

NORTHERN TERRITORY RACING COMMISSION

Reasons for Decision

Licensee:	Sportsbet Pty Ltd
Proceedings:	Pursuant to Section 80(1)(d) of the <i>Racing and Betting Act</i> – Failed to comply with a condition of licence (data centre migration - verification issue).
Heard Before: (on papers)	John McBride (Chairperson)
Date of Decision:	14 May 2018

Background

1. On 13 September 2017, Sportsbet advised the Racing Commission via Licensing NT's Acting Manager Compliance, Gambling and Racing, that due to a technical issue certain customers were able to place bets on their accounts following the expiration of the 45 day identify verification period.
2. The Acting Manager requested from Mr Adrian Ryan, Sportsbet's General Counsel, a complete report into the verification issues. Mr Ryan responded on 28 September 2017. In part he stated the following:-

“On 15 August 2017, following six months of rigorous testing and planning, Sportsbet completed the ‘live transition to the new data centre. While the transmission was otherwise successful, it did cause a technical glitch which interrupted our (Sportsbet) automatic account suspension mechanism which runs daily to check the suspended accounts which have not been verified within 45 days (automatic account suspension tool). The automatic account suspension tool ceased running temporarily and as consequence 266 customers were permitted to deposit and place bets (but, importantly, not withdraw funds) on their Sportsbet account prior to verification being complete”.

Mr Ryan went on to say:-

“This issue was detected by Sportsbet on 6 September as part of our [Sportsbet] monthly internal monitoring processes, which act as an additional control regarding account verification. The 266 accounts were immediately suspended pending successful verification”.

For the period between 15 August 2017 and 6 September 2017 Sportsbet therefore by their own acknowledgement permitted some 266 client accounts to operate without prior account verification being completed for each identified account.

Consideration of the Issues

3. From the above acknowledged background there are two (2) potentially related breaches under governing legislation which arise in this matter.

4. The first potential breach arises under Section 80 (1) (d) of the *Racing and Betting Act* in so far as the licenced bookmaker may have failed to comply with one of its licence conditions, specifically condition 12, which states:

The Sports Bookmaker must not allow any customer to withdraw monies from their nominated account until satisfactory proof of age and identity is provided in compliance with the Know Your Customer requirements pursuant to the Anti-Money Laundering and Counter Terrorism Financial Act. In circumstances where the customer has failed to provide sufficient proof of age or identity within forty five (45) days of opening an account, the Sports Bookmaker shall immediately freeze the account and advise the customer that the account will remain frozen until sufficient proof of age and identity is obtained.

5. The second breach also pursuant to Section 80 (1) (d) of the *Racing and Betting Act* is in relation to the bookmaker failing to comply with a licence condition, specifically condition 16, which states:

The Sports Bookmaker must comply with any Codes or Guidelines issued by the Commission pursuant to the Racing and Betting Act, and as amended from time to time.

6. The requirement for identification of customers is enshrined in section 6.3 of the NT Code of Practise for Responsible Online Gambling 2016 (the Code)

6.3 Identification verification

Online gambling operators are to obtain adequate evidence of identity within 45 days of an account being opened or before winnings may be withdrawn, whichever occurs first.

Online gambling operators must suspend the account if identification verification is not obtained within 45 days

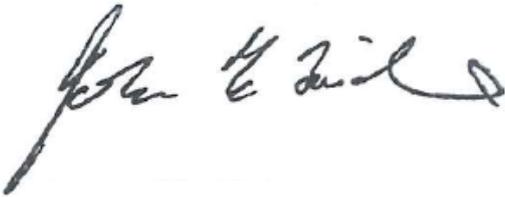
Online gambling operators are to return deposited funds and close the account immediately if identification shows the person is not over 18 years of age.

7. The bookmaker's General Counsel, very helpfully in his reply, outlined the remedial action taken to prevent breaches like this occurring again. Details of improved control mechanisms, data reporting and compliance monitoring systems with human monitoring reviews are all welcome and noted as aids to prevent migration of data and identity verification breaches.
8. Ultimately however regulatory adherence remains the obligation of each licensee. Sportsbet have fallen short of their obligation in this regard before and been penalised for same.
9. It is disappointing that we are once again dealing with an investigation into similar matters of compliance.
10. This Commission considers that any breach of client verification procedures is a serious matter. It notes the necessity to vet and properly identify account holders as integral in guarding against illegal or fraudulent activities including money laundering as well as wagering by children.

11. Breaches of this type, where proved, entitle the Commission, pursuant to Section 80 of the *Racing and Betting Act*, to deal with the party concerned by way of a monetary penalty imposition, suspension or cancellation of licence.

Decision

12. While the Commission recognises the circumstances surrounding this breach and the explanations given for its occurrence, it cannot ignore the serious nature of the transgression. The Commission further notes in dealing with this bookmaker, it is not the first time the licensee has been found guilty of a similar breach. On the 15th November 2017 the Commission imposed a monetary fine of 85 Penalty Units for an earlier breach by Sportsbet of section 80(1) (d) of the *Racing and Betting Act*.
13. As such, and in accordance with section 80 of the *Racing and Betting Act*, on the basis of the information provided and for the reasons set out above, the Commission finds Sportsbet in breach of its obligations under section 80 of the *Racing and Betting Act* (specifically section 80 (1) (d)) through a lack of compliance with conditions 12 and 16 of its licence.
14. The Commission has determined to impose a monetary fine of 127 Penalty Units, (Unit value of \$154.00) which equates to \$19,558.00.
15. The amount is to be paid in full within 30 days from the date of the decision.



John McBride
Chairperson
Racing Commission

14 May 2018