



Australian Government
Department of Social Services

National Consumer Protection Framework for online wagering

12-Month Review of the Customer Verification Measure

Discussion Paper – June 2020



Consultation

Purpose of this Review

As set out in the [National Consumer Protection Framework for Online Wagering in Australia - :National Policy Statement](#) (National Policy Statement) all governments committed to review the customer verification period 12 months from the date the new maximum 14 day rules came into effect, with a view to reducing the customer verification timeframe further to 72 hours.

National Policy Statement – Customer Verification Principles

- *Customers must be verified within a maximum 14 day period to continue using an online wagering account.*
- *Interactive wagering service providers must return all deposited funds and close an account immediately if a person is verified as a person under 18 years of age.*
- *Customers are not able to withdraw winnings prior to positive verification of their identity.*
- *The customer verification period will be subject to review 12 months after the commencement date, with a view to informing a commitment to further reducing this period to 72 hours.*

The Commonwealth, through the Department of Social Services (the Department), is leading this Review.

This discussion paper invites interested and affected parties to provide comments and views on the timeframe for customer verification for online wagering.

The aim of the 12-Month Review of the Customer Verification Measure (the Review) is for the Department to consult and collect information and data from key stakeholders to inform the development of a recommended option for customer verification timeframes.

Information and data collected through this Review will help the Department to better understand the impact the recent reduction to the customer verification period has had on industry, consumers, as well as self-excluded and underage individuals and anticipated impact of any further reductions.

This Review will also assist the Department to ensure any changes to the current customer verification period reflects current technological capacity, global best practice and social expectations.

The Department will review comments received and it is anticipated that recommendations will be considered by all Commonwealth and state and territory gambling ministers in the second half of 2020.

Who will be consulted?

It is expected that the following stakeholders will be consulted through this discussion paper and/or in-depth telephone interviews:

- industry, including corporate online wagering providers, bookmakers with online operations (internet/mobile app/telephone)
- the community sector, including counsellors, financial counsellors and other support services
- the academic and research community
- the financial sector
- individuals who have an online wagering account/s, or have previously held one
- the broader community.

What is online wagering?

One of the most significant changes to the gambling environment in Australia over the past 15 years has been the increased availability of online gambling, in particular for wagering activity. The gambling market has expanded from traditional gambling modes, such as land-based and telephone gambling, to include online interactive or remote gambling.

Wagering is defined as an activity where an individual gambles on the outcome of racing, sporting and other event, or on contingencies within an event. Online wagering refers to these forms of activity where the internet, or any other telecommunication method (such as telephone), is the mechanism for placing the wager.¹ Online wagering – including the use of mobile platforms – is the fastest growing mode of gambling in Australia and is changing the way gamblers engage with their wagering activity. This growth in online wagering through the use of mobile platforms has also been seen globally.

Online wagering can be accessed through providers operating in Australia and overseas. Onshore wagering refers to gambling activities undertaken through Australian licensed wagering operators, while offshore wagering refers to gambling undertaken through providers based in other jurisdictions that are not licensed in Australia. Offshore operators are not regulated in the Australian market and are illegally offering wagering activities to Australians.

What is customer verification?

Customer verification refers to the process of collecting and verifying a customer's identity information upon signing up to open a new online wagering account.

All licensed online wagering operators in Australia are legally required under the *Anti-Money Laundering and Counter-Terrorism Financing Act* (AML/CTF Act), and the *Anti-Money Laundering and Counter-Terrorism Financing Rules Instrument 2007 (No. 1)* (AML/CTF Rules), to undertake a customer verification procedure to provide online gambling services to customers, as part of meeting their compliance and reporting obligations.

Customer identity verification is important for a number of reasons, including mitigating the risks associated with underage online wagering, money laundering

¹ Commonwealth of Australia, Department of Social Services. 2015. *Review of Illegal Offshore Wagering*, p. 6.

and terrorism financing. It also assists online wagering operators to guard against reputational, operational and legal risks.

Customer verification differs from age verification. Age verification is the process of ascertaining that someone is over a certain age, for example 18 years of age, in order to participate in an activity. Someone buying cigarettes or alcohol has their age verified. Customer verification requires verifying someone's identity - that they are who they say they are, for example through their name, and/or age and residential address.

The Review will consider other mechanisms that are currently in place to verify a customer is who they say they are and if there is any option to utilise a similar process, lessons learnt or implementation issues which should be considered. A number of state and territory governments have processes in place for verifying someone's identity which will be considered through the Review.

What is the Scope of this Review?

Taking account of the National Policy Statement principles outlined above, the Review will consider three options:

- **Option one: *No change*** – The customer verification period will remain at a maximum of 14 days.
- **Option two: *Reduction to a 72-hour verification period*** – Customers must be verified within 72 hours of their account being opened.
- **Option three: *Mandatory verification prior to wagering activity*** – Customers are unable to use an online wagering account until they are verified.

Late in 2019 the Commonwealth House of Representatives Standing Committee on Social Policy and Legal Affairs held an inquiry on age verification for online wagering and online pornography (HoR inquiry). The Committee's Report [*Protecting the age of innocence: report on the inquiry into age verification for online wagering and online pornography*](#) was tabled in Parliament on 5 March 2020 and included six recommendations. The Committee noted that while it would support a stricter requirement for a customer's identity to be verified prior to them opening an online wagering account, at a minimum the Committee recommended that a customer's age should be verified prior to engaging in online wagering.

The HoR inquiry is independent of the National Framework and the Review. The National Consumer Protection Framework Implementation Committee agreed that the findings of the HoR inquiry would be taken into account and form part of the consultations as part of the 12 month review of customer verification.

Background to this Review

The Commonwealth, state and territory governments recognise that most Australians gamble responsibly; however, gambling is a major social problem for some people. Due to the high level of accessibility, the immersive interface, and ease with which money can be spent online, concerns have been expressed by the community, consumer representatives and academia relating to the harms online wagering may

be causing. This, combined with the increasing prevalence of wagering inducements and advertising, presents significant risks that are not shared among other gambling platforms.

In November 2018, following an extensive consultation process, the Commonwealth, state and territory governments launched the [National Consumer Protection Framework for interactive wagering in Australia](#) (National Framework). The National Framework puts in place nationally consistent consumer protection measures for individuals using legal online wagering products in Australia.

Prior to the implementation of the National Framework, Australian licensed online wagering operators were required to verify a new customer's identity (name, and/or age and residential address) within 90 days of the customer opening a new account, in accordance with the AML/CTF Rules. Online wagering operators licensed in the Northern Territory (NT) were required to verify customer information within a maximum of 45 days under the NT Code of Practice.

On 26 February 2019, amendments to the AML/CTF Rules came into effect as part of the implementation of one of the 10 consumer protection measures being delivered under the National Framework. These amendments reduced the period within which a reporting entity is required to carry out the applicable customer identification procedure in relation to online wagering accounts from 90 days to a maximum of 14 days.

As part of the National Policy Statement, the Commonwealth and state and territory Gambling Ministers agreed that the Commonwealth would continue to explore a further reduction to the customer verification timeframe to 72 hours with both industry and government stakeholders, and this may be updated in the National Framework in future years.

The United Kingdom experience and considerations for the Australian context

On 7 February 2019, the United Kingdom (UK) Gambling Commission announced a set of new rules that online wagering operators will be required to follow to make gambling safer and fairer.

The new rules included mandatory age verification before customers can deposit funds into an online account and before they can gamble. This requirement came into effect on 7 May 2019.

The new rules also require all customers to be age verified before they are able to access free to-play versions of gambling games.

This change followed the UK Gambling Commission's Review of Online Gambling report, released in March 2018, which outlined several policy recommendations and areas of further work that included age verification, followed by an open consultation process in late 2018.

Prior to mandatory verification coming into force, the UK had a 72-hour verification timeframe.

Wes Himes, the interim Chief Executive of the Remote Gambling Association (the peak body representing online gambling in the UK), described the new rules as reasonable, adding they will “create greater assurance for the customers who frequent our operators and go further in protecting against underage access to sites.”

Through the intensive consultations that were undertaken as part of the development of the National Framework, stakeholders acknowledged that whilst this type of approach delivered the greatest consumer protection, it may incentivise Australians to sign up with illegal offshore operators. It may also impose a competitive disadvantage on smaller operators who may lack the technological capability to complete the process within a short timeframe. Larger operators with the facilities to complete the verification process in the shortest time possible may be more attractive to customers seeking to use their wagering account with minimal delay.

Options for reform

Option one: No change

Under option one, there would be no change recommended to the current customer verification period of a maximum of 14 days. During the consultation process for the National Framework, stakeholders across all sectors widely expressed support to reduce the customer verification timeframe. However, views on the extent of the revised timeframe for customer identification and verification were varied.

After reviewing submissions, Commonwealth and state and territory Gambling Ministers agreed that any reduction below a 14-day timeframe was not considered reasonable, due to practical and technological considerations and possible negative consequences for industry and consumers. However, industry committed to work with the Commonwealth to move towards achieving a 72-hour timeframe in the longer term.

Discussion Questions – Option One	
1a	Is this option your preferred option? Please explain why or why not.
1b	Broadly, how has the change to the 14-day verification period affected you / your organisation?
1c	Do you have any data to show how the change to the 14-day verification period has impacted your organisation?

Option two: Reduction to a 72-hour verification period

Under option two, it will be recommended that the customer verification timeframe be reduced to a 72-hour verification period. This means customers must be verified within 72 hours of their account being opened. This option will offer enhanced consumer protection for underage and self-excluded individuals. This option will still allow consumers to commence gambling immediately, consistent with current

arrangements, which may reduce some unintended consequences, such as pushing consumers to illegal offshore wagering providers.

Discussion Questions – Option Two	
2a	Is this option your preferred option? Please explain why or why not.
2b	In your view, how will a change to a 72-hour verification period affect you / your organisation?
2c	In your view, are there any practical, technical or cost implications that would impact your ability to meet the 72-hour verification period?

Option three: Mandatory verification prior to wagering activity

Under option three, it will be recommended that the customer verification timeframe be changed to mandatory verification prior to online wagering activity. This means customers will be unable to use an online wagering account until they are verified. This option provides the highest consumer protections for underage and self-excluded individuals, however it has been noted that mandatory verification prior to wagering activity may inconvenience some individuals and could potentially push some customers to offshore operators where they would be able to begin wagering immediately.

This may result in erosion of the consumer protections that mandatory verification would bring, due to the consequences of individuals being exposed to unlicensed offshore operators. This option is consistent with recent changes to the UK’s age verification requirements, as detailed above.

Discussion Questions – Option Three	
3a	Is this option your preferred option? Please explain why.
3b	In your view, how will a change to mandatory verification affect you / your organisation?
3c	In your view, are there any practical, technical or cost implications that would impact your ability to meet mandatory verification?

Note: Template for submission is at **Attachment A**.