



Responsible Gaming Regulations Would Help Protect Internet Gamblers

Keith Whyte, executive director of the National Council on Problem Gambling, a leading advocate for programs and services to assist problem gamblers and their families, discusses the theoretical opportunity to implement safeguards in a regulated environment to protect against compulsive Internet gambling in the United States.

Mr. JEFFREY SANDMAN (Safe and Secure Internet Gambling Initiative): Keith, thank you so much for joining us today. Right now the United States Congress is considering legislation that was introduced by Barney Frank to regulate Internet gambling, and that would require licensed gambling operators to implement protections to combat compulsive gambling.

Based on your experience and what you've seen in other countries that regulate Internet gambling, do you believe that we have the technologies to effectively combat compulsive gambling?

Mr. KEITH WHYTE (Executive Director, National Council on Problem Gambling): I certainly think there's a lot of potential out there. There's been some very promising developments both in the US and really internationally that show there are some--there's some potential for good responsible gaming here.

But one thing I'd like to point out very quickly is that the National Council neither supports nor opposes Representative Frank's bill. But again, as we are involved in responsible gaming both here and internationally, there's some interesting technology that we see could be useful.

Mr. SANDMAN: And we see rapid advancement of technologies. We've seen in the past few years even--I'd venture that safeguards to protect against compulsive Internet gambling will improve in the future. Are you optimistic about this?

Mr. WHYTE: Well I'm generally optimistic. One of the big disappointments that we've had so far is while there's a lot of potential, many of the existing operators haven't embraced it. So, whether it's because they don't operate in really highly regulated environments or they're reluctant to really--maybe they fear driving away players.

Most of the developments in this case are theoretical. In other words, there's some very good concepts, and there's some things that are already being done on the sites in regards to player tracking that could be easily utilized for responsible gaming, but at the moment most of the operators have chosen to take a wait-and-see approach.

So again, a lot of our hope is that operators will embrace existing technology, much less the future technology, but at the moment we've been a little bit disappointed that it hasn't happened.

Mr. SANDMAN: Keith, according to GamCare, the UK-based organization which is dedicated to address the social impact of gambling, their experience in Europe has shown that a stringent regulatory environment can help control and combat compulsive Internet gambling.

Are there any lessons that we in the US and that members of Congress here should learn from their counterparts in countries that have regulated Internet gambling?

Mr. WHYTE: I think that's a good two-part question. One is certainly that the international experience has shown that there are some steps that can be taken, and that certainly I respect our colleagues at GamCare very much, and believe that they have had some success.

I think the second part of your question--you know, the implications for the US--unfortunately in the United States regulation of legalized gambling has not generally gone hand-in-hand with responsible gaming. So still the majority of states that have legalized gambling operations, be it lotteries, racing, casinos, have little or no responsible gaming or problem gambling protection.

So while internationally regulation in general has been a little bit more proactive at addressing problem gambling, in the United States it's still really not the norm. You know, it's unfortunate that most of the responsible gaming in the US is done, really, voluntarily.

It's not done by statute or mandate, and the US regulatory system is actually quite weak in this area.

Mr. SANDMAN: You're speaking now about the current environment of course?

Mr. WHYTE: Yes. Yeah, for current legalized gambling, which is ironic given some of the concerns by representatives of these industries.

You know, their own efforts on responsible gaming are often quite weak and it's somewhat ironic to hear them opine about the potential of Internet gambling to, you know, contribute to problem gambling when their own industries are not quite up to par.

Mr. SANDMAN: Well it's an interesting comment you just made, Keith, because we're finding that one of the reasons that many people are supporting Congressman Frank's bill is because millions of Americans are continuing to find a way to gamble online despite the de facto prohibition. And we're finding, as you mentioned, that they're thus vulnerable to some gambling operators who are not required to have these safeguards in place to protect consumers.

Do you believe that if there is a regulated scheme for Internet gambling that that will better protect the American consumers?

Mr. WHYTE: I believe those people that choose to gamble on regulated sites would be better protected, but I believe that there's also always going to be a second tier or black market of unlicensed, unregulated operators who will exist, probably because they won't

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pay taxes, or they'll be operating in environments that allow them to offer, you know, maybe different odds or better odds for customers.

I believe that in general people that gamble on regulated sites, you know, be it Internet or brick-and-mortar, are going to be better protected, but it's--frankly, the regulation in the United States--sports gambling for example has been illegal for a long time and it hasn't stopped 15 percent of American adults from gambling on sports in the last year.

So, we still--we see, I guess you would say, a parallel market and I would anticipate with the ease of communication on the Internet--and frankly the fact right now that so much of the Internet gambling is, depending on who you talk to, already violating US law, you know, I suspect that there's always going to be a parallel out there--a parallel system, an underground system out there that no amount of regulation is going to contain.

Mr. SANDMAN: Unless perhaps that there is both--as you say, both legalized and regulated. That might limit some of the impact that you've mentioned.

Mr. WHYTE: Well, I think when you look at the lottery industry for example, one of the big arguments for adopting state lotteries in the '70s and '80s was to eliminate the illegal numbers games, the policy rackets that flourished, especially in major cities. And what has happened is of course those games have not disappeared. They still continue to prosper because they are able to offer untaxed winnings.

So you have--you've created a parallel market. The policy market--the numbers market is probably diminished from its height as state lotteries, you know, continue to really aggressively advertise, but customers, and especially in our case, people with gambling problems, may, you know, be tempted to gamble on both legal and illegal opportunities, especially when to do so avoids a lot of the restrictions and regulations that are placed on legalized gambling.

Mr. SANDMAN: Keith, final question, when you testified earlier this year to the US House of Representatives, to the Committee on Financial Services, you stated in your testimony that the very structure of the Internet allows operators to deliver responsible gaming programs that meet or exceed current standards than you have in the brick-and-mortar casinos.

Is this an endorsement of having a regulated Internet gambling system with protections against compulsive gambling?

Mr. WHYTE: I think there's a couple points in here, and these are very important. One is that there's actually no text whatsoever in the bill that details any of these regulations, and--so therefore, you know, the regulations are gonna be left apparently to, you know, FinCEN, which has absolutely no experience in problem gambling whatsoever. So we're not--the fact that the regulations are called for is important.

The fact that there's absolutely no text for them is—you know, leaves us unable to really judge the impact. But the second point is that when you look at things like know your customer--on the Internet, while there may be some difficulties in verifying age and ID, once you do have a good account profile of a customer you have a lot more information

on that customer and what the customer is doing on that site than you ever would in the traditional industry.

The fact is in the United States in almost every jurisdiction across almost every form of gambling there's not even a requirement to show identification to enter, to gamble, to take your winnings and to leave.

Mr. SANDMAN: Right.

Mr. WHYTE: So the vast majority of people that gamble in the US right now are never identified, whereas at least on the Internet, you know, because it is account-based wagering, the vast majority of customers are not only identified but tracked and, you know, comprehensive database of their activities is assembled by the operator which does provide not only a lot more information. And of course, information is power, but it provides a lot more opportunity to develop interventions, to really assess where the gambling behavior is going, and you know, spot warning signs.

So yeah, we absolutely believe that there's some good potential there that could be seized by the operators.

Mr. SANDMAN: Right. Keith, thanks so much for talking with us and we look forward to continuing the conversation in the weeks and months ahead. Thank you.

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