

**IPS Lunch Forum:  
Remote Gambling – Risk and Regulation  
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### ***Introduction***

The Institute of Policy Studies (IPS) organised a lunch forum to discuss how remote gambling that takes place on mobile devices or over the Internet has been regulated in other countries in the light of the Singapore Government's intention to do the same sometime in the year.

The forum was chaired by IPS Senior Research Fellow Dr Gillian Koh and featured a presentation by Dr Christian Kalb, Director of CK Consulting and an expert on sports betting and sports governance in the European Union.

Dr Koh opened the meeting by referring to the November 2013 announcement made by Minister S Iswaran, Second Minister for Home Affairs, of the Singapore Government's intention to ban remote gambling, although exemptions may be made. What is the extent of remote gambling? Dr Koh cited survey data collected by the then Ministry of Community, Youth and Sports in 2011. In the survey with Singaporean residents, 10% of the respondents had participated in remote gambling in the preceding year. The survey also found that those who did gamble remotely often found themselves spending more time and money on the games than they had intended. About 1.4% of those surveyed were probable pathological gamblers, and 1.2% problem gamblers (National Council on Problem Gambling, 2012). The results can be generalised to the population of Singapore residents. Dr Koh also quoted a newspaper article that cited an online survey conducted by the Ministry of Home Affairs, which found that three in 10 people it surveyed (out of 1,000 respondents) had gambled online or through the mobile phone (Neo and Saad, 2013).

Dr Koh then introduced Dr Kalb and invited him to share the comparative experiences in regulating remote gambling.

### ***Best Practices and Regulation***

Dr Kalb shared that many people think of remote as well as real-world gambling as a monolithic sector when there is in fact a large range of products, each with its own dynamics — and remote gambling has made the situation more complex. In the same way, there can be many reasons to want to regulate remote gambling and different ways to actually do so. He recognised that Singapore already represented best practice with regard to regulating

gambling of the real-world kind, with clear objectives that are not conflicted by any need to raise state revenues through such activities. He expressed confidence that whatever is decided with remote gambling by Singapore would likely be well-thought through and implemented earnestly.

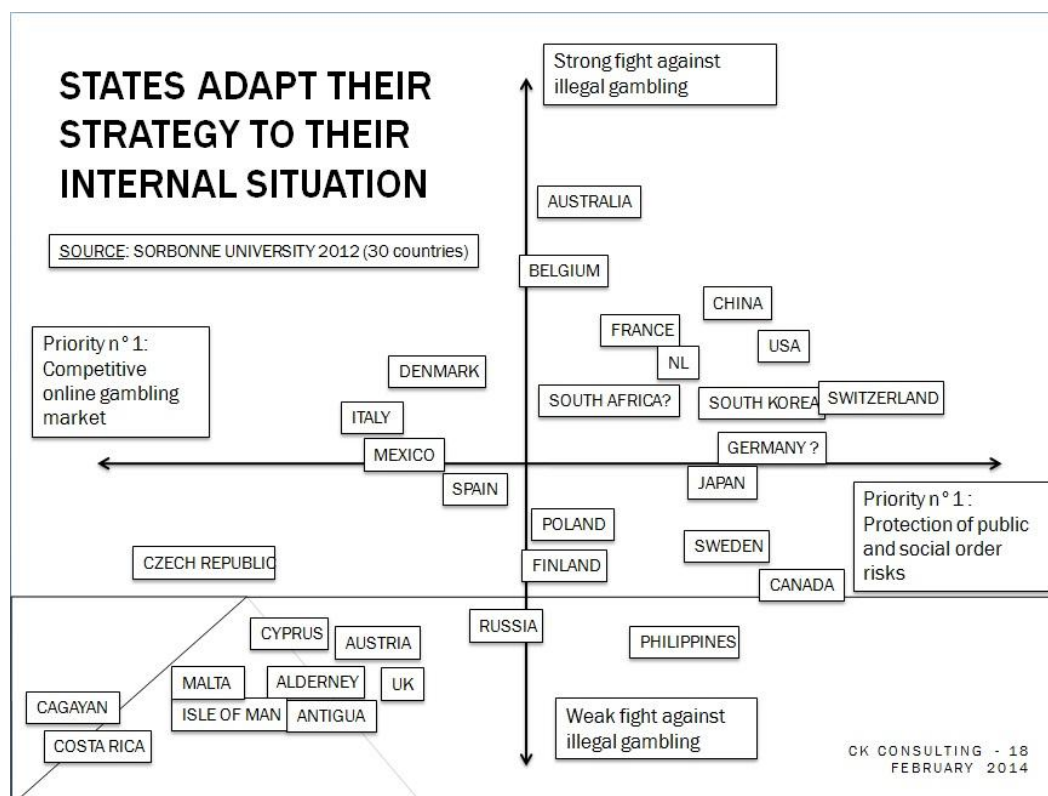
Dr Kalb said that there are four key points to consider with regard to gambling and remote gambling in particular: (i) the objectives, (ii) the regulatory framework, (iii) the level of taxes, and (iv) the specific type of restrictions. The objectives of the regulation would determine the framework, and many countries find it difficult to find the balance between wanting to raise revenue through gambling activities, restricting those activities and fighting illegal practices. Differing objectives, frameworks and tax systems form a symbiotic interplay to affect the success of remote gambling legislation.

Dr Kalb cited the example of Alderney (in the Channel Islands) which has less than 2,000 inhabitants. They allow remote gambling companies to operate in order to help raise state revenues. Due to its size, Alderney is not very concerned about the prospects of crime and does not need to raise much money, allowing it to keep taxes low.

Dr Kalb contrasted that with the United Kingdom (UK) that had wished to become a centre for global gambling and thus implemented an authorisation framework for its regulation; after all, it was home to some of the most well-established betting companies in the world. In this way, any company with a gambling licence in the world could operate in the UK. However, because of the financial structure in the UK, the betting companies eventually left the UK to set up in off-shore tax havens, such as the Isle of Man or the aforementioned Alderney, where taxes are lower. Therefore, the UK failed to significantly increase employment or tax revenue, and is now looking to change its tax structure to combat this.

In a nutshell, there are four key objectives that might drive the impetus to regulate: raise state revenues through the activities, provide employment, protect the public from social and public order risks and curb other illegal activities related to gambling. The four broad strategies to online regulation are: (i) prohibition, (ii) allowing for a monopoly, (iii) providing licences, or (iv) full authorisation. For instance, Australia has a complex system of disallowing online casinos, but allowing online betting on sports and online lotteries. Dr Kalb also set out the different tax rates that have been imposed in different countries.

Figure 1: Matrix of countries and objectives in regulating gambling



### Tackling Illegal Gambling

Dr Kalb explained that illegal gambling, as defined by the Council of Europe, is activity that is not allowed under the applicable law of the jurisdiction where the consumer is located. He revealed that while several European countries have tried to implement restrictions on illegal online gambling, they have not made them a priority, and their impact is therefore low.

Dr Kalb said that 80% of worldwide betting sales are illegal, based on a study by Sorbonne University, GBGC and H2 Gambling. Around 45% of that is from remote gambling.

A participant noted that of all the countries in the world that sought to implement restrictions, very few had implemented the blocking of payment gateways; the exception is the United States (US). In the online environment, controlling payouts might be more feasible than controlling the gambling sites, since it would hinder the gambler's ability to access his winnings.

Dr Kalb agreed but noted that the system to block payments overseas was relatively new and as such, the US is one of the few countries to successfully implement it although Belgium and Canada were currently working on similar systems. As early as 2006, the US had realised that although online betting had been made illegal, bets were still being made via places such as Antigua, and implemented these controls in order to stamp it out, which has been fairly successful. Overall, the options for regulating illegal remote gambling are: ISP blocks and a white and black list to show which are the compliant and accepted operators; payment blocking, which is carried out by the US and Israel; advertising bans like

in France; and also mobilising people to signal to the authorities when they come across cases of illegal advertising, which is done in Australia and Denmark.

The issues related to illegal remote gambling include being used as channels for money laundering, illegal sports betting and match-fixing.

On match-fixing, with the rise of live betting, or the ability to bet on sporting events as they are taking place (made possible by the Internet), motivation and profitability of match-fixing has increased. One example is betting on the number of yellow cards given between the 10th and 20th minute of a game, a fix that could easily be inserted into a game.

A participant asked if there is a chance that illegal betting operators are behind the match-fixing. Dr Kalb replied it is more likely that the match-fixers work independently but take advantage of the possibilities that have arisen from the technology of remote gaming. While large operators are more likely to be able to absorb the risk of match-fixing due to volume, smaller operators may be affected; but ultimately it is the punters or the fans of the sport that end up being cheated. Some countries, like Australia, have banned live betting in an attempt to bring this under their control, and have been somewhat successful in their approach.

### **Conclusion**

Despite remote gambling being illegal, the estimated size of the market in Singapore that needs to be regulated is \$377 million (Neo and Saad, 2013). To do that successfully, the country must co-operate with jurisdictions around the world and work to address the changed landscape that the Internet has brought about. As countries begin to try out different ways to address illegal gambling and other related criminality, Singapore can learn about the loopholes and from the best practices that emerge.

The medium of the Internet and mobile devices has changed the landscape and fed many borderless activities that are difficult to monitor for illegal activities and operators. The police have yet to adapt to this new world, although it is not from a lack of knowledge of what goes on, but from the lack of the right authority and the necessary international co-ordination to make regulation work.

### **References**

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