

Northern Territory Racing Commission

Minimum Bet Rule

Members: Mr Richard O'Sullivan (Chairman)
Mr Wally Grimshaw
Mr David Brooker
Mr Philip Timney

Meeting: 27 June 2013

Powers of the Racing Commission and Licence Conditions

1. The Northern Territory Racing Commission is empowered under Section 17 of the *Racing and Betting Act* to grant corporate bookmaking licences. In performance of this function the Commission must have regard to certain principles as outlined at Section 17(2) of the Act. For the sake of clarity and fullness the applicable Section is reproduced below in its entirety.

Section 17(2)

In performing its functions, the Commission must have regard to the following principles:

- a) Minimum regulatory intervention by government;*
 - b) Maximum cooperation between industry and government;*
 - c) Performance-based risk management controls;*
 - d) Proactive and competitive industry positioning;*
 - e) Long term viability of the racing industry;*
 - f) A balanced approach to problem betting.*
2. Assessment of the appropriateness or otherwise of particular rules and special licence conditions must be considered within the context of the above.
 3. The Racing Commission is further empowered under section 83 of the Act to make rules for the proper control and regulation of betting by bookmakers. It was in reference to this section that the initial Minimum Bet Rule was introduced as a licence condition to all Licensees. By way of Commission Decision of 27 June 2013 the Minimum Bet Rule was removed as a licence condition.

Introduction of the Minimum Bet Rule

4. The Minimum Bet Rule was primarily introduced in response to complaints regarding the practice of limiting or restricting the size of wagers on fixed odds betting. At the time the Racing Commission was of the view that the introduction of such a rule would lessen client complaints and closer align the obligations of on line bookmakers with those on-course. It is fair to say further that the rule evolved from a desire by the Commission to ensure that all clients could wager with a degree of certainty and consistency across all Licensees.

5. Some Licensees initially welcomed the rule, however, it is equally fair to reveal that some Licensees expressed dissatisfaction at the intrusion of the Racing Commission into their risk management practices. It also became evident that the implementation of the Minimum Bet Rule was problematic technically for some Licensees. It should be noted, however, that the Commission received advice suggesting that there was no complete technical bar to the introduction of the Minimum Bet Rule.
6. The Racing Commission did not anticipate the response of Licensees in dealing with the consequences of the Minimum Bet Rule.
7. Rather than comply with the obligation to stand to lose pre-determined amounts on horse racing, trotting, and greyhound racing, it became the practice of some Licensees to simply close the accounts of clients who repeatedly benefited from the Minimum Bet Rule. Coinciding with the evolution of this practice the Racing Commission determined to conduct a review of the application, effectiveness and success of the Minimum Bet Rule with a view to either modifying it or removing it as a Licence Condition. For the sake of complete transparency the motivation to reconsider the status and need for such a rule came largely from the alarming rise in account closures and representations from Licensees that the Minimum Bet rule was unworkable. The imputation being that account closures would continue unless that Rule was removed.

Withdrawal of the Minimum Bet Rule

8. By way of Racing Commission Decision of September 2012 it was determined that a Bookmakers Forum would be held in Darwin. One of the agenda items for that forum was the Minimum Bet Rule. In June 2013 the representatives of all Northern Territory based Licensees and a representative of the Northern Territory Totalisator operator met at the Bookmakers Forum. The Minimum Bet Rule was discussed at length and the Commission determined to consider the comments and expressed views of Licensees when making a decision regarding the continued viability of the Minimum Bet Rule.
9. The Racing Commission had gathered over a period of some months a large compendium of submissions, comments and complaints on the Minimum Bet Rule and the sometimes related account closure practice of Licensees and is of the view that it had a fair balance of information upon which to reach a decision.
10. The Racing Commission determined that to require a Licensee to stand to lose a specified amount creates particular problems that compromise the business model and commercial efficacy of Licensees. That this is inconsistent with what is required of traditional bookmakers is not lost on the Commission, however, to compare the two is not reasonable. The online bookmaking environment is far removed from the on-course physical operations of traditional bookmaking and therefore a direct comparison is not valid.
11. The Racing Commission takes the view that to simply import all of the obligations of on-course bookmakers to online bookmakers would be as counter intuitive as requiring on course bookmakers to accept multiple wagers milliseconds apart without the opportunity to reset the board and calibrate a properly constructed market.

12. Those who argue that the traditional bookmaking model can be transposed with effect to online bookmakers do not appreciate the structural differences between the two business models. The former accepts wagers on a first come basis and has the opportunity to pause and alter odds on offer before being required to accept further wagers. The online model has little or no capacity to pause between bets placed or predict multiple simultaneous wagers: as such any requirement to lose a certain amount can in theory expose the online operator to unspecified and untenable losses. This is the nub of the difference between the two types of bookmaking.
13. Consequently, it is the view of the Racing Commission that by denying Licensees the opportunity to exclusively determine their own risk- management protocols account closures will continue. The appropriate client mix, marketing strategies, and risk management practices for each particular Licensee are the domain of the Licensee alone. The commercial reality and flow-on consequences of marketing and customer retention strategies that are flawed or eventually fail will be the ultimate arbiter of the practice by Licensees to close accounts deemed uneconomical.
14. Australian gamblers are fortunate to have a strong totalisator network that offers an alternative to corporate bookmakers. It is not the wish of the Racing Commission for online bookmaking business to leak to the pari-mutuel network, however, in the interests of fairness it must be noted that this option is available. Also available to parties, being denied fixed odds wagers or excluded from minimum guaranteed wager wins is access to on course bookmakers. The Commission is certain that Licensees are cognisant of this fact and equally certain that it is a consideration taken most seriously when determining customer service standards.

Concluding Remarks

15. None of the above should be construed in any way as the Racing Commission abandoning those who wager in good faith with Northern Territory based Licensees. Quite the contrary, where there is reason to believe that a Licensee, or group of Licensees are operating in a way contrary to the interests of the industry overall the Racing Commission will take steps to rectify such a situation to the full extent of its powers under the *Racing and Betting Act*. It is a requirement under the Act that the Racing Commission turns its mind to the long-term viability of the racing industry and it will uphold this duty at all times. That said; the Racing Commission cannot in good conscience obligate Licensees to stand to lose a pre-determined amount. As such the Minimum Bet Rule is no longer a licence condition for Northern Territory based Sports Bookmakers.

Richard O'Sullivan
Chairman

15 August 2013