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Regis Controls Pty Ltd

**Submission to the Independent
Gambling Authority
South Australia**

“Inquiry into barring arrangements”

January 2009

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Introduction

REGIS CONTROLS PTY LTD (REGIS CONTROLS) appreciates the opportunity to make this submission to the Independent Gaming Authority (the Authority Inquiry into barring arrangements)

REGIS CONTROLS is licensed to use or allow others to use Australian & New Zealand patented technologies to control problem gambling. This license has been granted by Mr. Elik Szewach and Ms Lisa Horten as owners of granted Australian patent nos. 771278 and 776756. The technologies of these patents were invented by Mr. Szewach, Ms Horten and Mr. Ian Forbes Donald.

The patents are for inventions relating to smartcards for the control of gambling. These smartcards have the storage capacity to store biometric data of a gambler in order to manage the gambler's access to types of gambling activities according to legally established rules.

The smartcards also have the facility to operate a clock or a clock reader, which can facilitate harm minimisation messages in addition to limiting the amount a gambler's spends in a predetermined period.

Other features of the patented technology are as follows:

- identifies and authenticates the player and the venue provider
- operates for EGMs (poker machines), casinos (table games), wagering and other forms of electronic gaming such as via internet
- provides for pre-commitment by individuals within the overall harm minimisation measures
- limits the total amount gambled in a prescribed period through all prescribed forms of gambling
- records financial transactions and provides a secure financial audit trail
- bars minors and bars individuals based on legal conditions and voluntary self exclusion
- prevents credit card betting
- provides secure transactions
- ensures player's privacy
- allows loyalty schemes
- monitors compliance with Government legislation on transaction reporting (Austrac)
- potentially facilitates venue or gambling service provider loyalty schemes (if so authorised)
- operates using physical and/or electronic cash
- potentially limits large payout amounts by postdating balances above the limit
- provides the framework for a national harm minimisation system

This summary of the patented features provides only a very general outline of the Regis Controls patents and the flexibility to include a range of harm minimisation measures.

There are other important aspects of these inventions disclosed and claimed in the patent specifications.*

*(The patented documents relate to the barring enquiry)

One area not addressed in the IGA Inquiry is **internet gambling**, which is the fastest growing form of gambling in the world (30-35% pa increase). Australians are already rated number 6 in the world for this form of gambling i.e. non wagering (behind Norway, New Zealand, Netherlands, Sweden and US). An increasing number of European governments operate internet sites which are wholly government owned and operated.

In the next few years internet gambling will become a greater source of problem gambling in Australia than EGMs.

The Regis solution is designed to address internet gambling harm minimisation.

History

Over the last ten years Regis Controls has also been invited to submit to and attend many Federal and State Government Inquiries into Problem Gambling including:

- THE REVIEW OF ISSUES RELATED TO COMMONWEALTH INTERACTIVE GAMBLING REGULATION REVIEW OF ISSUES RELATED TO THE PROPOSED EXPOSURE BILL AND AML/CTF RULES
- VICTORIAN GOVERNMENT LEGISLATIVE COUNCIL SELECT COMMITTEE ENQUIRY INTO GAMING LICENSING IN VICTORIA
- SENATE COMMUNITY AFFAIRS COMMITTEE POKER MACHINE HARM MINIMISATION BILL 2008 (link to documents attached to this submission)
- INQUIRY INTO ATMs and CASH FACILITIES in LICENSED VENUES BILL 2008 (link to documents attached to this submission)
- STANDING COMMITTEE ON COMMUNITY AFFAIRS - 11/09/2008 - ATMs and Cash Facilities in Licensed Venues Bill 2008 Poker Machine Harm Minimisation Bill 2008 Poker Machine Harm Reduction Tax (Administration) Bill 2008
- The following evidence was taken in camera but was subsequently made public at the request of the witnesses (links to these documents are included in this submission)
- The FURTHER RESPONSE TO THE SENATE COMMUNITY AFFAIRS COMMITTEE POKER MACHINE HARM MINIMISATION BILL 2008
- Supplementary Questions raised by Senators on Thursday 11th September 2008 for Regis Controls Pty Ltd (Directors: Elik Szewach, Lisa Horten and Ian Donald) (links to documents are attached to this submission)

REGIS CONTROLS advises the Independent Gaming Authority Inquiry that Regis Controls it does not have a conflict of interest by either becoming a gambling service provider or an operator of harm minimisation systems in that it is:-

- Not a provider of gambling services or loyalty card schemes
- Not funded directly or indirectly by any gambling service providers, gaming machine manufacturers or loyalty card providers (rewards for playing the pokies). Therefore we have NO conflict of interest in making available licensing of its patented technology.
- Not seeking to become a scheme operator, gambling provider or loyalty card provider
- REGIS CONTROLS smartcard solution for Problem Gambling is interoperable, can be outsourced and the solution can be fully contestable and transparent.

Extract from - page 76 of The Parliament of the Commonwealth of Australia “NETBETS”, Report by the Senate Select Committee on Information Technologies March 2000.

In early 2000 the Commonwealth Senate Select Committee inquiry on on-line gambling invited the Twenty Twice consortium, headed by Regis Controls Pty Ltd, to present our patented pre commitment and barring smartcard technologies. *(Regis is an acronym for Responsible Electronic Gaming via Instant System and is a regulatory national pre commitment player tracking system)

The presentation by Regis was well received by the Senate Committee and there were several follow up meetings.

The committee’s comments relate directly to this current IGA barring enquiry as reference to EGM application and other gambling activities is highlighted in the commentary given by the committee.

Extract: commentary given by the committee below underling and bold highlight are by Regis

Technology to implement harm minimisation policies 3.1.

In its submission to the Committee, the Twenty-Twice Consortium (Regis) detailed its recently registered patent for .Regulatory methods and means pertaining to the Australian and other national and International gaming establishments.

(Australian, NZ and UK patents are all fully granted and current)

Extract from - page 76 of The Parliament of the Commonwealth of Australia “NETBETS”, Report by the Senate Select Committee on Information Technologies March 2000 cont...

1 The patent is for a new form of technology that may facilitate the implementation of harm minimisation policies.

3.2 The patent is essentially for a smart card that is used by consumers to gamble on any computer networked gambling activity. Therefore, it applies equally to EGMs (which have a closed computer

network) as it does to online gambling. The smart card can set a limit on the amount that a person can gamble. Also, it can be programmed to exclude a person from participating in gambling activities. If the smart card was the only means by which EGMs and online gambling could be accessed, then any gambling limits and player exclusions would be wide ranging.

The provisional patent includes the following specifications: The application is installed into a smart card chip which regulates the amount that can be deposited into the player's smart card purse and spent within any given month or other fixed period of time.

Any winnings can be either transferred from the card to the player's bank/casino account or further played with or collected by the player from the casino or gaming establishment by any other arrangement that is mutually agreeable to both the player and the casino or gaming establishment and excluding any identified problem gamblers and underage gamblers;

A further feature to be installed in the licensed gaming venue (s) is the ability to bar problem gamblers. smart cards and/or magnetic stripe cards. Either issued by a bank or gaming establishment or any other related third party entity. The facility would deny a player from accessing their accounts or game entry access held at any casino or other gaming establishment(s) thus denying the problem gambler the ability to bet or play games should they so be directed by an appropriately designated body such as a court or social welfare agency.

This non-access period could be for days, weeks, months or years or in certain cases for life. This regulatory feature will be based on the recognition of a personal cardholder number(s) which is automatically accepted or rejected at all betting establishments that are subject to regulatory licensing;^{2[2]}

3.4 The Committee is pleased to note that new technologies are being developed that facilitate the implementation of harm minimisation policies.

Hansard March 2000

***End of Extract *Twenty Twice Consortium, Submission 66**

Notifications of Regis smartcard solution (Responsible Gaming Card) for Problem Gambling

The following governments have been notified since 1999 of Regis Controls "patent granted" harm minimisation smartcard technologies solutions (which we named the Responsible Gaming Card) specifically to protect Problem Gamblers. We have advised the Prime Minister; the Honorable J Macklin, Premiers and respective ministers responsible for gaming, gambling industries; regulators and Australian security organisations of Regis Controls smartcard technology for:

- South Australia
- N.S.W
- Victoria

- Queensland
- Western Australia
- Tasmania
- ACT
- Federal Government

The most recent correspondence with government and industry are listed below and a copy of letters and a typical response is attached to this submission. Also we have included sample copies of past correspondence involving:

- Odyssey Gaming Limited;
- Worldsmart Technology Pty Ltd;
- Independent Gaming Corporation Limited;
- eBet Limited;
- MaxETag Pty Ltd
- Aristocrat Leisure limited
- The Honorable Jenny Macklin
- Independent Gambling Authority
- Tabcorp, Tattersalls Groups and casinos in Victoria, South Australia, N.S.W, Tasmania, Queensland and N.T

Notifications cont...

- Honorable Rick Barker, Internal Affairs Minister, NZ
- Michael Hill, Gaming Compliance Unit, NZ
- Honorable Carmel Zollo - Minister for Gambling - South Australia
- William Pryor - Commissioner, Office of the Liquor and Gambling Commissioner
- Australasian Gaming Manufacturers Association
- Honorable Michael Aird, Legislative Council, TAS
- Peter Hault, Chairman, Tasmanian Gaming Commission;

- Dr Chris Burns, Minister for Racing, Gaming and Licensing, NT
- Richard O'Sullivan, NT Licensing Commission
- Independent Gaming Authority
- Gary Moriarty, Director of Licensing, NT
- Brian Farrell, CEO, Casino, Liquor and Gaming Control Authority, NSW
- Honorable Kevin Greene, Minister for Gaming and Racing, NSW
- Peter Cohen, CEO, Victorian Casino & Gaming Authority
- Honorable Tony Robinson, Minister for Gaming, VIC
- Honorable Andrew Fraser, Treasurer and Gaming Minister, QLD
- Des Russell, QLD Office of Gaming Regulation;
- Mr. P. Ryan, chief executive officer, Responsible Gaming Networks
- John Flannagan - AMC Convergent

Addressing concerns raised by Individuals and Industry

Over the years Regis Controls has read a number of submissions into inquiries concerning smartcard technologies and their ability to address Problem Gambling. We would like to address a few misleading and inaccurate statements made in order for the IGA inquiry into barring arrangements to be correctly advised. As well present options for further consideration pending the IGA report being finalised.

A summary of other countries use of smartcard technology in relation to electronic and casino gambling is provided in Appendix 1.

Statements made about smart cards:

‘Smartcards don’t have the memory.’

WRONG

- Smartcards have upto **512 kilobyte currently, which is eight times** the original Apple IIe: - so it can store considerable data, including biometric data and several years’ worth of gambling records.

Problem gamblers are cunning etc and they can share their smartcards around

WRONG

- The smartcard can only be operated by a BIOMETRIC or PIN and can be matched to check for duplicate issues to an individual. There is still one limit on the card

- If gambling venue operators are concerned about Problem Gamblers sharing of cards; then all smartcards can be operated using BIOMETRIC means with positive recognition and thereby preventing sharing cards.

‘Smartcards don’t work or have not been tested.’

WRONG

- There are some **2 billion mobile phones** that work in **193 countries** around the world using smartcard technology. So the technology has been tested and works
- More and more **banks around the world are adopting smartcard** to prevent security problems such as identity fraud; using the EMV standard which is a worldwide standard and that Australian banks have adopted along with a lot of other countries.
- Passports - in chips for biometric identification of travellers used by 27 countries, **and there is an international standard—ICAO 9303.**

Other applications where smartcards are successfully in use are communications, health care, retail, identification in high security organisations, government programs, information security, transportation and the list goes on.

*Extract of AGR3 — Australasian Gambling Review, Third Edition (1992–2007)—smart-card technology

“Another potential problem with the card system is that it further distances gamblers from the fact that they are dealing with money when they gamble, and that it could make gambling faster and more efficient. If cards activate very rapidly when placed into machines, (i.e., faster than coins could be withdrawn, collected, and reinserted into another machine), this would enable gamblers to transfer their play from one machine to another more quickly. It would also make impulse gambling a lot faster.”

Regis response:

- We would like to point out that the above statement omits the benefit or existence of a pre-determined limit (both for time and money) which once reached closes access to all EGMs and other designated forms of gambling., regardless of the rapidity of play. The argument as to slowing the rate of play does not address the problem gamblers current inability to set a limit for themselves. The Problem Gambler currently still loses more than he/she can afford. Slowing the rapidity of play without a cut off limit in place just extends the period of gaming and eventually they lose potentially the home just over a longer period.

Extract of AGR3 “Gamblers passing by venues would not need to visit the cashier to obtain coins, but could insert their card straight into the machine and start playing. This problem would be particularly compounded if the smartcards were not gambling-specific that is, if they could be purchased outside gambling venues and used for other purposes. This would increase the likelihood of adolescents being able to access gambling venues. Cards could be obtained using false identification or with the assistance of older friends or siblings, and machines could be accessed and played without any interaction with venue staff.”

Regis response:

- **We suggest that the smartcard be made mandatory & specifically the gaming purse dedicated for gaming purposes only (i.e. not other venue products such as meals and beverages)**
- The gamblers would need to register with a trusted third party (not just be given a card ad hoc inside or outside the venues) where they undergo a 100-150 point identification check to confirm their true identity before being issued with their card. **(refer recent Regis Controls senate submission link provided)**
- This process of positively identifying and registering the individual will bar minors and already barred problem gamblers from gaining a smartcard to play the pokies, as well, give the ability to a problem gambler to self exclude themselves should this be the case.
- The argument of using the assistance of older friends or siblings to access machines **already exists under the current regime of gambling**. The same process can be done now
- by a person getting coins from staff and then passing on the coins to minors or to barred problem gamblers.
- The smart way to address the above situation is to do a 100+ points check verifying the player as being who they purport to be and the player can not access any machine without inserting their card which has either BIOMETRIC OR PIN validation. **(Refer recent Regis Controls senate submission link attached for further details)**
- Registration prevents multiple cards being issued by multiple venues to the individual player. Registration of player prevents multiple limits and addresses card sharing. **(Refer recent senate submission link attached for further details)**
- Under the existing system of interaction with venue staff and without a preventative automatic cut off safety loss and time limit in place; the Problem Gambler can lose the house and become bankrupt whilst accessing cash from the venue staff and injecting it into the slot machine. Currently the method of barring individuals who have opted to be barred has completely failed with staff and venue failing to identify the self barred individuals even when photographs have been supplied.
- We realise that coins are used in South Australian gambling venues and wish to point out that a smartcard can not only store money on the card itself but also has the ability to keep track of the limit if coins or notes are the only method used (e.g. no monies in the card – cash injected directly into the slot machine; keeping to the one limit across all machines throughout all venues

The potential advantages and disadvantages of smart card technology have also been examined in research conducted by the Centre for Gambling Education and Research based at Southern Cross University in NSW (Nisbet, 2003, 2004).

Extract: “compliance with the Privacy Act, this tracking process could potentially be undertaken without having to identify specific individuals by name (e.g., if the information concerning those

signing up to receive cards was maintained on a different computer system or by a different organisation from the one tracking the expenditure patterns for specific cards). Problem gamblers were considered less likely to do this, especially if the system was only voluntary, and if it were still possible to gamble using conventional methods.”

Regis response

- Regis Controls smartcard solution for problem gambling is in compliance to the Privacy Act. **(Refer recent senate submission link attached for further details)**
- Other solutions being touted by others suggest not registering the gamblers details at all or registering the gamblers details then destroying this information is pure semantics. These types of system will lead to multiple devices being issued to the problem gambler and result in a farcical non workable barring system. **(Refer recent senate submission attached for further details)**
- It is unfortunate but obvious that problem gamblers would not use the smartcard system if it was voluntary. Therefore it is recommended that it be part of the state and industry’s responsible gambling educational program and be made mandatory and implemented on to all EMGs in order that the problem gamblers and those barring themselves can not go to machines not requiring smartcard access . **(Refer recent senate submission link attached for further details)**

Nisbet’s (2003, 2004)

Extract: - “Almost all of the respondents indicated that the cards would work most effectively for poker machines or EGMs (90%). If limits were to be set, there was a preference for monetary expenditure limits (93% liked this option) as compared with limits on the number of visits to the machines, or the amount of time that could be spent gambling.”

“The sample also preferred cards that imposed limits either on a weekly or monthly basis, rather than more frequently (e.g., daily) or very infrequently (e.g., annually). These views did not differ significantly depending upon a person’s problem gambler status (i.e., different risk groups gave similar responses”

Nisbet (2003, 2004) cont... - Regis response

- We are delighted that smartcards are accepted by majority of those surveyed and that limits (imposed) were likewise accepted. We believe the implementation of a mandatory smartcard with enforceable limit is carried out on all EGMs and that the only way to access any machine is via the card. The industry and government must educate the public on the benefits and features of registration for a card and it’s usage in a positive manner.

The case against loyalty cards being the regulatory card for the protection of problem gamblers.

Regis Controls feel that based on evidence it is common sense that loyalty cards should not be allowed to be the regulatory vehicle and site the below arguments, a small sample, as to the obvious reasons why.

House of Lords
House of Commons

Session 2003-04

Joint Committee on the Draft Gambling Bill - Minutes of Evidence
Supplementary memorandum from the Royal College of Psychiatrists (DGB 106)
Joint Committee on the Draft Gambling Bill - Minutes of Evidence
<http://www.parliament.the-stationery-office.co.uk/pa/jt200304/jtselect/jtgamb/63/4010807.htm>

EXTRACT:-

It is significant that, in relation to this, reference is made in a footnote to MGM Mirage, an American company that is hoping to develop casinos in Great Britain. The CIO of this company was reported by CNN on 3 July 2001, advocating loyalty cards and saying,

"Our target is mass-producing a high-roller experience for the common person. We want to provide you with the best experience imaginable, so that you'll want to come back."

6. Yet, the Minister, in comments at the Joint Committee Hearing on 16 December 2003, commended loyalty cards because he thought "that they could be helpful in the control of problem gambling (our emphasis); it could be helpful in identifying the effects of gambling on individuals and communities". (Q42)

House of Lords
House of Commons cont...

7. "The profitability of operating machines" (para 4) is directly related to the fact that gaming machines are the most likely form of gambling to lead to excess. Nevertheless, larger casinos are to be allowed to have unlimited numbers of gaming machines to attract promoters. The situation is then compounded by suggesting that loyalty cards, which are a device to stimulate gambling, can help to control "problem gambling".

8. the Royal College of Psychiatrists is concerned that the Government's prime considerations in these matters are clearly commercial ones, with no serious thought for the social consequences.

*End of extract

The Guardian newspaper "Casino rewards total loyalty". Thursday 15 January 2004

<http://www.guardian.co.uk/technology/2004/jan/15/onlinesupplement>

Extract: The technology behind one of the most successful computer-based loyalty schemes allows the company to know everything about you and your gambling habits.

The Total Rewards scheme has not only transformed Harrah's **fortunes** - it's now America's biggest casino. The Harrah's gambler may see a darkly seductive world of flashing lights, revolving cherries and lucky 7s, but the IT department has a completely different view of the casino floor. Those slot machines are actually a string of dedicated PCs attached to an Ethernet network, collecting data that eventually gets pumped into a giant database in Memphis.

Plug in your card and Harrah's

- Knows who you are
- Your average bet
- How much you spent gambling
- And when you spent it
- It knows how many slot machines or gaming tables you used
- which of Harrah's two dozen casinos you visited,
- how often you visited them
- And how far you traveled to get there.

Then there's the good bit. Take the data from more than 25 million gamblers, analyse it and you can profile your customers.

The Guardian newspaper "Casino rewards total loyalty". Thursday 15 January 2004 cont...

Within a few minutes of a Total Rewards member starting to play, you can get a

- Pretty good idea of the probable total future value of that customer.
- At the very least, you can identify the people who are likely to be worth the most
- And target them with special offers.

Harrah's now has about 90 market segments that it can target with the sort of direct mail it thinks will work - and direct feedback from the slots as to whether it worked or not.

This process has helped boost Harrah's share of its customers' gaming budgets from 36% in 1998 to 43% in 2002, and last year, the company said "revenues from customers who carry a Total Rewards card have increased 9% year on year".

"It's a beautiful system," says Daughtrey, "because it's a feedback loop. The customer is incentivised to have a card: it governs what comps they get, and how they are rewarded for what they play. It's often thought that it's potentially intrusive, but its [use is] self-reinforcing."

At the end of the day, what we do is about understanding the desires of our customers, and creating the experiences that our patrons respond to. We're using what we call our decision science tools to better understand our customers and to inform how we market to them.

"There were enormous investments made in that central customer repository - what we call our patron database - but it has been paid back many times."

There are plans to expand overseas, and Harrah's is also launching on the web. "It will be a subscription-based online gaming system"

It's also clear that more could be done with slots. "We have more than 42,000 slot machines and you can think of them as point-of-sale devices. We could use these to market to customers beyond the gaming experience," says Daughtrey. He's talking in terms of sending real-time messages to gamblers about things like "comps", or that they have just been upgraded from, say, a platinum to a diamond customer. (Gold is where you start.)

End Extract

www.theage.com.au - *Casino 'knowingly' accepted stolen funds*

Extract: Crown rewarded the compulsive gambler with almost \$300,000 in loyalty bonuses.

The case against USB for the protection of problem gamblers

Regis Controls believe that a loyalty reward scheme coupled with the common USB device should not be allowed to be the regulatory vehicle and site the below arguments, a small sample, as to the obvious reasons why.

With a diversified range of gamblers using a USB example: elderly, party goers etc using this common device constantly plugging it into and out of a hole in EGMs, throwing them into draws, constant jangling against keys it is anticipated a costly and dangerous exercise in consideration of the below evidence.

P. N. The Regis Controls Responsible Gaming Card addresses all age groups including the over 75 year olds and is not subject to the above damaging effects as well can operate across all media e.g. pokies machines, internet, pay TV etc

Source: <http://www.itwire.com/content/view/4549/53>

Extract: - Tuesday, 06 June 2006 - USB flash key failures increase 300% in past year

“PDR Managing Director Payam Toloo said faults are most commonly being caused by

- not properly ejecting the device
- bending the device while it's still plugged into the port,
- power surges (especially from laptops)
- And mishandling of the device

“But the nature of their design and the way people handle them puts this valuable data at risk,” he said. For example, leaving the device continually plugged into a PC port puts it at risk of being kicked or knocked and, consequently, bent. It also exposes the device to a higher risk of power faults or disconnection issues.

- attaching USB flash drives to “**key-chains**” and briefcases or carelessly throwing them onto desks and into draws exposes them to constant knocks, hot temperatures and other day-to-day dangers, **which the devices aren’t designed to continually handle.**
- The physical appearance of a USB key makes people think they are simple and hardy devices, but they contain delicate parts and use complex algorithms to store data on the internal memory chip.

26 Nov 2008... www.itnews.com.au/News/89806.pentagon-recalls-usb-sticks-over-virus-fears.aspx

Extract The Pentagon has banned the use of portable USB drives after fears that they are being used to propagate viruses.

No official statement has been released, but internal emails have shown that the Pentagon wants to recall all USB sticks distributed to employees. Warnings emerged last week of a major outbreak of malware targeting USB drives.

Virus propagation via USB stick is a throwback to the first virus techniques in which floppy discs were used to carry the code. But for an organisation like the Pentagon to take such a drastic step, the spread of the code must be wider than usual.

*End of Extract

Agent infection hardly much of a battle

By **John Leyden**

Posted in Security, 1st December 2008 18:33 GMT.

It seems to have gotten into Afghanistan via an infected USB drive, a chain of events that goes a long way towards explaining why the US military recently suspended the use of removable storage devices.

End Extract

The Age newspaper 22.01.09 <http://www.theage.com.au/world/worm-infects-millions-of-computers-20090121-7mq1.html>

Extract: "I think the bad guys are field-testing a new technology. If Conficker proves to work well, they could go out and sell 'malware' (malicious software) to people.

It can infect machines via the internet or by hiding on USB memory sticks carrying data from one computer to another. Once in a computer it digs deep, setting up defenses that make it hard to extract.

The case against Tags for the protection of problem gamblers

The advocating for the use of a RF Key tag device to protect Problem Gamblers in our opinion is flawed from the outset. These devices are basically a **gaming and retail loyalty rewards scheme** hanging off a key ring with a harm minimisation component attached to the loyalty rewards component. **(Refer loyalty rewards section above)**

This Loyalty Rewards system rewards players whilst gambling on machines (the more you play the more points you receive) for time played or for frequenting the venue which in turn gives Reward prizes through out the day at random times. There by encouraging Problem Gamblers to stay longer by offering extra prizes for gambling

The player is issued with a key tag (registration is voluntary) and on a voluntary basis specify a maximum spend amount for that tag, a voluntary limit may be applied for 24 hours.

We seriously doubt Problem Gamblers would use this voluntary feature and we refer back to Nisbet's (2003, 2004). - Extract below as well the loyalty rewards section of this submission.

Extract: - "Problem gamblers were considered less likely to do this, especially if the system was only voluntary, and if it were still possible to gamble using conventional methods."

End extract

Relating back to the concerns of the pokies venue operators that Problem gamblers could share their cards (Regis Controls addresses this concern), we feel this argument would also apply to the RF Key tag device being shared between Problem Gamblers and passed on to underage or barred problem gamblers as no BIOMETRIC or PIN form of identification has been sighted by us.

From what we gather the RF key tag is primarily a loyalty card rewarding players for remaining at the venue with prizes and giving points for play; thus encouraging play and the potential of problem gambling increasing especially those at risk. **(Please refer to part of our submission marked Loyalty Rewards system)**

Summary

Regis Controls wishes to address the IGA enquiry into barring arrangements making the case for smartcards namely The Regis Controls Responsible Gaming Card being the primary vehicle for the Protection of Problem Gamblers as well addresses barring issues.

We have provided links of our most recent submissions and appearances before the "Standing Committee on Community Affairs." These links below also include our "in camera Session" recently published by the committee with the answers provided to the committee.

All of the information contained in the below links directly impacts on the IGA barring enquiry and we hope as the Productivity Commission has indicated that the IGA enquiry also will review and take into account all our Senate submission material contained in below links in order to understand completely the workings and benefits of the Regis Controls "Responsible Gaming Card" harm minimization patent granted IP and how they impact on this enquiry reference.

Summary Cont

We consider that the information provided in this submission will reinforce the IGA Committee understanding of how the harm minimization and barring section of this enquiry can best be implemented. This submission and links below sets out how the Regis “Responsible Gaming Card” can best assist in not only addressing Problem Gambling but also provides key preventative measures in protecting those at risk of becoming Problem Gamblers.

We suggest that the “Responsible Gaming Card” be the sole and primary regulatory device. It is unethical for any organisation to promote the use of a loyalty reward card scheme with harm minimization technologies attached to it as a primary vehicle for responsible gambling. We feel this will send the wrong government sanctioned message to Problem and Recreational Gamblers and ultimately add a degree of blame as to increasing the Problem Gambling epidemic by its use.

Another advantage of the Regis Controls “Responsible Gaming Card” is its multi purpose functions

- It holds to the one limit via all machines across all venues
- Bars adolescents from accessing a machine
- Prevents barred gamblers from accessing a machine
- Allows a person to bar themselves
- Addresses card sharing more adequately than current human (venue staff) interventions
- Holds to the one limit whether cash is held on the card or cash is directly inserted into the machine
- Conforms to the Privacy Act
- Provides an audit trail,
- Can be used with all the above harm minimizations for EMGs, the internet, and cable T.V keeping to the one limit

The “Responsible Gaming Card” can also be programmed to allow gamblers who are not banned access onto the gambling floor and barring those that have barred themselves or have been barred by a court. This can be done via smartcard readers located at the entry points to the club or gaming floor thus eliminating a myriad of different devices such as facial recognition, iris scanners etc.. Most of which would add to the confusion and alarm amongst the public.

Using USB or Tag devices that are rewarding gamblers for entering gaming area and rewarding gamblers with prizes who stay longer gambling etc we believe will send the wrong message regarding responsible gaming.

We strongly urge the enquiry to not recommend that a Loyalty Card or any other device that stimulates and encourages gambling be given any endorsement as a government sanctioned regulatory harm minimization solution.

But rather have the “Responsible Gaming Card” as the main stand alone device in the protection of Problem Gamblers and if people want a Loyalty point’s scheme then they can request this to be added to the regulatory card **NOT THE OTHER WAY AROUND.**

We further believe it is not necessary to ban Problem gamblers from venues for a variety of reasons and the best form to address barring is at the slot machine denying them access to the pokies machine itself any where in the country by barring their Gaming Card.

Links

Below are the links to our recent enquiries to

Inquiry into Poker Machine Harm Minimisation Bill 2008

http://www.aph.gov.au/Senate/committee/clac_ctte/poker_machine_harm_minimisation/submissions/sublist.htm

Submission number four (4) Regis Controls Pty Ltd (VIC) ([PDF 154KB](#)) Att1 ([PDF 1577KB](#)) Att2 ([PDF 1955KB](#)) Response to questions arising from hearing received 8.9.08 ([PDF 7062KB](#))

Inquiry into ATMs and Cash Facilities in Licensed Venues Bill 2008

Submissions received by the Committee as at 6 November 2008

http://www.aph.gov.au/Senate/committee/clac_ctte/atm_cash_licensed_venues08/submissions/sublist.htm

Submission number sixteen (16) Regis Controls Pty Ltd (VIC) ([PDF 114KB](#))

***The above was given in camera and has been publicly released.**

STANDING COMMITTEE ON COMMUNITY AFFAIRS

11/09/2008

ATMs and Cash Facilities in Licensed Venues Bill 2008 Poker Machine Harm Minimisation

Bill 2008 Poker Machine Harm Reduction Tax (Administration) Bill 2008

[http://parlinfo.aph.gov.au/parlInfo/search/display/display.w3p;adv=;db=;group=;holdingType=;id=;orderBy= fragment_number;page=;query=\(\(Dataset%3Acommsen\)%20SearchCategory Phrase%3A%22committees%22\)%20CommitteeName Phrase%3A%22standing%20committee%20on%20community%20affairs%22%20Questioner Phrase%3A%22senator%20xenophon%22;querytype=;rec=0;resCount=](http://parlinfo.aph.gov.au/parlInfo/search/display/display.w3p;adv=;db=;group=;holdingType=;id=;orderBy= fragment_number;page=;query=((Dataset%3Acommsen)%20SearchCategory Phrase%3A%22committees%22)%20CommitteeName Phrase%3A%22standing%20committee%20on%20community%20affairs%22%20Questioner Phrase%3A%22senator%20xenophon%22;querytype=;rec=0;resCount=)

Legal notification of patent sent to interested parties

**Our reference
IROS.10005920**

5 August 2008

Director
Worldsmart Technology Pty Ltd
[Insert Address]

Dear Sir/Madam

Notice of Patent Rights

We act for Regis Controls Pty Ltd (**Regis Controls**), of which Mr Elik Szewach is a director. Our client is the licensee of granted Australian patents for technologies to control gambling.

Our client has recently become aware that Worldsmart Technology Pty Ltd (**Worldsmart**) has been involved in activities related to controlling gambling on poker machines and in casinos through the use of smartcard-type technology.

Our client has instructed us to formally put Worldsmart on notice of our client's intellectual property rights in similar technology.

Background

Regis Controls is licensed to use certain patented technologies to control gambling. This license has been granted by Mr Szewach and Ms Lisa Horten as owners of granted Australian patent nos. 771278 and 776756. The technologies of these patents were invented by Mr Szewach, Ms Horten and Mr Ian Forbes Donald.

The patents are for inventions relating to smart cards for the control of gambling. These smart cards have the capacity to store biometric data of a gambler in order to control the gambler's access to a gambling game. The smart cards also have the capacity to contain a clock or a clock reader, which can operate to limit a gambler's access to gambling funds by a time based control. Other features of the patented technology are as follows:

- identifies and authenticates the player and provider;
- operates for poker machines, casinos and electronic gaming;
- limits amount gambled;
- records transactions and provides a secure financial audit trail;

- bans minors;
- prevents credit card betting;
- provides secure transactions;
- ensures player's privacy;
- allows loyalty schemes; and
- complies with Government transaction spending

The above background of the patented technologies is only a very general outline of our client's patented technologies and its features. There are other important aspects of these inventions disclosed and claimed in the above mentioned patent specifications. We ***enclose** copies of these patent specifications for your information.

Potential Infringement

We advise that use of any technology that falls within the scope of our client's patents may be an infringement of said patents.

In order to determine whether Worldsmart has infringed our client's patent rights we ask that Worldsmart provide us with information relating to the exact nature of its use of smartcard technology in the gaming industry. That is, the features, design, technology and method of operation of the technology. Our client also requests further information relating to any present or proposed governmental or commercial use of the technology.

Regis Controls is open to negotiation regarding the licensing of its intellectual property however our client is also totally committed to protecting its intellectual property rights and will aggressively pursue any infringement or authorised infringement of its patents.

We look forward to receiving the requested information. If you have any questions please contact us.

Yours faithfully

Ian Rose
Special Counsel
Registered Patent Attorney

*encl

Regis Controls wish to thank the IGA enquiry in advance for accepting our submission and request that this submission in its entirety be published. Should the IGA ask for further Information or our representation in person to the enquiry to answer any questions the IGA might have in relation to our submission we would be pleased to accommodate.

Yours respectfully

Mr. Elik Szewach CEO & Director Miss Lisa Horten Director

Regis Controls Pty Ltd

P.O Box 201

Glenhuntly

Victoria

Phone: 0425 845 752

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APPENDIX 1

COUNTRIES USING SMARTCARDS FOR HARM MINIMISATION

There are an increasing number of countries which have or are planning to adopt harm minimisation measures using smartcards for poker machines (also called VLTs in US and Canada and slot machines and EGMs elsewhere) and more recently internet gambling.

US

Beginning in 1988 the US Government and various States negotiated with the Indian tribes to allow casinos with poker machines into Indian reservations. The agreement ensured that no cash can be inserted into poker machines. There are 367 casinos with annual revenue of AUD\$ 25 billion currently covered by the Indian Gaming Regulatory Act. A smartcard is used in all these establishments.

The Act also has a series of harm minimisation measures (time limits, minimum percentage payout, maximum wager per spin, etc, etc)

Various surveys and tests conducted in the US during the last 5 years indicate that using a smartcard rather than cash does not increase the average spend per session or the frequency of gambling

South Africa

Smartcards are used for gambling on poker machines in casinos in South Africa e.g. Sun City and are used 100%. Independent surveys across South Africa indicate that there is 96% acceptance of smartcards by patrons.

There are no ATMs allowed in any gambling venue under South African law.

Austria

In Austria poker machines are only permitted in casinos by government legislation. All casinos in Austria used smartcard operated poker machines and there are a series of harm minimisation measures including player tracking.

Norway

The Norwegian government owns the major operator of poker machines (some describe it as a monopoly) which were re-introduced a few years ago, having been banned. Smartcards are used exclusively for the national lottery, for gambling venues and for Internet gambling via the government owned site Norsk Tipping. Players are issued with a smartcard and a reader, which plugs into any computer and can only use the smartcard at gambling venues. There are a series of harm minimisation measures built into the system e.g. \$180 maximum bet per 24 hours on the Norsk Tipping internet site.

The Norwegian government became so concerned at the amount of money that Norwegians were spending on overseas internet gambling sites that it introduced and now runs its own internet gambling. The government issued 1.75 million smartcards in less than 2 years. The total population of Norway is 4.6 million so more than 50% of the adult population now has a smartcard and a reader for gambling.

The Government run gambling web site attracts 16-24 year olds who have double the rate of problem gambling compared with older groups.

Many local authorities in Norway are so concerned about gambling venues (controlled by the central government) and the effects of problem gambling that they are threatening liquor licensing bans.

Denmark

The Danish government is the major provider of gambling services through Danske Spil which issues smartcards to customers. Denmark may well have the most comprehensive harm minimisation measures including:

- Restrictions on the type of games (based on actual results red danger games can be banned i.e. those games most used by problem gamblers)
- Limit on units per day
- ALL gaming limits
- Players can set lower limits
- Self exclusion etc

Netherlands

The Dutch government requires all Dutch customers of casinos (the only legal venue for poker machines) to use their national ID smartcard to gain entry to a casino. All Dutch citizens are required to carry an ID card under separate legislation.

If a customer visits casinos more than 20 times a month they are automatically approached by trained casino staff and asked to sign a self exclusion contract. The procedure is monitored by government inspectors to ensure that casinos are properly the facilitating harm minimisation measures for problem gamblers.

Canada

Saskatchewan Gaming Corporation has introduced a Player Club card (smartcard) which is used to monitor at risk gambling behaviour during poker machine play and trained staff are required to intervene.

Nova Scotia

The Nova Scotia government conducted a 6 month harm minimisation trial using smartcards (not USB) which was monitored by Focal Research. 71% of regular players adopted one or more of the harm minimisation measures (spending limit, play limit, 2 day exclusion etc) and 65% of these players continued to use one or more harm minimisation measure beyond the trial. The average expenditure per player reduced by 15% during the trial but Focal Research reported that there appeared to be little impact on high risk gamblers and the amount of they money spent (it was a voluntary trial) .

The government recently signed a contract (estimated by the contractor as AUD\$ 7-9.3 million or the equivalent of \$2500-3320 per machine) with Techlink Entertainment, a major supplier of

poker machines, poker machine type games and internet games to fit 2800 poker machines which allows players to set their own limits.

The President and CEO of Techlink Entertainment when announcing the contract was quoted in the local media as saying:

- The system developed by Techlink targets players who are at risk of developing a gambling addiction. Mr Xidos defines those gamblers as the type to occasionally overspend.
- While none of the cards will identify the players, Techlink can track which types of games people like to play and how they choose to spend their money. That's extremely valuable information for game creators, Mr Xidos said. Techlink might sell that information or use it for its own software. Mr Xidos said.

A separate and much larger government owned organisation Atlantic Lottery operates a series of gambling products and is owned by four provincial governments New Brunswick, Nova Scotia, Prince Edward Island and Newfoundland/Labrador. It announced recently that it was considering issuing responsible player cards for all VLT (poker machine) users. The card would be a smartcard and "can be programmed by the player to limit how much they're spending and how long they are playing".... "They can even cut themselves off and keep a record of VLT use"

Sweden

The largest gaming company in Sweden, Svenska Spel, is owned by the Swedish government and has an annual turnover of AUD\$ 3.7 billion (comparable to Tabcorp). The population of Sweden is only 9 million or 43% of the population of Australia. Svenska Spel issues a smartcard to customers and over one million use one each week. The card provides a series of harm minimisation measures for both poker machines and internet including limits per session, per day, per week or month and maximum play time per day/week/month and self exclusion.

Svenska Spel launched internet poker in 2006 and achieved 100,000 registered players in the first 4 weeks, which 'exceeded all expectations'.

The Swedish government 'wanted to transfer existing internet gamblers from the unregulated market to the regulated market'. Players can also use mobile phones to gamble on the internet with Svenska Spel and it is not clear how minors are excluded.

APPENDIX 2

THE POTENTIAL GROWTH OF INTERNET GAMBLING IN AUSTRALIA

ABS statistics indicate that 11.3 million Australians accessed the internet regularly in 2006/7 and use of the internet is higher among the younger age groups. Australian children aged between 8 and 11 spend 30 minutes a day on average accessing the internet (ACMA study 2007). There are some 3000 poker playing type gambling sites (EGM comparable, there are many more if all types of gambling are included).

All forms of internet gambling generate some AUD\$30-50 billion in revenue and the annual growth rate is 30-35% and this is forecast to continue for the next few years.

Betfair in UK averaged 20 million transactions per day via the internet in 2007, four times the total of all European stock markets. PKR a UK based online poker gaming company generated over 2 million members in less than two years from start up in 2006.

comScore Inc, a US based internet research company, issued a report in 2007 which indicated 217 million people worldwide accessed online gambling sites regularly and made an average of 9 visits to gambling sites in one month. The research does not indicate the country of residence. An independent study by eCOGRA (e-Commerce and Online Regulation and Assurance) in 2007 rated Australians as sixth out of 96 countries for internet gambling expenditure (behind Norway, New Zealand, Netherlands, Sweden and US (prior to the Federal Wire Act legislation) Several hundred of these online gambling sites are either bogus or unethical and/or have totally inadequate regulation.

Watchdog groups monitoring such sites report many instances of:

- No payouts
- No response to claims
- Defective software
- Frequent name changes
- Bogus claims of belong to monitoring or regulatory associations

Sites with locations and/or country of origin denominated as:

- Planet Earth
- Who knows/who cares
- Cowboy Town
- Moonbase Alpha
- Magic Fairy Land etc

Crime prevention organisations are aware that hackers deliberately target many of these sites which have inadequate security measures and obtain credit/debit card numbers/user names and password details of individuals and steal money first and thereafter often on-sell the cardholders' details to third parties.

The online gambling industry basically admits that it is targeting the 20-40 year old market which has very high internet use. Many observers believe some online providers are targeting under age gamblers. In some Scandinavian countries the legal age for internet gambling is 15, although there are current moves in Finland to raise this to 18.

Various research studies in the US in 2006/07 indicate that:

- 75% of 12-18 year olds have undertaken some form of gambling in the last year
- 70% of online gamblers register with four or more sites
- Teenagers are three times more likely to become problem gamblers than adults (New York OASIS study). Studies into smoking indicate similar findings and the tobacco industry has long targeted teenagers.
- Depending on the US state between 3 and 5% of all calls to gambling helplines were from minors
- 172 online gambling sites offshore still accepted registration and play from US citizens after the Federal Wire Act gambling law was introduced
- 30 out of 37 online gambling sites which were tested registered under age college students in the US and allowed them to gamble via the internet (also after the Federal Wire Act law on internet gambling)

Australians can obtain a bank issued Debit card aged 16 (Visa/MasterCard) which enables them to gamble on the internet. A pre-commitment debit card can be legally purchased below the age of 16, which also allows minors to gamble on the internet without their parents' knowledge. The pre-commitment debit card is similar in concept to pre-paid phone cards (no age limit) which are widely used by teenagers in Australia.

Online gambling via 3G mobile phones is now a major growth area for the gambling industry and teenagers in Australia can gamble 24/7 again without their parents' knowledge using a pre-paid phone card.

In summary the continued growth of the gambling industry is reliant on attracting new problem gamblers. The younger the gambler the more likely they are to become a problem gambler. The other major implication is that problem gamblers are likely to turn to online providers to gamble once their limit is reached or they are excluded from gambling venues. Currently there are virtually no restrictions on internet gambling such as limits, speed of play, use of credit cards, warnings, use of 3G phones etc.

Teenagers can be barred from gambling venues by adopting smartcards which are issued based on 100 point ID verification. The same technology can be used to control internet gambling. A plug in smartcard reader can be purchased for between \$AUD5-10 and the reader can be readily plugged into virtually any computer.

All 24/7 internet gambling sites are offshore and are likely to have an increasing negative effect on Australia's trade balance. Some Scandinavian countries are now actively encouraging internet gambling organisations to establish themselves in their country for this reason alone. Internet gambling is a large and growing problem for Australia and it would be prudent to formulate future harm minimisation measures within the context of this current Inquiry.

