

CHALLENGES OF ONLINE GAMBLING QUESTIONS & ANSWERS

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Concordia University

NECESSARY INFRASTRUCTURE FOR THE REGULATION OF ONLINE GAMBLING

What is needed for the law enforcement to support the prohibition or the state monopoly? Were the law and criminal code amended to reflect the novelty of online games? Are there tools available to help the police and recruitment of police to enforce the law?

Response from Dr. Ingo Fiedler

Three options are offered to support regulation of online gambling and to support law enforcement. First, The United States provides the perfect example: they have blocked all financial transactions. Norway has attempted to use this approach as well, but without much success. The US success lies in the involvement of the relevant actors such as banks and money transaction services to identify and define illegal gambling. Despite their overreaction, they provided the necessary efforts to exclude any transactions stemming from online gambling.

In other countries, a second option would be to break down companies into a whitelist—to transfer money from these sites—or a blacklist—to not allow the money transfer. Most activities fall in between these two categories. Money transfer services are the most informed

since they know their customers, which ones are illegal online gambling operators, which facilitate blocking money transactions; a basic principle in enforcing the law. In Europe, especially in Germany, we have seen how the clarity in the definition of the law constitutes an important tool for law enforcement as well. Currently the law is not implemented since it is not well understood by law enforcements, and might need further changes to align with European regulation.

A third option for regulating online games is IP blocking¹. In the US they seized even the website domain and URL, which is probably not possible for other countries to do, but IP blocking remains another option. In Germany it was decided against it, but in other countries that's a typical option for law enforcement.

For the French case, under which ministry does the Autorité de Régulation des Jeux En Ligne (ARJEL) operate? In addition, does the licensing system allow regulatory agencies self-financing? How is ARJEL's accountability carried out?

Response from Jean-Michel Costes

The ARJEL is not affiliated with a ministry because it is an independent authority. It is defined by law and is not part of any ministry. There are some authorities of the same kind in France, in the field of broadcasting. ARJEL is truly autonomous. The budget is simple: it is mainly supplied by a portion of the taxes that are levied on gambling. It is said that such taxes are charged on play, but that assumption is somewhat illusory. Indeed these taxes are levied on the game and are paying for the operation of the ARJEL, but could also fund directly the state. Somehow, indirectly, the state funds ARJEL.

What is the operating budget for the regulatory agencies in France?

Response from Jean-Michel Costes

The ARJEL has significant resources, especially in terms of human resources. To give an example, amongst our teams of three or four people, one team in particular can have the sole task to continuously track and monitor unregulated sites. On regulated websites, another team will systematically verify the integrity of random number generators. It is clear that the licensing

¹ IP blocking prevents access to a particular IP address or range of IP addresses (the number series associated with a given computer when it accesses the internet). By blocking an IP address, the government essentially prevents traffic to and from that address. This differs from seizure of the website domain and/or URL in that IP blocking does not shut down the website, it simply makes it inaccessible. Domain seizure, on the other hand, removes ownership of a website name and URL from the company or person who has purchased it and operates the website.

system can work and can be effective without law enforcement, but it is even more effective with means to verify if the obligations are met. If you were only to give operators the formal obligations at the time of the accreditation without the means to verify compliance, the objectives of the regulation would not be reached. In France, the specification is checked after three years. Similarly, the categorization separating license systems from monopoly should be refined. Licensing systems can take various forms in which regulation may differ. One licensing system may have a licensing system that is flexible with relatively few obligations. In the French case, the licensing system asks for high level of requirements. The higher the level of requirements in terms of licenses, the more important the obligations will be for the operators. At a minimum, operators are technically supposed to enter all their electronic data on all exchanges every day into what ARJEL calls a safe. From a technical standpoint, this is a complicated procedure for the operators. Although an obligation, behind the term “license” lays different points of views. Finally, the budget for *l’Observatoire des Jeux*, including its two large surveys carried out over three years, extends to approximately 500,000€/year.

ONLINE TRACKING OF PROBLEMATIC PLAY

How to identify problem gamblers online?

Response from Jean-Michel Costes

One of our current projects aims at developing a predictive model of problem gambling through the analysis of data stemming from two possible sources. First, it pulls from operators’ or regulators’ data. *In vivo* data as the game unfolds are captured by the operators themselves then loaded onto the regulatory system, offering relevant information directly through the regulator. In order to understand the relevance of such data, one must consider that operators’ data is objective, but not comprehensive. They however have the advantage of being easily treatable as data are already digitized. Through another venue, population data (ask gamblers) consist of another advantageous source of information. Indeed, in regards to problem gambling, the first data set is limited as it only provides a proxy to identify in regards to total amount of money played, the considerable duration of play, and high number of sessions. In such contexts, Dr. Fiedler has demonstrated how problems gamblers can be easily confounded with professional gamblers. It is at this level that populational data becomes relevant. Although subjective as it is self-reported, they however allow for the observation of behaviour and for the classification of certain gambling as problematic through the use of a validated instrument.

To go any further, researchers need to triangulate the data; that is to say to work with both data sets. The French project looks at the regulator’s data to create a predictive model, more precisely at the players’ gaming activity, intensity, financial position, frequency, etc, to obtain a score that would indicate that this person is problematic. Afterwards, such a score is correlated

and validated with the results from a validated tool such as the Canadian Problem Gambling Index (CPGI). The goal is to build a semi-automatic system that would determine that the person is likely problematic based upon the score on activity data. Once that is done, what comes next? The responsibility for the next step no longer falls upon the operator or regulator, but on the prevention specialist in order to intervene.

Response from Dr. Ingo Fiedler

Online gambling provides the opportunity for the direct observation of gambling behaviours. When it comes to offline gambling or regular gambling, researchers must rely on surveys which provide a definition of addiction based on particular self-reported answers to the survey. Online behavioural data allows researchers to refine the traditional data collection. There is an opportunity, and even a necessity, to look deeply into the behavioural data of actual playing behaviour and find markers for addiction. This can only be done by comparing survey data with behavioural data, through their triangulation. Once the tools to find and flag potentially addicted people online have been developed, it allows for the identification of patterns that can subsequently be ran in the systems in order to flag addicted players and be able to approach them directly. Research has only begun to look into this. There is still a long way to go, but it remains a very promising approach.