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Editorial

# An issue of integrity

**Sigrid Ligné** is **Secretary General of the European Gaming and Betting Association (EGBA)**, the industry body working to create a level competitive playing field within the EU online gaming and betting sector — and to give the millions of Europeans who enjoy this popular form of entertainment a safe, equitable and responsible environment in which to do so.



The aim of EGBA News is simple. We believe that open communication will provide all stakeholders with a better understanding of the realities of the market. It will help not only law makers and regulators making reasoned and informed decisions but it will also help individuals in choosing how to play in a safe and responsible way.

We launch EGBA News to coincide with EGBA's second **Responsible Gaming Day**, held at the European Parliament on 17 February. This year we focus on **Integrity and Sport**. Our members, all licensed and regulated within the EU, voluntarily adhere to 170 additional EGBA-developed responsible standards built on a set of principles, such as prevention of underage gaming, ethical marketing and zero tolerance to fraud, which are all designed to protect consumers and the industry alike. Building on last year's successful event, decision makers, academia, opinion formers, experts and regulated online gaming and betting operators will have the opportunity to debate topics such as ethics, integrity, and tackling the risks of sport betting.

All too often, our industry is judged on myths rather than facts. Combining betting and technology offers a tremendous opportunity to increase transparency and traceability and therefore to reduce risks. EU regulated online operators can identify and offer assistance to consumers who may need help on a 24/7 basis, offering them the option to cool off, self-exclude or set limits when needed, for example. Also, the registration process for any play involving real money requires players to provide data which allows operators to detect at an early stage suspicious bets and behaviours, and prevent fraud and the risk of match-fixing.

In a few jurisdictions, we are beginning to see moves away from national market protectionism and a fair appreciation of the benefits of a standards and technology driven regulated online gaming industry. But there is still a long way to go before freedom of choice for millions of European consumers becomes a reality throughout Europe.

EGBA News and Responsible Gaming Day give us the opportunity to exchange ideas on challenges and best practices that will ultimately benefit the European industry at large, and those who enjoy online gaming and betting. ■



## Responsible Gaming Day 2009

The issue of integrity in gaming remains a top priority for private European online operators, who are committed to continue ensuring a highly secure gaming environment for their customers. The 'Responsible Gaming Day: Integrity and Sport' will provide EU and national decision makers, academics, sport organisations and senior representatives from the gaming industry with an opportunity to debate the following topics:

**Internet:**

Blessing Or Curse In Terms Of Integrity?

**Sport And Bookmaking:**

A Question Of Ethics?

**Sport Betting:**

How To Tackle The Risks?

[www.responsiblegamingday.eu](http://www.responsiblegamingday.eu)



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It takes no longer than  
60 minutes from initial  
alert, for the ESSA head  
bookmaker to make  
a decision



ESSA has signed Memoranda of Understanding with 15 leading sports regulatory bodies. It is committed to legal and responsible sports betting where customers are given a fair and reliable product — keeping sport clean and free from insider betting or bet rigging and manipulation.

ESSA members who conduct gambling sports betting adhere to the following:

- Registration and ongoing player verification processes.
- The ability for players to be excluded.
- The ability for players to establish bet and deposit limits.
- The ability to provide players with a statement of their account activity.
- Security measures to combat fraud.



## The guardian of sports integrity

**Khalid Ali, Secretary General of ESSA** explains why sports integrity's best kept secret is coming out into the open to bring even greater protection to sporting events and those who enjoy online gaming.



As long as there has been sport there has been gambling and it has proven a productive partnership.

Cricket and golf's rules were established in the mid 18th Century to ensure that bets on outcomes could be decided impartially. The gambling-inspired introduction of fair regulation recognised that those who seek to manipulate outcomes for their own ends threaten the future of sport.

Two hundred and fifty years later, threats to the integrity of sport still remain, but the rise of online gaming provides powerful new weapons to fight them. The internet makes the detection of irregular betting patterns — an indicator of illicit activity — far easier to spot. Indeed, the football match-fixing scandal in Germany in 2005 cost the offline German State monopoly, Oddset, millions of euros precisely because it lacked the means to detect unusual betting activity. Tellingly, the online gaming industry wasn't affected.

Online gaming operators saw that the internet offered the ability to monitor, register and trace every transaction and bring transparency to gambling. Leading EU online gaming operators came together in 2005 to form the European Sports Security Association (ESSA), a non-profit organisation with a mandate to keep sport clean. Consumer protection lies at the heart

of ESSA and our members adhere to a strict code of conduct that ensures responsible sports betting.

ESSA is one of the best kept secrets in sport. Our early warning alerts mean that we can work hand in hand with sports regulators and prevent the possibility of sport manipulation. To date ESSA has signed a Memorandum of Understanding (MoU) with a host of sports regulators, including FIFA, UEFA, the IOC, the ATP and the WTA. The information provided to the sport federations is free of charge, with all the costs being borne by the online operators that are members of ESSA.

Now is the time for ESSA to take on a more visible role. Expanding relationships with governing bodies means that we have more reach and greater impact — as a first step in expanding beyond Europe we have signed an MoU with the NHL in the US. Reaching out to new online gaming operator members and engaging in productive dialogue with politicians and regulators will bring us strength in numbers and dispel many of the myths around online gaming.

ESSA works to keep criminals out of the online gambling industry, preserving its integrity, trust and reputation to ensure a safe and secure environment for consumers. [www.eu-ssa.org](http://www.eu-ssa.org) ■

# Verifying customer identity in the 21st century – the benefits of electronic tools

**Karyn Bright** from **GB Group plc** explains how a new generation of electronic tools is helping to ensure responsible gaming in Europe and across the world



The growth of the online gaming market has meant that the standards set by regulators across the world are as stringent as in the financial services sector. In jurisdictions where online gaming is regulated, operators are required to fully identify their players - either before they are allowed to play, on pay out or when account funds reach certain levels. This is done by verifying their date of birth and full name and address, protecting minors and vulnerable people. This also hinders potential fraudsters and money launderers from accessing these products and services.

A number of electronic ID verification solutions are available to operators. For instance, URU™, a joint development between GB Group and British Telecom, is capable of verifying the identity of UK nationals in under a second in a seamless process. Its sister product, ID3@ Check, verifies the identity of over 800 million citizens across most developed economies. These products offer a global solution purpose built to combat age and identity fraud in a truly global market. Using the very latest in Web 2.0 technology, online gaming operators can now integrate electronic ID verification straight into their account opening processes. This process allows players' identities to be confirmed and managed securely and responsibly in a fast and unobtrusive manner.

Today, the main challenge for online gaming operators is how to remain compliant in an increasingly regulated and complex environment without turning away good customers.

For instance, an online operator should be able to confirm instantly if the personal information provided by the player matches that on externally held data sources

(this information may include name, address, payment card details and even ID documents such as a passport or utility bill). However, this can be a challenge when dealing with players of different nationalities as the levels of identity information that may be provided for matching can vary greatly from country to country. Asking consumers to provide their middle name, for instance, in the Netherlands, would create an obstacle to the sign up process. Yet in the UK, it is quite acceptable to request a customer's mother's maiden name.

ID verification solutions need to be adaptable – both to the expectations of the local customer and to comply with the ever changing risk models that operate within the business. If one geographical region starts to demonstrate higher risk than another, this information needs to be instantly available to the system so that new customers applying for accounts from that region can be dealt with appropriately.

ID verification solutions, in ensuring players are who they say they are, are helping online gaming operators to create a responsible gaming environment.

For more information, download GB's white paper **"Remote Gambling and KYC – from Compliance to Cash"** ■ [www.gb.co.uk/gbgroup/what-you-do/gaming](http://www.gb.co.uk/gbgroup/what-you-do/gaming)



## What to look for in an age and ID verification service



Over the past three years GB has seen more and more gaming operators move away from manual ID checking processes to electronic solutions. In order to avoid confusion in the market about what really constitutes an identity check. GB's gaming team provides a clear frame of advice:

Test all solutions available before placing an order. Only by comparing the results obtained from different solutions can you ensure you have a fully-compliant and robust solution to prevent underage gambling.

Confirm full forename, surname, address and date of birth, otherwise you could run the risk of confusing children with parents of the same name – potentially missing underage players.

Check multiple data sources held independently for the highest degree of confidence that players really are who they say they are and that they are over 18.

Include card checks on all credit and debit cards to confirm who the card really belongs to. Without this your business may well be exposed to payment fraud and rising chargebacks.

Go for transparency - make sure you know what constitutes a 'match' on your customer details. Any e-identity verification service should offer access through an audit trail to all checks carried out on your customers, with clarity around why they passed - or failed. ■



In each issue of *EGBA News*, Professor Dr. Dr. h.c. Claus-Dieter Ehlermann provides his opinion on legal questions which are at the heart of the online gaming debate.

The internal market lies at the heart of the European Union; Articles 43 and 49 of the EC Treaty stipulate that the internal market should be open for free establishment and movement of services.

In the EU, specific legislation governing the gaming and betting sector is currently set at Member State level.

Most Member States have policies restricting the provision of and access to gambling. Others make distinctions between private and state owned operators.

In this Integrity issue of *EGBA News*, Dr Ehlermann provides clarification on the respective competence of Member States and the EU in the field of gaming and betting.



# The legal view

## What competence for Member States and the EU?



**Professor Dr Ehlermann, Senior Counsel at WilmerHale and a former Director-General of the Legal Service of the European Commission**

### **Does the gaming and betting sector benefit from the EC Treaty's provision for free movement of services?**

Yes, the Court of Justice has confirmed that the gambling sector is an economic activity falling within the scope of the EC Treaty<sup>1</sup>. This means that the gambling legislation of Member States has to comply with the Treaty, and in particular with Articles 43 and 49 on the freedom of establishment and the freedom to provide services.

### **Is it because of the principle of subsidiarity that Member States legislate the gaming and betting sector?**

The principle of subsidiarity means that the Community should only act if the objectives of the proposed action cannot be sufficiently achieved by Member States and can therefore better be achieved on Community level. The current absence of a proposal for sector specific legislation for gambling reflects a political choice of the Commission. It does not affect the Commission's right to propose such legislation in the future. Nor does it mean that there would not be good arguments to introduce some common rules to achieve a common level of freedom of establishment and of provision of services, thus addressing

economic reality, while assuring the protection of consumers. But regardless of the applicability of the subsidiarity principle, the provisions of the Treaty in any event fully apply to the gambling sector.

### **Can Member States take the necessary measures to protect consumers?**

Yes. The Court of Justice has consistently held that the protection of consumers and the maintenance of order in society can constitute overriding reasons in the general interest which are capable of justifying national rules governing the gambling sector<sup>2</sup>.

However, guaranteeing a financial contribution of gambling revenues to the national budget cannot be regarded as such an overriding reason justifying the exclusion of operators from other Member States<sup>3</sup>.

In addition, restrictive measures need to be applied proportionately, consistently and in a non-discriminatory manner. For instance, the Court has ruled that it is inconsistent, and therefore not proportionate, to justify the prohibition of betting services by commercial operators by invoking the need to fight problem gambling, whilst at the same time encouraging consumers to participate in lotteries, games of chance and betting to the financial benefit of the public purse<sup>4</sup>. ■

<sup>1</sup> See judgment in *Schindler*, paragraph 19 et seq.

<sup>2</sup> See judgment in *Schindler*, paragraph 58.

<sup>3</sup> See judgment *Schindler*, paragraph 60.

<sup>4</sup> See judgment in *Gambelli*, paragraph 67 et seq.