek W., Tidewell M., and Parker J. (2001), *Alcohol and Gambling Patholog yamong US Adults: Prevalence, demographics patterns and comorbidity. Journal of Studies on Alcohol.62, 706-712.***

Excerpts from the Abstract:

Results: “Current pathological gambling had an overall prevalence of 1.3% as measured by the DIS (Diagnostic Interview Schedule) and 1.9% as measured by the SOGS (South Oaks Gambling Screen), with a higher prevalence among minorities and lower socioeconomic status (SES) respondents. Current and lifetime alcohol pathology was more common among males and young adults than among females and older adults. Current pathological gambling and alcohol dependence were correlated, and the highest correlation was found among higher SES respondents. (p.706)

Conclusions of the study: “The rate of current pathological gambling in the United States is higher than reported in past surveys. Minorities and lower SES (minorities and lower socioeconomic status) Americans have higher than average rates of current pathological gambling. However, when higher SES persons are classified as current pathological gamblers, they are more likely than lower SES persons to be dependent on alcohol.”(p.706)

- **Commonwealth of Australia, Productivity Commission, *Gambling, Report no. 50, Canberra***

“In general, the evidence suggests that people who have gambled online at some stage in the past tend, on average, to have a considerably higher rate of problem gambling than people who have never gambled online” (P.15.11 and table 15.13)

This conclusion is not restricted to Australian studies but to also takes into consideration the evidence provided by other well-known international studies on this issues

- **Ministry of Community Development, Youth and Sports (2008). *Report of Survey on Participation Gambling Activities Among Singapore Residents, 2008.***

The 2008 survey found that between 1.1% to 2.2% of the respondents may be classified in the less severe category of probable problem gamblers. In terms of a single point estimate, the proportion of respondents classified in this category is 1.7%, compared to 2.0% in 2005. (p.3-4)

WLA remarks on Page 23 question 18:

(18) Are there recognised studies or evidence demonstrating that on-line gambling is likely to be more or less harmful than other forms of gambling for individuals susceptible to develop a pathological gaming pattern?

In Canada:

- **Wood, R.T. & Williams, R.J. (2009). *Internet Gambling: Prevalence, Patterns, Problems, and Policy Options.* Final Report prepared for the Ontario Problem Gambling Research Centre, Guelph, Ontario, Canada (January 5, 2009).**

"Legalizing online gambling and putting new revenue toward treatment does not offset the harm that would be caused by legalization (most harms cannot be 'undone')." (p.12)

"Internet problem [and pathological] gambling [addiction] in each country roughly parallels its availability/sanctioning"." (p.12)

Regardless of whether online gambling is good or bad for society, it is better for it to come under legal regulatory control so as to accrue the economic benefits, and to better ensure player protection. Some of this new revenue can then be used for prevention and treatment of online problem gambling.

Online gambling revenue appears to be less regressive than most other forms of gambling because the average household income of Internet gamblers is higher than average.

- **Mark Griffiths, *Internet Casino Games: An Evaluation of Social Responsibility Assessment*, Nottingham Trent University, Division of Psychology (July 2008).**

Overall, results showed a number of significant socio-demographic differences between Internet gamblers and non-Internet gamblers. When compared to non-Internet gamblers, Internet gamblers were more likely to be male, relatively young adults, single, well educated, and in professional/managerial employment. Further analysis of DSM-IV scores showed that problem gambling prevalence rate was significantly higher among Internet gamblers than non-Internet gamblers.

In the United States

- **Petry Nancy M, *Internet gambling: an emerging concern in family practice medicine?* Family Practice 2006; Pages 1–6 of 6.**

This study evaluated the prevalence of Internet gambling, its association with pathological gambling, and the relationship between Internet gambling and health status among patients attending medical and dental clinics.

Only 6.9% of respondents reported ever gambling on the Internet, with 2.8% indicating frequent Internet wagering. Almost two-thirds (65.9%) of regular Internet gamblers were classified as probable pathological gamblers, compared with 29.8% of ever-Internet gamblers and 7.6% of non-Internet gamblers. Internet gambling was associated with poor mental and physical health, and this association remained significant even after controlling for age, gender, site and pathological gambling status. These data suggest that Internet gambling is linked to pathological gambling and is independently associated with poor health. Family practice physicians should consider referring patients who gamble on the Internet for further treatment.

In Australia

- **Commonwealth of Australia, Productivity Commission, *Gambling*, Report no. 50, Canberra**

Page 15.13 of the study provides an overview of evidence by international well-known studies on this issue. These international studies suggest that there is a higher prevalence amongst online gamblers to be identified as problem gamblers than amongst non-internet gamblers who gamble with land-based products.

- **J.G. Phillips and Prof. Alex Blaszczynski, *Gambling and the Impact of New and Emerging Technologies and Associated Products*, Tender No 119/06, Final Report - August 2010**

Excerpts from the executive summary (p.9 -10):

The converging capabilities of computers, mobile phones, interactive television, set top boxes and games platforms potentially allows online gambling to be available on any of these devices and to be accessed by consumers any time of day from anywhere in the world. This increased availability could lead to increases in gambling-related problems; however research on the relationship between availability and problem gambling suggest that potential increases in problem gambling could be mitigated if appropriate controls are put in place

Traditional (offline) forms of gambling such as Casino games and Electronic Gambling Machines (EGM) placed in gaming venues have been controlled in Australia by licensing operators and by governments limiting the numbers of EGMs or licences for table games.

In the current environment, online gambling is only partially regulated and thus poses a higher risk for consumers compared to offline gambling. Despite this, the internet potentially allows consumers to side-step any existing controls and access gambling from unregulated environments using web enabled devices.

While there may be relationships between availability and *problem gambling*, they appear to have been mitigated by community controls such as limits of EGMs in local pubs and clubs. However, technology has the potential to increase the accessibility of gaming within the community setting.

Attempts to control these online gambling opportunities may benefit from targeting organisations that host gaming sites, or to restrict the movement of funds, or where regulated, monitor consumers and offer warnings and advice on appropriate devices (e.g. mobile phones and the internet)

WLA remarks on Page 23 question 19:

(19) Is there evidence to suggest which forms of on-line gambling (types of games) are most problematic in this respect?

- **Mark Griffiths, *Internet Casino Games: An Evaluation of Social Responsibility Assessment*, Nottingham Trent University, Division of Psychology (July 2008).**

“In short, fast action, high frequency games played on the Internet are likely to be problematic to vulnerable individuals. This does not mean that they should not be introduced but such games will need a robust social responsibility infrastructure.” (p.10)

- **Commonwealth of Australia, Productivity Commission, *Gambling*, Report no. 50, Canberra**

The research tends to confirm that high frequency games are the most problematic with the added overlay of some games being able to encompass frequent micro-bets at various points within the occurrence of the event. (p.15.3)

- **Jessica McBride and Jeffrey Derevensky, *Internet Gambling Behavior in a Sample of Online Gamblers*, *Int. J. Ment Health Addiction* (2009) 7: 149-167, International Center for Youth Gambling Problems and High-Risk Behaviors, McGill University, Montreal, Canada**

This study examined Internet gambling behavior in a sample of online gamblers. Participants were recruited from a banner placed in online newsletter. Questionnaires were completed online and assessed demographic information, game-play pattern (e.g. frequency, duration, wagering), preferred type of play, and problem gambling (using DSM-IV). In addition, participation in gambling type-games without money was also examined.

Conclusions of the study: For both practice and money sites, the most popular online activities were cards, followed by (to different degrees based on whether or not money were involved) blackjack, roulette, and slot/electronic gaming machines. Sports betting and horse racing were more popular for the money sites than the practice sites.

As for problem gamblers, they were more significantly likely, relative to social gamblers, to choose to gamble on blackjack, dice, spread betting (both practice and money), mahjong, and Jai alai. Problem gamblers were also more likely to gamble weekly on slot machines, roulette, keno, and spread betting. It is noted that many of the games significantly preferred by problem gamblers all have rapid event frequencies (i.e. blackjack, dice, roulette, slot machines).

WLA remarks on Page 26 question 27:

(27) Are you aware of studies and/or statistical data relating to fraud and on-line gambling?

- **Brett Warfield, Warfield and Associates, *Gambling motivated fraud in Australia 2008-2010* (April 2011)**

This report presents findings of a 2011 study explores the relationship between gambling, problem gambling, and the committing of criminal acts of deception.

The relevant period covered by the research incorporates any conviction in an Australian court of law during the period 1 January 2008 to 31 December 2010 for deception related offences. These offences must have had evidence that the proceeds of the crime were mostly gambled or where existing gambling debts were the motivation for committing the offences.

The key findings include (p.4):

- 181 criminal cases were included in the study. (170 during 2005-07)
- Of the 190 persons convicted of an offence, 125 of them or 66% were male.
- The youngest person convicted was 20 and the oldest was 72 years old.
- At least 32 of the offenders had a prior criminal history. 13 of 110 employee related offenders (12%) had a criminal past. The rest were frauds on friends, family, financial institutions and the Government.
- There were high levels of depression reported amongst many of the perpetrators.

Internet Sports betting: In the study, this mode of betting encompasses betting online with one of the growing number of online bookmakers who offer odds on sport, racing and entertainment.

The authors believe this will be a growing area of concern for problem gamblers mainly because of the ease with which access can be gained to markets and odds and the turnaround time to place a bet. All can be done from an office or home computer.

Five people during the period bet exclusively on Internet Sports Betting.

The average loss to fraud when betting using this mode was \$524,074. (p.17)

➤ **Commonwealth of Australia, Productivity Commission, *Gambling*, Report no. 50, Canberra**

Page 15.18 of the report talks of the greater risk which online gamblers face of being “ripped off” by unscrupulous overseas operators. It is for this reason that the suggestion is made for greater regulation.

➤ **American Gaming Association website, *Industry Information Fact Sheets: Internet Gambling, 2010*, <http://www.americangaming.org/government-affairs/key-issues/online-gambling> (last visited July 2011)**

Excerpts from the Fact sheet, as it appears on the web site:

“American Gaming Association has followed the issue of Internet gambling since the mid 1990s. Historically, AGA members have questioned the adequacy of technological safeguards to prevent money laundering, underage gambling and participation by residents of jurisdictions where it is deemed illegal.

The AGA believes that the technology now exists to properly regulate Internet gambling with appropriate law enforcement oversight and to provide appropriate consumer protections for individuals gambling online...”

In conclusion, the AGA acknowledged that a properly regulated legal framework for Internet gambling is the best way to protect consumers.

➤ **Alain Bauer and Département de recherche sur les menaces criminelles contemporaines (MCC), Institut de criminologie, Paris, *Jeux en lignes et Menaces Criminelles.*, Tome I, June 2008**

This report identifies the various forms of fraud and criminal activities recorded in games and online betting, in the light of facts found in France and abroad in recent years. Some forms of fraud (to minimize the amount of earnings of the players, granting excessive credit facilities, rig sporting events) were already known and existed with respect to games on the Internet. Others are now specific to online gaming. They may have intended to fraudulently obtain bank details of the players by creating fake websites, or to capture some personal information on the websites of games to extort money. In this context, the report emphasizes, first, the need to create a regulatory authority on games and betting and implement a licensing system, allocated to operators according specifications precisely defined. He

argues, on the other hand, for the introduction of new measures to protect the players and the sport.

The report analyses the technological operations of online fraud. The aim of offenders identified would be to recover the personal and banking data of the players through mechanisms such as fake sites (phishing) or tracking software codes typed on the keyboard (keyloggers) or via the traditional Trojan (Trojan). Once in possession of these data, the attacker could raise funds on the accounts (bank, paypal) or sell this information on the sites of illegal trade.

There are also some gaming sites which refuse to pay out the gains, replacing them with gifts, forcing players to reinvest or limit the amounts paid. These practices, by a small number of sites, tarnish the image of the game world and must be reported and fought vigorously.

The report also notes a growing practice of extortion carried out against some gaming sites via techniques known as "distributed denial of service" whereby a hacker sends a lot of information to the server hosting the site to render it out of service. In exchange for injunctive relief some companies would pay large sums (cyber-extortion).

According to the author, the solution to these problems is first of all, the establishment of a licensing system and the implementation of monitoring mechanisms coordinated by a regulatory authority.

The hypothesis of "blocking" routine access to unlicensed sites and therefore capable of acting illegally is rejected by the authors because it is extremely difficult to implement technically.

The author also emphasizes the necessity for coordination between players, organizers, police, as well as to provide general information on European countries and EEA, and the other States.

In Canada

- **Séigny, S., Cloutier, M., Pelletier, M.-F., & Ladouceur, R. (2005). *Internet gambling: Misleading payout rates during the 'demo' period. Computers in Human Behavior, 21, 153–158.***

The authors hypothesized that some illegal internet site would use questionable strategies in order to grab any interested potential player surfing the net. It addressed two research questions: 1) Do some internet casino site provide inflated payout rates when gamblers play on the slot machine demo games? 2) Will these sites keep the same rates when gamblers play for real money.

Results show that 45 out of the 117 visited sites gave out payout rates over 100% in the demo sessions, but these high rates were not maintained when playing for real money.

The authors conclude by stressing the point that people should know about the dangers of internet gambling, which may put them at risk of developing gambling problems. This is especially the case for young players who are constantly offered uncontrolled direct links to gambling sites when they play online. Furthermore, even if individuals do not develop problems, there are still likely to lose money if they do not resist the temptations by some authors. Even if they win small amounts, it is not guaranteed that they will actually receive the amount.

➤ **James Wiebe, *Internet Gambling: Strategies to recruit and retain gamblers*, (2008) Submitted to the Ontario Problem Gambling Research Centre**

This review – composed of a sample of 40 online poker, casino and wagering sites – highlights strategies commonly used to expand and retain a site’s customer base.

“While Internet gambling companies share many of the recruitment and retention techniques of land-based gaming companies, the Internet domain faces a number of unique marketing challenges. These include marketing a product that is considered illegal in some countries, sidestepping advertising restrictions, manoeuvring around the refusal of leading search engines to allow online gambling sites to purchase search listings, and finding ways to conduct transactions after some credit card companies and Pay Pal decided to disallow online gambling transactions.” (p.4-5)

The author concludes that “in spite of other considerable barriers that have been erected to halt online gambling operations, the industry has been exceedingly successful in attracting and retaining customers (..) Television advertisements, affiliate programs, online pop-up ads are just a few of the ways that a site can become known to potential players. While this report did not examine the actual content of the ads, messages coincide with what matters to players. This includes drawing attention to sign-up bonuses, variety of games, and jackpot amounts. Once an individual visits a site, a number of techniques are used to convert the visit to a registered membership involving a real money deposit. Most sites offer some sort of promotion that places more money than originally deposited into the player’s account.” (p.25)

In the United States

- **John L. McMullan & Aunshul Rege, *Online crime and internet gambling, Journal of Gambling Issues: Issue 24, July 2010***

This article addresses this absence of research regarding online crime and Internet gambling, even though it is an urgent priority, by investigating the types, techniques, and organizational dynamics of online crime at the portals of Internet gambling sites. Their approach is qualitative in nature and explores, using document analysis, the activities of cybernomads, *dot.con* teams, and criminal networks.

“(...) our investigation suggests that there are also many contact points where the virtualization of the Internet is inscribed into real-life events and contexts and vice versa, resulting in the intermingling of online and offline worlds and the development of new hybrids around crime and Internet gambling” (p.70)

Excerpts from the conclusion:

“(...) The first lesson from this study concerns the *space of crime*; cheating and cybercrimes at gambling sites were increasingly planned and executed in *hybrid space*, and neither cyberspace nor physical space was predominant in criminal conduct. (...) Cybernomads, dot.cons, and cyberextortionists committed crimes by “jacking into” cyberspace and then disconnecting to return to physical space. They did not leave either world behind in the consummation of their crimes but rather followed a process of weaving online communications, identities, and activities into their existing offline lives and vice versa, for purposes of criminal behaviour. (p.70)

The second hybrid concerns criminal identity when actors, teams, and networks blur the boundaries between real-life experiences and personas and virtual experiences and screen identities. (...) This flow of space and blending of worlds (finite/infinite, remote/proximate) increased the *scope* of criminal organizations at gambling sites. (.70-71)

The third hybrid concerns the blending of the virtual and the physical and how it impacts the speed of criminal events, resulting in a new notion of time for crime. On the one hand, real-world elements of criminal events at gambling sites certainly entailed planning and execution that extended over linear time-frames (e.g., bookmaking schemes, money laundering). On the other hand, online elements tended to form and dissolve almost in an instant, only to reappear in circular repetitive cycles of time (e.g., hacking, DDoS attacks, digital ransoms). (...) Thus crimes at online gambling sites combined recursive and linear time elements that afforded perpetrators even greater control over the planning of their criminal activities and the speed of their execution. (p.71)

The fourth form of hybrid concerns the character of assemblages. Hybriminal assemblages had access to a wider set of criminal expertise, which when directed at gambling targets fashioned new alliances between hackers and organized-crime

groups and unconventional divisions of labour involving the subcontracting of specialist services. (p.71)

The final hybrid form concerns governance in the borderless world of online gambling. (...)Effectively governing crime in fluid contexts requires a more flexible form of technopolicing that can function in the spaces of connectivity between the virtual and the real. Defensible Internet spaces now necessitate inventive online architectural solutions and better offline law enforcement, but they especially require more proactive digital security networks that are responsive to both virtual attacks and real-world harms. Forward-looking systems of crime control will need to mobilize and integrate political nodes, law enforcement nodes, industry nodes, and citizen nodes into a comprehensive system capable of pooling technical resources, expert knowledge, and trained personnel to form new security regimes for gambling habitats.(...)” (p.72).

In Taiwan:

- **Ying-Chieh Chen, Patrick S. Chen, Jing-Jang Hwang, Larry Korba, Ronggong Song, George Yee, (2005) *An analysis of online gaming crime characteristics, Internet Research, Vol. 15 Iss: 3, pp.246 - 261***

A total of 613 criminal cases of online gaming crimes that happened in Taiwan during 2002 were gathered and analyzed. They were analyzed for special features then focusing on the tendency for online gaming crime. They were analyzed for special features then focusing on the tendency for online gaming crime. Related prosecutions, offenders, victims, criminal methods, and so on, were analyzed.

Findings: The authors found, according to their analysis of online gaming characteristics in Taiwan, that the majority of online gaming crime is theft (73.7 percent) and fraud (20.2 percent). The crime scene is mainly in internet cafs (54.8 percent). Most crimes are committed within the 12:00 to 14:00 time period (11.9 percent). Identity theft (43.4 percent) and social engineering (43.9 percent) are the major criminal means. The offenders (95.8 percent) and victims (87.8 percent) are mainly male and offenders always proceed alone (88.3 percent). The age of offenders is quite low (63.3 percent in the age range of 15-20), and 8.3 percent of offenders are under 15 years old. The offenders are mostly students (46.7 percent) and the unemployed (24 percent), most of them (81.9 percent) not having criminal records. The type of game giving rise to most of the criminal cases is Lineage Online (93.3 percent). The average value of the online gaming loss is about US\$459 and 34.3 percent of criminal loss is between \$100 and \$300. (p.246)

Excerpts: (p.258) “Online Gaming Trends - From the statistics and our consequent analysis, we find that online gaming crime has the following trends:

- Online gaming crime is growing rapidly. From the statistics, the cases that happened in the second half of the year were 89.4 percent of the cases for the whole year.

- The age of the online gaming offenders is going down. From the statistics, the online gaming offenders between 15 and 25 years old were 85.3 percent of all offenders. The young offenders under 14 years old were 8.5 percent of all offenders.
- Males exhibited more criminal behaviours. The statistics show that males comprised 95 percent of all offenders
- The internet cafe´ has been the main crime scene. Students and the unemployed were the main online gaming offenders, with a rate of 46.7 percent for students and 24 percent for the unemployed.”

WLA remarks on Page 32 question 44:

(44) Is there evidence to suggest that the cross-border “free-riding” risk noted above for on-line gambling services is reducing revenues to national public interest activities that depend on channelling of gambling revenues?

- **Spectrum Gaming Group, National gaming association and Member Indian Nation and Tribes, (October 4, 2010), *White Paper: Internet Gaming Developments in International Jurisdictions***

The study pinpoints that “ If Internet gambling were permitted in the United States through new federal legislation, such as the bill sponsored by Representative Barney Frank, Internet gambling in the United States would grow from the current \$6.3 billion market to a \$14 billion market with one year of legalization.” (p.3) This implies that the in the actual market, government are losing revenues by not channelling on-line gaming offers.

- **Commonwealth of Australia, Productivity Commission, *Gambling*, Report no. 50, Canberra**

Page 16.3 of the report in the chapter on ‘Developments in the racing and wagering industries’ refers to the public good and ‘free riding.’ It is stated that the long term consequence of unrestricted free riding is the serious underfunding of those activities which would be regarded as being in the public interest. The potential identified harms of online gambling indicate that appropriate regulation of the industry is needed to protect players.

- **Solveig Börnsen and Dr. Michael Schmid, *Betting and Gambling in Germany, Status of the German Gambling Market, Key Facts*, Berlin, June 2010, Goldmedia GmbH Media Consulting & Research,**

As government-offered services decline, a steadily-growing and mostly unregulated market is developing in the internet. Augmenting the shift to internet services, some providers whose operations were formerly based in Germany have relocated abroad. Altogether, the online market for gambling measured in terms of gross gaming revenue grew about 30 percent per year from 2005 to 2009 to about one billion Euros in gross gaming revenue. (p.13)

(....)

Because of increasing broadband internet penetration, the internet's growing share of gamblers, and the appeal of foreign services compared to German products, the younger generation of gamblers in particular is switching over to unregulated, online providers. Although the regulated market still benefits from the lock-in effect with the older generation, it will be increasingly difficult to win younger internet players back to the regulated platforms. (p.14)

WLA remarks on Page 33 question 46:

(46) Is there a regulatory body in your Member State, what is its status, what are its competences and its scope of action across the on-line gambling services as defined in this Green Paper?

In Canada: Online Gaming managed through State Monopoly

- Part VII of the Canadian Criminal Code ("Code") makes all activities related to operating or acting in support of a commercial betting enterprise an offence, unless it is an enterprise licensed by a provincial government:
- Section 201 makes it an offence to keep a common gaming house or a common betting house, or to be found in such a place
- Section 202(1) creates offences re betting (waging stakes on external events)
- Section 206 creates offences re lotteries or gaming (waging stakes on one's own competitive activity)
- Although these provisions were enacted to deal with land-based gambling operations and venues, they may be applied to enterprises that offer casino-style games or sports betting over the Internet.
- Section 207 of the *Criminal Code* makes it illegal to operate or place a bet through an offshore Internet casino.
- Provincial governments are permitted to operate computer-based lottery schemes like Internet gambling to their own residents:

Internet gaming (a "lottery scheme...operated on or through a computer") may only be conducted by provincial government—ss. 207(1)(a) and (b) and 207(4) of the Code

Subsection 207(4) specifically provides that a provincial government may conduct and manage a lottery scheme on or through a computer, but may not license others to do so

- Thus, in Canada, Internet gambling venues can only be legally operated by the provincial governments through their respective government owned lottery corporations.

In the United States: Prohibition of Online Gaming

- Gaming is regulated at the state level. The US government relies on its Commerce clause powers and other federal laws to regulate interstate gambling activities.
- In 1961, Congress enacted the Wire Act, which complements other federal bookmaking statutes. The Wire Act was intended to enforce the various states and possession of the United States' respective laws on gambling and bookmaking and to suppress organized gambling activities.
- Most recently in 2006, the federal government adopted the *Unlawful Internet Gambling enforcement Act (UIGEA)* in order to prohibit Internet gambling, as explained previously in our remarks for page 17, question 11. It should be noted that the UIGEA does not define what particular types of gambling are legal or illegal, as such, the older laws that were enacted before the UIGEA came to force still prevail.

Australia: Prohibition of Online Gaming

- Gambling policy in Australia is the responsibility of the States rather than the Commonwealth.
- State and territory governments regulate and provide gambling services and rely heavily on the ensuing revenue
- The rapid adoption of new communications technologies by gambling industries has attracted Commonwealth interest, as this is an area which falls within its constitutional responsibilities.
- This has prompted the Federal Parliament to pass legislation prohibiting Australian Internet gambling sites from providing services to Australians
- The Interactive Gambling Bill 2001 was introduced on 5 April 2001, which:
 - prohibits interactive gambling services from being provided to customers in Australia; and
 - prohibits Australian-based interactive gambling services from being provided to customers in designated countries; and
 - establishes a complaints-based system to deal with Internet gambling services where the relevant content (prohibited Internet gambling content) is available for access by customers in Australia; and
 - prohibits the advertising of interactive gambling services.

Hong Kong: State-Regulated Operators in the horse-betting segment

- Internet gambling is only permitted when operated by the Hong Kong Jockey Club, as the Hong Kong Jockey Club takes through all legal betting on horse racing

- The Government policy is to restrict gambling to opportunities to a limited number of controlled authorized gambling outlets only.
- The two main pieces of gambling-related legislation in Hong Kong are the Gambling Ordinance and the Betting Duty Ordinance.
- The Gambling Ordinance, first drafted in 1970, is the primary legislation setting out what is legal and illegal as far as gambling is concerned. Basically, it stipulates that all gambling and lotteries are illegal unless expressly exempted under the Ordinance (mainly gambling on social occasions not promoted by way of trade or business), licensed by the Commissioner of Television and Entertainment Licensing, or authorized by the BDO.
- The BDO, also a product of the 1970s, is the primary vehicle for Government to authorize betting on horse racing and lotteries and tax their turnovers. It also specifies how the betting turnovers on these authorized activities should be distributed.

Japan: State-Regulated online gambling

- Many forms of gambling are banned in Japan, there are no land based casinos and no online casinos operated out of Japan
- All forms of gambling is controlled by the state which is limited to horse racing and the lottery.
- Betting on horse-racing, bicycle racing and certain other races are permitted, as is the national lottery. Pachinko (a Japanese game of chance that involves dropping steel balls down a grid of nails against a board) is not considered illegal because of the cashing out process. However, none of these activities are legally available to Japanese residents on the Internet.
- Japan has actively sought to restrict internet gambling.

Singapore: Prohibition of online gaming

- Up to 1999, legalised gambling in Singapore was limited to Singapore Sweep lottery, 4D and Toto games operated by Singapore Pools, horse-racing conducted by the Singapore Turf Club, and certain types of gaming in private club (e.g. jackpot machines). All other forms of gambling were illegal.
- In 1999, in order to support the viability of Singapore's first local professional football club, Singapore Pools introduced legalised football betting on S-League games. Proceeds from betting on S-League matches are channelled back into the league for the funding of its football clubs.
- Singapore law states that placing bets at foreign operators, which are not exonerated by the Betting Act and the Common Gaming Houses Act, is a criminal offence and can be charged with a \$5,000 fine or six months of imprisonment.

- The only two operators which are exempt by the two anti-gambling acts are Singapore Pools and Singapore Turf Club.
- In July 2010, the *Singapore Law Reform Committee* examined the opportunity of opening the existing gambling market to online gambling, suggesting there could be a more open policy towards online gambling, as long as that type of gambling is assessed to accord with the same public policy benefits and are found to be of strong economic interest to Singapore.

Panama: Strictly State- Controlled online gaming

- The Gaming Control Board (Junta de Control de Juegos), is the responsible body in charge of the operation, control, authorisation, supervision and regulation of gambling activity in Panama, including online gaming.
- Online gambling and the purchase of an electronic gambling licence in Panama are regulated by Resolution 65 which was issued in October 2002.
- Resolution 65 provides that online gaming is performed in or from the Republic of Panama when the System_or most of its components are located and/ or operated in the Republic of Panama. The Director of the Board_shall determine the degree of services and operations to be managed and operated from Panama in order that the system is considered located in Panama.
- The most important limitation for an operator is that its games must not be used by persons residing in Panama.
- Wagers are not allowed on: sports events at an amateur level, Events conducted in Panama, where organisers are public or private institutions located in Panama, elections for a public office, within or outside Panama, any other event implicating a professional Panama team, Any other event at the discretion of the Director or the Gaming Control Board.
- The requirements for obtaining a gambling licence are found in Resolution 65 and are similar to_those established for casinos and slot machines. Every person requesting the execution of an agreement with_the Board in order to obtain an online gaming licence must comply with numerous legal requirements as set in Resolution 65.

Argentina: Lack of online gaming regulation

- There is no federal regulation in Argentina specifically dealing with online gambling and the possibility for licensing private operators to offer these activities.
- The only federal legislation that makes reference to online gambling in a general way is Law no. 25.295, which regulates “sports forecasting games”, which was enacted in 2000 and grants the National Lottery control over the administration and operation of all “sports forecasting games in Argentina at a federal level”
- The law establishes a monopoly over sports betting at a federal level and prohibits sports-betting games not operated or authorised by the National Lottery.

- Law no 25. 295 acknowledges the possibility of Internet betting by authorising the National Lottery to commercialise both fixed-odds and pool betting games through all “available technological media”.

Mexico: State-regulated online gaming licenses

- Mexico enacted the Federal Gaming and Raffles law of 2004, which authorizes the operations of bingo, sports betting and electronic bingo machines. The 2004 regulation also introduced the possibility of operating authorised forms of gambling through remote media such as the internet.
- Most of the online gambling activities are focused on sports betting and horse racing.
- The Secretaria de Gobernacion (Segob) is the entity responsible for the supervision of most gaming activities in Mexico. A license is required for operators wishing to operate off-track betting and remote betting parlors (an establishment authorised by Segob to take and operate wagers on national or international sporting events or other authorised games, transmitted in real time and simultaneously in video and audio).
- Most notably, an internet license must be tied to a land-based betting venue and meet the required legal requirements (operators must be legal entities incorporated in Mexico, no shareholder in a gaming company may be residents in a “tax haven”, gaming permits are non-transferable and may not be ceded to a third party).

Brazil: Prohibition of online gambling

- There is currently no provision in Brazil federal legislation related to the possibility of providing online gambling services.
- A draft bill has been introduced in Congress to prohibit online gambling through restrictions on payments, equivalent to the American “*Unlawful Internet Gambling Enforcement Act*”, and through legislation criminalising the use of credit card for unlawful internet gambling as well as the purchase of child pornography (PLS 121/2008).
- Also in July 2011, a committee within Brazil’s Chamber of Deputies voted unanimously in favour of a bill (PL 57/2011) that would forcibly ban sports betting in Brazil including a prohibition of the use of credit and debit cards for internet bets.
- The only exemptions to Brazil’s general gambling ban are national and state-run lottery games, including those run by Caixa Econômica Federal, as well as wagering on local and simulcast horse races at licensed racetrack facilities.
- PL 57/11 exempts from its scope “federal sports lotteries” as well as other lottery games offered by Caixa Econômica and by state lottery entities.