

# A Review of Online Gambling Literature



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## Introduction

Gambling is an activity that involves placing a wager with something of significance (e.g. money) on an outcome that is uncertain (MacKay, 2004). With the advent of technology and the global popularity of the internet, gambling online has become a popular form of betting. The first online gambling website was initiated in 1995 (American Gaming Association, 2007). Forms of online gambling include sports betting, games of skill, such as poker, and other casino games, such as blackjack or roulette. The nature of online gambling has changed rapidly over the past several years; not only has it increased in popularity, but it has also introduced vital new legal and public health concerns. This review will provide a comprehensive summary of the current state of online gambling with particular attention paid to other jurisdictions, current legislation, and future outlooks. There are two main forms of online gambling; online wagering and online gaming. Online wagering involves the placing of bets on a physical event, such as a horse race or sports game. Online gaming involves the playing of games generated by software where results are determined randomly (McMillen, 2000). Within this report, the term “online gambling” will refer to both of these forms of betting over the internet.

Online gambling encompasses a wide range of activities. Sports betting involves the laying of wagers on the outcome of professional or college sports. MacKay (2004) suggested that the popularity of online sports betting, until recently the most popular form of betting, may be due to increased confidence on the consumer’s part in the technology used to record bets and because the outcomes of the event are public knowledge, and are therefore less subject to manipulation.

More recently, casino games, such as blackjack, roulette, craps, and poker, have also entered the online scene. Online poker has since become the most popular form of online gambling. Griffiths (2005) argues that the popularity of online poker may be due to the financial value it provides the gambler. Specifically, poker involves some degree of skill and does not involve trying to “beat the house”, which gives the gambler a better chance of winning, especially compared to other online gambling casino games that have pre-programmed outcomes (Griffiths, 2005). Some online gambling sites that offer casino type games have provided for some degree of social interaction using technology that allows players to converse with each other and, in some cases, see each other face to face (MacKay, 2004). Other more traditional forms of online gambling include lottery games operated in Canada by the provincial government. Lottery games online are essentially the same as typical lottery games, as the consumer buys a ticket in the hopes of winning a prize. A final, somewhat debated, form of online gambling is electronic stock trading (Turner, 2002; MacKay, 2004).

Operating an online gambling company offers the potential for substantial profit. Online gambling companies face much lower administrative and overhead costs compared to traditional casinos. For instance, online casinos substitute technology for human labour; instead of hiring and training casino employees (e.g. dealers, croupiers, gaming attendants, and supervisors), computer algorithms are used to run the games (Morse, 2006). Online casinos can also avoid maintenance and insurance costs as they avoid risks such as natural disasters (e.g. hurricane Katrina in 2005). In addition, traditional casinos are liable to costs related to real estate,

construction, and potential delays from local authorities, for instance with respect to zoning laws, concerns regarding environmental impact, and safety regulations (Morse, 2006). Virtual casinos avoid all these costly issues as they require only technological expertise. The costs saved by online gambling companies can then be passed on to the consumer. Research indicates that payout ratios for some online casinos exceed those of traditional casinos (some estimates put the higher payout ratio from four to eight per cent) (Morse, 2006).

Gambling online is a relatively easy activity. Potential gamblers can visit any of the large number of websites that offer games or betting and register with that company, often using their credit card to make a deposit. Immediate play can begin with the provision of a credit card number, whereas if the user sends a certified cheque or money order the start of play will be delayed until the funds are received (Thompson, 2001). Funds are subsequently placed in the user's account from which losses are deducted and winnings are added. At any point, the gambler can have their winnings mailed to them in the form of a cheque (Thompson, 2001). Once the individual has begun gambling on that website, incentives to continue gambling are often provided (Kelley, Todosichuk, & Azmier, 2001). For instance, money may be placed in the online gambler's account by the online site for use at the site. This money serves as an incentive to continue playing because it is available to the gambler, but cannot be 'cashed out'.

The recent popularity of internet gaming resulted in an estimated \$7 billion to \$10 billion spent in 2004; the greatest proportion of this (approximately \$4 billion) was spent by American citizens alone (Stewart, 2006). Despite the fact that the United States prohibits online gambling, research suggested that only a minority of American online gamblers (approximately 19 per cent) realized that online gambling was illegal (Fahrenkopf, 2006). In fact, of the approximately 23 million people who gambled online, Christiansen Capital Advisors estimated that over one-third (8 million) were American (American Gaming Association, 2007).

Gambling is also popular among Canadians. A 2005 gambling prevalence study in Ontario concluded that 60 per cent of Ontario residents gambled, most commonly on ticket lotteries (52.4 per cent), scratch/instant win tickets (24.9 per cent), and casino games and slot machines (23 per cent). More recently, online gambling has become more popular among young adults, rising from 1.4 per cent in 2001 to 5.5 per cent in 2005 (Responsible Gambling Council, 2007). In fact, American research indicated that compared to both the general population and patrons of traditional casinos, online gamblers were younger, more educated, and had a larger disposable household income (Fahrenkopf, 2006). Canadian research suggested that online gambling was frequent. Of those who gambled online, at least one quarter gambled weekly, while 12.7% indicated that they gambled daily (Responsible Gambling Council, 2007).

Online gambling is regulated in Canada. Provinces and territories operate their own online gambling activity within their jurisdiction; these sites are regulated under provincial legislation and under the federal *Criminal Code* (BC Partnership for Responsible Gambling, 2007). While British Columbia operates a lottery system online, the internet can also be used to bet on horse races. This decision was made in 2004, when the Canadian Pari-Mutuel Association produced a legal online site to allow individuals to place bets on horse races (BC Partnership for Responsible Gambling, 2007).

Due to the present legislative restrictions on online gambling, most online gambling companies are located outside of North America (Stewart, 2006). Although most online gambling companies are located outside of Canada, there are several exceptions to this rule. For instance, First Nations groups in Canada are exempted from certain governmental regulations as applied to gambling. As a result, several online gambling providers have exploited this legal loophole and have located the physical aspects of their online companies on First Nations reserves throughout Canada. The Kahnawake Gaming Commission (KGC), for example, is located in Quebec on the Mohawk reserve of Kahnawake. This commission is host to approximately 400 online gambling sites making it the third largest internet gambling host in the world, behind Antigua and Costa Rica (Perkins, 2006). The KGC offers an Internet Service Provider through Mohawk Internet Technologies which hosts the gambling sites through the use of supercomputers located on the reserve. The KGC does, however, employ several responsible practices. For instance, the \$10,000 annual licensing fees that they charge likely limits the ease with which gambling sites are set up. In addition, the KGC has established a regulatory model, the Kahnawake Regulations Concerning Interactive Gambling.

Finally, the KGC also audits its clients through the use of services provided by PriceWaterhouseCoopers. However, the KGC was under investigation by the Sureté du Quebec as their operations appeared to be in violation of the Canadian Criminal Code; although deemed illegal, no charges have been laid (Kelley, Todosichuk, & Azmier, 2001; Perkins, 2006). In addition, companies, such as the British Columbia Lottery Corporation, legally operate lottery games, keno, and sports betting on their websites (Stewart, 2006; BC Partnership for Responsible Gambling, 2007). In Eastern Canada (Nova Scotia, Prince Edward Island, Newfoundland, Labrador, and New Brunswick), online lotteries are run by the Atlantic Lottery Corporation (Stewart, 2006). Within Canada, the individual provinces and territorial governments are responsible for operating lottery systems and are able to do so online as long as transactions remain within that province or territory and are only engaged in by residents of that jurisdiction (BC Partnership for Responsible Gambling, 2007). Online lottery sales is a practice that is common to many countries other than Canada; the United Kingdom, France, Austria, and Sweden also sell lottery products online (Stewart, 2006). In total, online lottery sales resulted in over \$1.5 billion of gambling revenues in 2005 (Stewart, 2006).

One form of gambling activity that has commonly been exempted from rules prohibiting online betting is the horseracing industry. As recently as 2006, the horseracing industry in the United States allowed wagers to be placed online. In the state of Oregon alone, this practice resulted in \$200 million in revenue during 2005 (Stewart, 2006). However, more recently, the U.S. Department of Justice has argued that the placing of online wagers violates federal laws (Stewart, 2006).

Until recently, sports betting companies have also allowed wagers to be placed online. For instance, the state of Nevada permitted online sports betting provided that the bettor first opened an account in person (Stewart, 2006). Until the recent surge in popularity of online poker, the majority of the online gambling market involved online sports betting, which accounted for over half of the online gambling revenues in 2001 (Stewart, 2006). Although surpassed by online poker betting, online sports betting continues to provide a substantial proportion of online



gambling revenues, contributing approximately \$4 billion (35 per cent) in 2005. Although many of the companies providing online sports betting are located outside of the United States, many of the activities that are wagered are American-based, such as the Super Bowl and other major basketball and baseball games (Stewart, 2006).

Although poker is generally recognized as a casino game, a distinction is typically made between poker and other casino games in terms of online play. While online casino games consistently contribute approximately one-quarter of online gambling, online poker has contributed to the majority of recent growth in online gambling. Between 2000 and 2005, revenues from online poker increased from \$82 million to an excess of \$2 billion (Stewart, 2006). One company alone, PartyGaming, earned close to \$1 billion in 2005; 88% of this revenue was the result of online poker, the majority of which (84 per cent) was supplied by players from America (Stewart, 2006).

## Location of Online Gambling Companies

Due to recent American legislation regarding the provision of online gambling, many online gambling companies are physically locating their companies outside of the United States. As mentioned above, several of these companies are located in Canada, primarily on First Nations reserves. As of March 2005, slightly more than 400 online gambling companies were located on Kahnawake Mohawk Canadian reserves (Stewart, 2006). As of 2005, the United Kingdom was also home to slightly less than 100 gambling companies (Stewart, 2006). In 2005, the United Kingdom passed the *Gaming Act* which included regulation procedures for online gambling; the passing of this legislation will result in the regulated operation of online gambling providers physically located in the U.K. (Stewart, 2006).

However, as of 2005, the majority of online gambling companies could be found in Antigua (536) and Costa Rica (474), with others found in Curacao, Gibraltar, and Belize. For example, BetonSports.com is an online gambling company based in Costa Rica and operating out of Antigua. Although the company is prohibited from operating in the United States, 98% of its \$1.25 billion in revenue in 2003 came from Americans. According to the CEO of BetonSports.com, David Carruthers, the company had 1.2 million customers registered in the United States, and who made approximately 33 million bets a year (Woellert, 2004). Interestingly, this company emphasized the need for regulation of the online gambling industry, pointing out that regulation improves quality, certainty, and protection, allowing consumers to have trust in online gambling sites. Furthermore, regulation of online gambling has the potential to stimulate the economy as revenues are taxable (Woellert, 2004).

Tax rates applied to online gambling typically fall below 5 per cent, although with the U.K. legislation, tax rates, which are expected to be set in 2007, are expected to be fixed at a higher rate. In the Isle of Man, off the coast of the U.K., the tax varies depending on the amount of money earned. The rate is 2.5% on the first 10 million pounds dropping to 0.5% applied to a handle (the amount taken in from placed bets) of between 10 and 40 million pounds, leveling off at 0.1% when the handle exceeds 40 million pounds. In Antigua and Barbuda, taxes are paid at a rate of 3% of the “hold”, or the money retained by the company following the payoff to winners.

In these countries, there is a maximum amount of \$50,000 charged a month in taxes. In Alderney (an island in the English Channel), there is no tax; however, there is a flat rate of 75,000 pounds a year (Stewart, 2006).

### Online Payments

Once an online gambling account has been opened, payments can be made using a credit card, debit card, smart card, e-money, cheque, or wire transfer (Schopper, 2002). Electronic money, or e-money, is a digital representation of real money. Technology enables e-money to be stored on a hard drive, smart card, cell phone, or other device that has memory capacity. E-money can be encrypted, rendering it meaningless to all but the intended recipient. E-money can be purchased through the use of a credit card or other traditional source of money. Smart cards are one method by which e-money can be stored. A gambler can buy a smart card, load it with e-money through the internet or even a bank or ATM, and spend it as they would normal cash. E-money provides several advantages over credit cards or cash (Schopper, 2002). For instance, e-money can be exchanged between residents of two different countries without having to be changed into another currency. Thus, e-money lowers the costs of transactions. Furthermore, identity theft is a risk with credit cards; this risk is not present with respect to e-money as it can be encrypted and used anonymously. Lastly, e-money may facilitate online gambling because of the rapid transfer of funds that it permits: gambling providers can elect either to transfer winnings to the gambler immediately after their win or they can opt to transfer it when the gambler cashes out. Therefore, the online gambler is not forced to wait for their winnings, whereas with alternative measures of payment, such as through credit card, a gambler will have to wait for a cheque to arrive in the mail or for a credit to their credit card before they can be sure the site they have gambled on is legitimate (Schopper, 2002). E-money, therefore, has the potential to increase the consumer confidence and security of online gambling.

In an attempt to restrict online gambling activity in the United States, the American government put pressure on several companies accepting offshore payments. American bettors have used “e-wallets” operated by companies based outside the United States (e.g. Citadel, FirePay, or NETeller) to make payments to online gambling companies. NETeller, for instance, is an online payment service with headquarters in the Isle of Man, and additional offices in Canada, England, China, and Costa Rica. NETeller is a publicly traded company on the London Stock Exchange and, in late 2005, it reported daily transactions of around \$4 million (Morse, 2006). Although headquartered offshore, NETeller takes payments from American bank accounts or credit cards. Essentially, with online transactions, bettors transfer money to their e-wallets and the e-wallet makes the payment to the online gambling company (Stewart, 2006). Companies, such as NETeller, are not easily subject to restrictions as they have legitimate uses for other merchants (Morse, 2006). However, credit card payments to offshore betting companies are identifiable by the code “7995”, which refers to online gambling and which, therefore, facilitates the tracking of online gambling transactions (Stewart, 2006).

American authorities have attempted to restrict the use of this practice. In 1997, the Attorney General in Florida pressured Western Union into ending the practice of issuing money orders and wire transfers in payment to offshore betting companies. In 2002, Citibank made an agreement with the New York Attorney General to prohibit the use of its Visa and MasterCard credit cards

for offshore payments (Stewart, 2006; Morse, 2006). Similarly, the company PayPal handled payments made to betting companies; however, in 2002, the New York Attorney General subpoenaed their records of transfer to offshore gambling companies, resulting in a \$10 million settlement to the Justice Department for violations of the American *Patriot Act*, which effectively ended their involvement in online gambling transactions (Morse, 2006).

However, despite these measures, several banks in the United States continued to allow credit card payments to be made (Stewart, 2006) and American bettors have continued to make payments to offshore betting companies through the use of e-wallets. American banks have not been banned from transferring payments to these e-wallets. However, if legislation *is* passed prohibiting this practice, American bettors may be able to turn to the use of European banks to conduct their transactions with offshore gambling companies (Stewart, 2006). Gambling websites may also offer alternative transaction methods through offshore financial entities. For instance, one online casino offers directions for banking on its website; by clicking on banking, the gambler is able to establish an e-cash account with a Cyprus mailing address using a credit card, as long as the address provided was connected to the billing address of the card (Morse, 2006). Although there is technology available to restrict patrons from other jurisdictions, it does not tend to be in the economic self-interest of other nations to restrict American gamblers from their sites (Morse, 2006).

## Benefits of Online Gambling

There is a wide range of benefits that can result from online gambling. A primary benefit is the potential for revenue to be collected by provincial or state governments resulting from the taxation of online gambling business revenues. The massive amount of revenue that is potentially available to be collected could be directed by government towards support of government programs, including those used with problem gamblers (Thompson, 2001). The licensing of online gambling companies also provide increased employment opportunities, which will subsequently benefit the local economy with increases in disposable income that is spent outside of the casino environment (Thompson, 2001).

Online gambling also offers benefits directly to the consumer. For instance, it allows the gambler to play from the comfort of their own house with access to games at any time of night or day, thus presenting the consumer with convenience. Consumers also have the option of playing multiple games at once. Simply by opening a number of different screens on their computer, online gamblers can access multiple gambling sites simultaneously (MacKay, 2004). Griffiths, Parke, Wood, and Parke (2006) identified that with increased competition on the internet, online gambling consumers are benefiting from the promotional discounts commonly offered. Furthermore, by gambling online, consumers benefit through the avoidance of traditional costs, such as parking fees, the tipping of dealers, and the purchases of food and drink at the casino. In other words, the proliferation of online gambling has effectively made gambling more affordable for consumers to engage in online (Griffiths et al., 2006). Another benefit of online gambling is that the online casino is unable to manipulate the gambler's environment to the extent that traditional casinos can. Traditional casinos control the environment by restricting access to daylight and clocks, thereby inducing gamblers to play more (Morse, 2006). However, online

casinos, although they can add graphics that will attract the attention of gamblers, cannot manipulate the gambler in the same way, thus possibly reducing the potential to gamble excessively.

## Problems of Online Gambling

Despite the many attractive qualities of online gambling, such as increased tax revenues for the government, increased ease and comfort for the consumer, and increased job opportunities and boosts to the local economy, there are several objections to online gambling. Objections to online gambling are very similar to those against gambling in general. For instance, a primary argument against gambling is that the introduction of gaming facilities subsequently leads to an increase in the number of gamblers, which increases the potential for gambling addictions (Thompson, 2001). Other research suggested that with increases in gambling come increases in criminal activity. Research in the United States indicated that crime rates were 84% higher in communities with casinos compared to the average national crime rate (Thompson, 2001). This problem is often related to gambling addictions as those who have addictions to gambling may resort to stealing or embezzling funds with which to support their addiction or they may take out their frustrations on themselves or others (e.g. through suicide or domestic violence). A study in Maryland concluded that increases in violent crime, juvenile offending, property crimes, insurance fraud and other white-collar crimes, drug and alcohol related crimes, and domestic violence (spousal abuse or child abuse) were related to gambling (Thompson, 2001). Another concern regarding gambling in general is that gambling activities tend to target those with less income, who may be more susceptible to the idea of getting rich quickly (Thompson, 2001). Others have expressed concerns regarding workplace gambling, as many workplaces provide employees with access to the internet (MacKay, 2004). There are additional concerns specific to online gambling, including the lack of responsible gaming practices, underage gambling, unfair practices of online gambling operators, and money laundering (e.g. BC Partnership for Responsible Gambling, 2007).

## Responsible Gaming Practices

Approximately 2% of the Canadian population experience gambling problems that lead to disruptions in their mental or physical health (Cox, Yu, Afifi, & Ladouceur, 2005). Problem gambling can also negatively impact employment or schooling, relationships (family or personal), and financial or legal status (MacKay, 2004). Pathological gambling is a similar but more severe state of addiction (e.g. MacKay, 2004). Either can subsequently lead to engagement in criminal behaviour, divorce, suicide, violence, bankruptcy, substance use, or psychological problems, such as depression (MacKay, 2004).

The relatively easy access that is offered through gambling websites has resulted in increased concerns for those who have problems with gambling. The fact that online gambling allows gamblers to hide from the public's view increases concerns regarding the ability to identify and assist those with gambling problems. This concern is further intensified given that gambling online is relatively anonymous and anonymity may encourage the gambler to take risks they

otherwise would not as it eliminates the potential for negative stigma (e.g. BC Partnership for Responsible Gambling, 2007; Griffiths et al., 2006). In addition, gambling online provides the consumer with the option of isolating themselves from other players. Whereas gamblers are surrounded by other people in casinos, those who gamble online can do so without ever having to converse with another person. Although online technology now offers a variety of ways to socially integrate online gamblers (e.g. the availability to chat online, the use of webcams to see other players), online gamblers are certainly not forced to participate in these social activities. This fact is concerning given that research indicates problem gamblers are more likely to gamble alone, isolating themselves from others (Griffiths, 1995). This has led some to suggest that online gamblers are more susceptible to addiction, a claim that has been supported empirically. Ladd and Petry (2002) provided evidence that online gamblers were more prone to have problems with gambling. In their study, slightly less than three quarters of online gamblers (74 per cent) were identified as either problem or pathological gamblers, compared to less than one quarter (22 per cent) of those not gambling online. Online gamblers have reported anecdotally that they have lost track of time or entered trance-like states while online. There is little time between games, denying players a chance to break from this trance-like state, resulting in a lack of consideration regarding finances (Zacharias, 2007). The degree of dissociation experienced by players appears to be somewhat dependent on the structural characteristics of the game, such as the event frequency, the payout interval, as well as light, colour, and sound effects (Griffiths et al., 2006). Therefore, research suggested that online gambling provided gamblers with a degree of isolation that might facilitate an addiction to gambling, especially when combined with structural characteristics that, for instance, increase the speed of play and payout. Gambling online is available 24-hours a day. Such unlimited access may encourage the development of gambling problems (BC Partnership for Responsible Gambling, 2007). In addition, when gambling on an unregulated site, gamblers may lose track of how much money they have gambled and lost. This can result in gambling more than the player can afford (BC Partnership for Responsible Gambling, 2007). The tendency to gamble more than intended may be affected by the use of a credit system to play, as research has suggested that people tend to spend more money when using debit or credit cards as there is less of a psychological impact compared to dealing with 'real' money (Zacharias, 2007).

Online gaming is enjoying popularity as a workplace performance enhancer. Programs, such as Snowfly ([www.snowfly.com](http://www.snowfly.com)), provide employees with incentives, such as parking spaces and iPods, to perform at their job. Essentially, a workplace purchases the Snowfly software and workers log onto the program throughout their workday updating their performance. When employees enter their performance indicators (e.g. a successful sales call or taking a shorter work break), they are rewarded with electronic tokens that they can use to make bets on games, such as horse racing, available on the Snowfly website. If they win, they are awarded points, up to 5,000 at a time. Companies allow points to be redeemed for items, such as longer breaks from work or even entire days off work (McCarthy, 2006). The operators of Snowfly suggest that playing games at work increases productivity and job satisfaction (Snowfly, 2007). Companies who use the software argue that, for a flat monthly fee (annually ranging from \$50 to \$120 per employee), the program cuts down on paperwork and allows employees to be monitored more consistently, facilitating the identification of people whose performance is falling behind. However, no matter

how it is packaged, programs like Snowfly are encouraging online gambling in the workplace which to many is socially irresponsible.

### Underage Gambling

The availability of online gambling has led to concerns regarding its ability to facilitate underage gambling. Due to the anonymity of the internet, it is much easier for minors to pass themselves off as adults online than it is for them to do so physically in a casino (Stewart, 2006; BC Partnership for Responsible Gambling, 2007). Traditional casinos are threatened by sanctions if minors are found on their premises; therefore, there is an incentive for casinos to screen patrons for age. However, unregulated online gambling companies do not face such threats and, therefore, have little incentive to verify age (Morse, 2006; BC Partnership for Responsible Gambling, 2007). In addition, many children and youth can access their parent's online accounts either with their parent's permission or unbeknownst to them (Thompson, 2001). Given that research supports that the earlier one is exposed to gambling, the greater the chances of developing an addiction, it is especially important to restrict underage access to online gambling (MacKay, 2004).

While gambling is particularly common among college students, many students began gambling prior to entering college. A state-wide study in Indiana identified that 35% of youth in grade six and 55% of youth in grade twelve had gambled in some manner within the past year (Leinwand, 2006). Canadian research provided similar rates. In a study with approximately 3,500 Alberta youth in grades 7 to 12, nearly half (41.2 per cent) reported gambling in the past year. Problem gambling behaviour was evident among 3.8% of these youth and 5.7% were engaged in hazardous gambling behaviours (Alberta Alcohol and Drug Abuse Commission, 2002). Similarly, MacKay (2004) reported that 3.7% of the 4,800 high school students had gambled online in the previous year.

The rates of gambling are much higher among young college students. Although many students who gamble online are under the legal gambling age of 21, their possession of a credit card, even if provided by parents, allows them to gamble illegally online on sites such as online casinos or online brokers, where they can play games or the stock market (Gose, 2000). A study by the University of Pennsylvania showed that half of college men gambled on cards at least once a month during the past year, with 15% playing at least once a week in 2005. The rates were much lower for college women. Specifically, only 1.6% reported weekly play during the past year. The report also indicated that the rate of weekly online betting was five times the rate in 2002 (Koch, 2005).

Many students at college are away from home for the first time and, as a result, are particularly vulnerable to engaging in experimentation activities, such as online gambling (Koch, 2005). Some online sites specifically target college students; for instance, Koch (2005) reported that every Sunday night at 6 p.m., thousands of college students compete online for scholarship money through playing in the qualifying rounds of a national poker tournament. By qualifying in the weekly games, for which there was no cost to enter, students won a place in the annual College Poker Championship. The second year's winner was rewarded with \$41,000 (U.S.) in



scholarship money after beating approximately 25,000 other students. The following year was expected to draw around 40,000 students (Koch, 2005).

At one American school, Southern Methodist University, campus officials surveyed students and found that 5% of the 400 students surveyed reported gambling online frequently (Gose, 2000). Thus, the current state of online gambling offers little or no protection against underage gambling as many websites require a minimum age of 18. This policy is in contrast to the minimum age for gambling of 19 in many Canadian provinces and 21 in many American states (Morse, 2006). Furthermore, it appears as though many online gambling sites do not necessarily uphold these restrictions. In a 2004 study conducted by Smeaton, Poole, Chevis, and Carr, a 16 year old volunteer was able to gain access to 30 of 37 sites tested using his debit card to open an account that would allow him to lay bets. Similarly, Smeaton and Griffiths (2004) identified that 15 of 30 U.K. owned gambling sites did not specify an age restriction, while 11 did not engage in any verification of age. The United States has considered the use of credit card possession as a proxy for identification of age; i.e. theoretically, it is difficult for minors (those under 21) to obtain personal credit cards, therefore, those who gamble online with credit cards should be, by default, adults. However, there have been cases where this logic has been skirted (Morse, 2006). For instance, some online gambling sites direct the potential gambler to financial institutions outside of the United States which operate under a different set of rules and regulations.

The prevalence of gambling and online gambling among college students is concerning, as research has identified that college students were three times more likely than adults to develop problems with gambling (Morse, 2006; Gose, 2000). Most young gamblers are males who are competitive, impulsive, risk-takers, popular, good students, intelligent, and with a high-energy level. Female young problem gamblers are also typically competitive and popular, as well as good students and athletic (Myers, 2002). For both genders, signs of pathological gambling include: gambling to win back losses; gambling larger amounts to obtain similar levels of excitement; and lying about gambling losses (e.g. Gose, 2000). Other signs of underage gambling include: changes in personality, such as being irritable and/or impatient; a drop in grades; absence from school; or carrying a lot of money (Myers, 2002).

### Unethical Practices

A major concern regarding the current state of online gambling is that many consumers are at risk of being taken advantage of by unethical gambling businesses. For instance, illegitimate gambling websites may 'rig' or 'fix' their games in order to increase the potential for consumer loss. Software can be programmed to make the odds of winning disproportionately unfair to the gambler (Thompson, 2001). Research suggested that consumers were aware of and concerned about these unethical practices. A survey of online gamblers suggests that a majority (55 per cent) were at least somewhat concerned of being cheated by online gambling providers, while 46% believed that other online gamblers find ways to cheat (Fahrenkopf, 2006).

Online gamblers were also concerned with the risk of not receiving payment for their winnings. As MacKay noted, "[a]nyone in the world with an Internet connection could open a site, gather credit information, take bets, and close the site before distributing winnings" (2004: 10). In fact, several cases have been publicized where online gamblers who won a fairly substantial amount of

money were declined payment by the unscrupulous company. Unfortunately for the gambler, there is often nothing that can be done to regain their losses, as the investigation of offshore gambling companies is both a lengthy and expensive process for law enforcement officials to undertake, while legal sanctions would be difficult to enforce.

Consumers should also be concerned about the practice of some online gambling sites to collect information on gambling habits. MacKay (2004) identified that providers may create a database containing information on how long a player gambles online, when they typically gamble online, what they typically wager, and under what circumstances they are likely to bet. These databases can be sold to other online gambling companies who can develop software based on this information that makes gambling more appealing to the consumer, thus inducing them to gamble online more often and increasing the amount of money spent (MacKay, 2004).

In an attempt to encourage trust, several websites offer ratings of online casinos focusing on their rate of payout and their reputations. These sites also allow player discussion of their online experiences (Morse, 2006). However, while disreputable websites are generally recognizable by regular online gamblers who tend to spread the word quickly, gambling websites are set up and shut down at a very high rate, making it difficult for the user to keep up to date with which sites operate fairly. The issue of trust is, therefore, essential to both the consumer who is concerned with providing their personal and credit card information online, and to the online business who is concerned with upholding their reputation as a fair operator (Thompson, 2001).

Regulating the online gambling industry would result in minimum standards for fair practice. Gambling companies and their respective websites would be monitored to ensure that their conduct is honest and falls within operating guidelines (Stewart, 2006). The perception of fairness is an important component of gambling. In traditional casinos, gambling patrons can observe the patterns of wins and losses of others and can monitor the casino activities to ensure fair operation of games (Morse, 2006). However, online gambling does not easily evoke the same sense of trust as gamblers are often isolated from one another and have no means with which to monitor the game's fairness. In addition, online gamblers do not have the added protection of governmental authority to investigate if they suspect something is being run unfairly. This is in contrast to traditional casinos where gambling is legally sanctioned by the government and where the casino is subject to government investigation, thereby increasing consumer confidence (Morse, 2006).

Online gambling websites may also engage in unethical practices to encourage potential consumers to gamble on their site. "Embedding" is the practice of hiding certain words on an internet site so that when consumers conduct an internet search, for example for "compulsive gambling", their website is identified. This is achieved through the use of meta-tags, which are essentially commands that are embedded in the website that helps search engines categorize the site under a certain topic. By embedding common words such as "Disney" on their website, online gambling websites can direct potential gamblers towards their site (Griffiths et al., 2006). Online companies may also employ the use of "pop-ups" or screens which activate when an individual is on the internet. The effect of pop-ups on those who have problems with gambling are a particular concern. A problem or pathological gambler may be successfully abstaining from gambling, but a pop-up online advertising a particular gaming site may entice an addict to gamble (Griffiths et al., 2006). A similar effect can be achieved through the use of "circle-jerks" or



websites that continue to pop up on the computer screen even after the user has closed them. This technique often requires the user to shut down the computer completely to eliminate the screens from coming back. There is some concern that the use of circle-jerks may tempt those who have problems with gambling to visit their sites (Griffiths et al., 2006).

### Money Laundering

The practice of online gambling has raised concerns regarding the facilitation of money laundering, especially as online gambling links to organized crime are uncovered. Money laundering entails a three-stage process whereby criminals legitimize proceeds of crime by disguising its source through the steps of placement, layering, and integration. Placement refers to the physical moving of illicit money into, for example, financial institutions. In the next step, layering, the audit trail of the money is disguised or eliminated as a complicated procedure involving multiple wire transfers occurs. Lastly, in the integration stage, the illicit money is re-introduced back into the economy, appearing legitimate. Without an audit trail of this process, law enforcement has no way to trace this practice (Schopper, 2002).

Concerns with the potential for money laundering through online gambling sites exist due to the global nature of the internet, which creates a myriad of jurisdictional issues and is characterized by anonymity, speed, and high rates of use (MacKay, 2004). Schopper (2002) cautioned that those wishing to engage in money laundering could store millions of dollars of electronic money on a computer which can be transferred simply by pushing a button. Malcolm (2003) identified several ways in which money laundering can occur. He provided the example of illegal debts, arguing that an individual who owed a substantial amount of money to an insider in the casino could gamble online losing until a sufficient amount of money has been transferred. The reverse could occur simply by rigging the game until the online gambler has “won” the money owed to him/her by the casino insider.

The use of e-money also facilitates money laundering. As e-money payments are anonymous, they do not leave a paper trail for law enforcement to follow (Schopper, 2002). However, electronic funds transfers that are made using credit cards, e-wallets, or debit cards are recorded electronically, meaning that the transaction is traceable. In addition, many offshore gambling companies have implemented anti-money laundering techniques, for instance, by limiting online gamblers to a single account, or reporting transactions that appear suspicious or that are atypical of the gambler’s usual habits (Stewart, 2006).

### Regulation of Online Gambling

In areas where online gaming operates legally, the practice is regulated. The regulation of online gambling is similar to that of physical casinos. Commonalities include an emphasis on fair practices, provisions of identification, the prohibition of minors, and monitoring for money laundering practices. Some gambling jurisdictions allow credit to be extended to players while others disallow this practice. Only some jurisdictions have safeguards in place that promote responsible gambling. The “E-commerce and Online Gaming Regulation and Assurance” (e-

COGRA) is a voluntary organization formed to promote greater respectability and acceptance (Stewart, 2006). By addressing data security and responsible gambling issues, E-COGRA has set minimum standards for protection of online gamblers. They have also established minimum standards for fair gaming, for example through the provision of rules, certified equipment, and the maintenance of transaction records, and responsible conduct through the use of anti-money laundering techniques and restrictions on advertising (Stewart, 2006). The U.K. has yet to determine its regulation practices for online gambling, however, they are expected to be a leader in this area once the *Gaming Act* comes into effect in 2007. The U.K. is expected to focus regulatory attention on the protection of minors and problem gamblers, the promotion of fairness on gambling web sites, the exclusion of criminal activity such as money laundering, and the upholding of integrity of licensees (Stewart, 2006).

### Suitable Employees

Many American casinos, as well as online gambling companies, require that licensees and employees be screened for integrity. In other words, they must be “fit and proper” to operate gambling practices. Often they must undergo a background investigation. In some jurisdictions, holding a license in one jurisdiction is sufficient to receive a license in another jurisdiction (Stewart, 2006). In the United Kingdom, new legislation passed in 2005 under the *Gaming Act* includes the provision that key personnel of licensed online gambling providers be licensed themselves (Gambling Commission, 2007).

### Provision of Identification

Players of online gambling are required to provide some form of identification, which often includes identification of country of residence. By identifying the country of residence, companies can prohibit the gambling of those considered to be minors in their own country of residence. Most online gambling jurisdictions have set a minimum age of 18 years old. Some gambling websites operate on the unproven assumption that any holder of a major credit card must be 18 years old (Stewart, 2006). However, as seen in the United States, this is not always the case. This is similar in the United Kingdom, where there are an estimated near-million debit card holders under the age of 18 (Smeaton, Poole, Chevis, & Carr, 2004). Whereas traditional casinos face penalties for permitting minors to gamble on their premises, the same cannot be said for online websites. Therefore, the need to develop an authentication system to be used on gambling websites in order to restrict gambling to the minimum age of the country is paramount (Morse, 2006). Systems, such as Experian and Verify Me, are already available for use in age and identification verification and are being used by a minority of the online gambling industry. These sites operate by searching government and financial databases for evidence that the gambler is registered at the address provided and that they are over 18 years old. Relevant information may include a credit rating or inclusion in elections. If evidence of identification or age is not found, access will be refused instantly (Smeaton, Poole, Chevis, & Carr, 2004). To ensure greater participation and compliance with these systems, regulation of online gambling is necessary.

The regulation of online gambling would mandate that security provisions be in place to prevent underage youth from gambling online and would, therefore, offer better protection than would the

simple prohibition of online gambling in general. Security measures may include databases to confirm identity and password-protected gambling accounts. Requiring online gamblers to open their accounts in person would provide further protection against underage gambling as the user would need to provide identification documenting their age. Although there are many offshore gambling businesses where this practice would not be plausible, a possible approach may be to create provincial or state businesses that maintain online gambling accounts with which the user can gain access to legitimate gambling websites. It is particularly important that this issue be dealt with as gambling appears to be the fastest growing addiction among teenagers and rates of problem and pathological gambling among high school and college-age youth greatly exceeds that of adults (Thompson, 2001).

### **Fair Practice**

All online gambling jurisdictions require that online gambling activities be practiced fairly. Often this requires that the technology used on the gambling website be approved by either a regulatory body or a designated testing facility (Stewart, 2006). Fair practice regulations may also encourage the displaying on the website a valid description of payout information, such as the frequency and the amount. Consumer protection against unfair practices would be increased if the government regulated the gambling industry and monitored their practices. If a gambling organization is not operating fairly, they could be under threat to lose their license. Thus, consumers may gain increased confidence that they are gambling at legitimate sites that are practicing fair gaming.

### **Responsible Gaming**

The range of practices regarding responsible gaming varies widely among online gambling jurisdictions. In some cases, gambling web sites are required to provide a mechanism for online gamblers to set their own limits on the amount to be bet or lost, or the amount of the deposits they can make into their online account. Other jurisdictions take the matter even farther, prohibiting online gamers from gambling on their website if a person who has a “close personal interest in the welfare of the [gambler]” applies to have the gambler excluded (Stewart, 2006: 6).

There are several options available with regulated online gambling that can provide measures of protection for problem gamblers. For instance, several gambling websites allow users to establish loss limits which prohibit them from continuing play following the loss of a certain amount of money (Stewart, 2006). Others allow players to establish time limits so that after a set amount of time the user is no longer permitted to play on that website (Stewart, 2006). While these two options present the problem gambler with some opportunity to regulate their online gambling, there are no measures in place to prohibit the gambler from moving from one website to another once their time or spending limit is up. Several offshore gambling jurisdictions allow for those with a personal concern to make a request regarding the prohibition of another person’s online gambling (Stewart, 2006). Also available are websites, such as GamAid, which provide information to those who are concerned about another’s gambling habits. In Canada, Friends4Friends (Friends4Friends, 2007) is a website targeting young adults who know someone who has a problem with gambling. The site offers information on why people gamble, what advice may be useful to give them, tips for gamblers themselves to avoid problems with

gambling, and resource links for additional information. The site also offers specific information to both Ontario and Nova Scotia. With respect to the identification of problem gamblers, there are new technologies, such as GamStop, that allow problem gamblers to self-exclude themselves from gambling online. In addition, the nature of online gambling allows for the provision of responsible gaming messages and links to helpful resources (Stewart, 2006). For instance, as gamblers are playing online, responsible gaming messages can be programmed to scroll across the screen.

### Anti-Money Laundering

All online gambling jurisdictions monitor gambling activities in order to deter money laundering. For instance, some online gambling companies protect themselves from money laundering through the provision of only a single account to each online gambler. Others monitor and report suspicious transactions or changes in the pattern of transactions of gamblers (Stewart, 2006). Although concerns have been expressed that online gambling can be used by terrorist groups to launder money, Carruthers, CEO of BetonSports.com, argues that every online transaction is recorded. In other words, the very nature of the internet lends itself to being auditable (Woellert, 2004).

However, according to Schopper (2002), the use of e-money for online gambling transactions facilitates money laundering as e-money is anonymous and untraceable. Schopper (2002) argues that the use of e-money will allow for American gamblers to continue gambling even after legislation is passed prohibiting the use of credit cards. According to Schopper, the best method against money laundering is to legalize and regulate online gambling as opposed to simply prohibiting it. Regulating online gambling will allow for law enforcement to monitor suspicious transactions. Furthermore, through regulating the industry, Schopper (2002) argues that even though e-money allows for anonymous transactions, personalized accounts identifying the gambler could allow for the identification of parties involved in transactions. In fact, according to Schopper, “legalization of Internet gambling is the key to hindering money laundering” (Schopper, 2002: 329).

## Legislation

Until recently, online gambling has operated through the exploitation of legal loopholes. This practice has resulted in concerns about the safety of citizens who gamble online. With a lack of legislation, providers of online gambling activities are not legally obliged to ensure that those of a minority age are prohibited from accessing gambling services. Additionally, providers of online gambling are not consistently monitored to ensure that the activities they provide operate fairly. Therefore, those who access online gambling services risk spending their money on games that are set up for them to lose. Internet sites are also not obligated to provide safety features regarding responsible gambling. Therefore, sites only voluntarily provide responsible gambling features, a practice which is likely to be relatively uncommon given that there is a growing body of research indicating that a substantial proportion of gambling revenue is provided by the minority of gamblers who have a diagnosable gambling problem. Furthermore, local and federal economies have not benefited from the presence of online gambling as the absence of

governmental regulations applied to online gambling has led to the government's failure to access a significant source of revenue and has resulted in a missed opportunity to create jobs (Stewart, 2006). In recognition of the ability to access revenue from online gambling sources, several nations have passed legislation providing regulatory standards for the online gambling industry. For instance, in 2005, the United Kingdom passed the *Gaming Act*, which will come into force in 2007. The passing of this legislation has made the United Kingdom an attractive location from which to offer online gambling services. There are several reasons for this, including that the provision of regulations by which the industry can operate has created a stable political environment within which to operate. In addition, the regulation of the industry has created an appealing market and has offered online gambling customers and investors a sense of stability and confidence (Stewart, 2006). Regulating the industry has also resulted in the ability of legitimate online gambling companies, such as PartyGaming, Sportingbet Plc, and Ladbrokes to trade publicly on the London Stock Exchange (Stewart, 2006) resulting in increased scrutiny of business practices.

A primary issue with respect to the regulation of online gambling is jurisdiction. Specifically, there are two main questions: whether jurisdiction is based on where the bet is placed as opposed to where it is received, and whether offshore casinos are subject to the jurisdiction in another country's court system (Thompson, 2001). The first question is essentially irrelevant if the locations where the bet is made and where it is received both permit online gambling. However, if one jurisdiction does not permit online gambling, it is not clear which jurisdiction's laws are applicable. The answer to the second question may depend on the intent of the online gambling operator. Case law in the U.S. suggests that if the operator targets a certain jurisdiction and has reason to expect that gamblers in that jurisdiction will use their site, they are subject to the jurisdiction of that state (Thompson, 2001). Although U.K. legislation provides for the regulation of online gambling activities, the American government has decried the practice and has recently made several arrests of prominent online gambling company employees, such as the CEO of a popular U.K. sports betting company (Hopp, 2006). Currently, although the federal *Criminal Code* prohibits the practice of online gambling in Canada, provincial and territorial governments maintain control over certain aspects of online gambling. The policies of these and other nations will be reviewed in the following section.

### American Policy

Despite the popularity of online gambling in the United States, American state and federal governments have generally approached the issue negatively by taking criminal and civil actions against it and introducing strict prohibitive regulations and legislation. The first piece of legislation that attempted to prohibit online gambling was introduced in 1995 under the *Crime Prevention Act* (Schopper, 2002). This legislation, which suggested penalties for individual gamblers of up to one year in prison, failed to pass Congress, as did similar measures introduced again in 1997 and 1999. More recently, there were several pieces of legislation that potentially applied to online gambling. The *Interstate Transportation of Paraphernalia Act* applied to transportation of gambling paraphernalia between states or in a foreign commerce by means other than a common carrier (Morse, 2006). The *Travel Act* provided a prohibition against business enterprises that involved gambling and could apply to online gambling in that either a telephone

wire or a web server could be interpreted as a “facility” used to carry out unlawful activity (Thompson, 2001). The *Travel Act* regulations appear to apply to both supply and the demand aspects of online gambling as both website operators and individual clients are liable to violate the act. A second statute that was potentially applicable to online gambling was *The Professional and Amateur Sports Protection Act* which made it illegal to engage in sports betting. Specifically, this act stipulated that it was illegal for any person to “sponsor, operate, advertise, or promote... a betting, gambling, or wagering scheme based, directly or indirectly...on one or more competitive games in which amateur or professional athletes participate, or are intended to participate, or on one or more performances of such athletes in such games” (Thompson, 2001: 93). This act appeared to target only the supply side of online gambling as the legislation specifically referred to those who sponsored, operated, advertised, or promoted gambling as opposed to those who intended to make a bet.

Until recently, many of the restrictions of online gambling upheld by the American government have been applied through the *Wire Act*. The *Wire Act* is a federal act that was applied in the early 1960s to telephone bookmaking (Stewart, 2006). The *Wire Act* specifically prohibits the practice of gambling over the “wires” meaning that as the internet involves transmission of information over a wire (through a phone line or cable), websites that accept bets sent across state lines are in violation of this act (Thompson, 2001). However, the *Wire Act* specifically refers to those who are operating the websites as opposed to the gamblers themselves. Therefore, the *Wire Act* provides little deterrence to the individual gambler. In addition, the *Wire Act* explicitly refers to sports betting. Further complicating the issue is the emergence of new technology that permits the wireless transmission of information (Thompson, 2001). The *Wire Act* has been interpreted by the Department of Justice (DOJ) as encompassing online gambling activities. However, recent decisions made by American courts have not agreed with this interpretation. The U.S. Appeals court ruled in 2002 that the restrictions under the *Wire Act* only applied to sports betting as the statutory language refers to “bets or wagers or information assisting in the placing of bets or wagers on any sporting event or contest” (Stewart, 2006: 7). However, new legislation passed by the House in 2006 included amendments to the *Wire Act* to include wireless communications.

Despite the DOJ's assumption that the *Wire Act* restrictions apply to online gambling, federal prosecutors have typically avoided the prosecution of online gambling offences, such as placing bets with illegal gambling businesses. However, they successfully prosecuted several cases which resulted in prison sentences for defendants. The owner of a sports book in Antigua was charged with violating the *Wire Act* despite his argument that the online bet was made in Antigua, not the United States and that it, therefore, did not violate the *Wire Act*. The court upheld the violation, concluding that the transaction occurred both where the bettor lived and where the company operated. The owner of the company was convicted and sentenced to prison for 21 months. Similar prosecutions occurred in 2001 with the online sports book Gold Medal Sports. The two principal operators of the company along with a lawyer who assisted in setting up the business were convicted of violating the *Wire Act* and sent to prison. The DOJ has also targeted those they determined were “assisting” in the promotion of online gambling, such as the media. In 2003, the DOJ warned the National Association of Broadcasters that they were potentially aiding and abetting violations of the federal law by advertising for online gaming sites (Stewart, 2006; Morse, 2006). Specific news media have also been targeted in an effort to deter advertisements



for online gaming. For example, the parent company of *The Sporting News* paid a \$4.2 million fine for accepting advertisements from online and telephone sports betting companies and spent an additional \$3 million advertising that online gaming was illegal (Stewart, 2006; Morse, 2006). The magazine *Esquire Communications* was subpoenaed in 2005 following its running of an advertisement for a poker website operated in Costa Rica. Subpoenas have been served on additional broadcasters, newspapers, television companies, and internet search engines. In addition, the DOJ has targeted advertising by seizing \$3.2 million of funds paid in advance for advertisement of the gaming website ParadisePoker.com. In New Jersey, several lawsuits have been introduced by the state to prohibit billboard advertising of online gaming companies (Stewart, 2006). This is an important development in the targeting of online gambling as consumer awareness surrounding online gambling companies are limited by their lack of physical presence. In other words, traditional casinos have the advantage of being physically visible to potential consumers, whereas online gambling sites must target their potential consumers through advertising (Morse, 2006). However, the government response has been to interpret advertising for gambling as aiding and abetting others in the commission of unlawful activities. Furthermore, while advertising typically enjoys the privilege of protected speech, advertising an illegal activity (i.e. online gambling) is not protected under the United States Constitution (Morse, 2006).

The United States has also taken action against companies providing software or equipment to online gaming companies. For instance, a Canadian software firm, Cryptologic, entered into a settlement with the state of New Jersey that it would not sell software systems to online gaming companies that accepted bets from residents of New Jersey. Pressure from state governments resulted in companies selling their shares in businesses that developed online gaming software (Stewart, 2006). The United States also recently moved against several online gambling companies by arresting and charging key members. For instance, the CEO of BetonSports.com, David Carruthers, was arrested in the United States and charged with 22 counts of federal fraud and racketeering (Hopp, 2006).

The American approach to online gambling was recently threatened by the Appellate Body of the World Trade Organization (WTO), who ruled in 2005 that the U.S. violated fair trade agreements by prohibiting non-American companies from taking online bets while, at the same time, allowing American businesses to take online horseracing bets. In the end, the WTO decision supported the U.S. by arguing that the American approach could be justified on moral grounds as prohibiting the operation of non-American online gaming companies in America could be seen as an attempt to protect public morals (Stewart, 2006). However, the American Congress was instructed to decide whether their statutory provisions were inconsistent with the General Agreement on Trade in Services (GATS). The American Congress failed to make this decision within the deadline set; as a result, although the WTO ruling was not binding on the U.S., the country of Antigua recently asked the WTO to apply sanctions against the U.S. While this may represent only a minor threat, it could become a much larger problem if a country, such as the U.K. (a major trading partner of the U.S.), introduces a similar case (Stewart, 2006).

The United States recently introduced several bills applying to online gambling. In the first, individual states and tribal lands would be permitted to operate online gaming transactions limited to their own jurisdictions, but criminal prohibitions would be applicable against general

online gaming. The second would target the systems used to make the payment transactions online. Introduced in 2005, the *Unlawful Internet Gambling Enforcement Act* would prohibit financial transactions made using credit cards, electronic funds transfer, and money transmitting businesses. In the past, online gambling companies have adapted new payment platforms as their older ones have become unavailable. But, within the *Unlawful Internet Gambling Enforcement Act* is a clause that would allow the Secretary of the Treasury to include future payment platforms to be included under this statute. This act would not apply to online transactions made within single states or tribal jurisdictions as long as such online transactions are state-licensed and operate regulatory practices, such as age and location verification techniques. Also excluded under this legislation is betting on horse racing (betting authorized by the *Interstate Horseracing Act*) and sports bets authorized under the *Professional and Amateur Sports Protection Act* (Stewart, 2006). The bill, which was passed by the House in 2006 (but which as of August 2006 was inactive in the Senate) proposed penalties ranging from fines to five years imprisonment for the use of credit cards or other electronic payments used for online gambling (Morse, 2006).

The attempt to label credit card companies as co-conspirators in illegal online gambling has thus far been unsuccessful in the United States (as of 2006). For example, a case in the United States that was brought to the United States Court of Appeals for the Fifth Circuit involved gamblers who used their credit cards to gamble online and who incurred losses as a result. These gamblers brought a class action lawsuit against companies, including Mastercard and Visa, as well as other banks issuing credit cards, accusing them of participating in a “worldwide gambling enterprise” (Morse, 2006: 16). The gamblers were seeking awards under the *Racketeer Influenced and Corrupt Organizations* (RICO) Act. The court ultimately deemed the gamblers to be responsible for their losses, yet the language used in the decision suggested that different rulings may be found in other states. The court ruled that, in addition to the fact that the defendants (the financial institutions) extended credit *prior* to the plaintiffs’ engagement in illegal online gambling, the defendants had not violated federal laws because they had not engaged in sports betting. Therefore, the ruling was very restrictive and other states may interpret the *Wire Act* more liberally, thereby determining that gambling outside of sports betting may fall under these rules (Morse, 2006).

Alternative legislation was introduced in 2006. The *Internet Gambling Prohibition Act* expanded the scope of the earlier *Wire Act* to encompass online gambling activity. Exempted from this act was: pari-mutuel betting on horseracing (already operating under the *Interstate Horseracing Act*); intra-state betting, as long as the state had authorized internet gambling within that state, had licensed the business, and had regulations monitoring for verification of age and customer identity; and online tribal betting, which remained subject to the same conditions as intra-state betting. Also exempted was the transmission of “information assisting in the placing of bets or wagers” (Stewart, 2006: 11) between a state or tribal jurisdiction and another state or foreign nation. Here, the only requirements were that both entities had to authorize online gambling in their respective jurisdictions and those regulatory practices upholding the security of customer identification and verification of age had to be in place.

There are several benefits and consequences of the *Internet Gambling Prohibition Act*. In terms of the main arguments in support of the proposed bill, allowing states and tribal jurisdictions to



license and regulate online gambling within their own borders would result in protective measures offered to state citizens through the establishment of rules that emphasize social protection (e.g. monitoring for underage gambling, provision of loss limits with which to control gambling, the mandated provision of responsible gaming information). In addition, states are currently failing to collect the millions of dollars potentially available from taxing online gaming revenue. On this point, Stewart (2006) concluded that a small state with only 1% of the population in America could earn approximately \$20 million in taxes directly through online gambling operating within its state borders. This is in addition to the revenue that would be produced through the increase in the overall economic activity (e.g. through the creation of employment opportunities for state citizens). By allowing for intrastate online gambling, states can offer its citizens employment in a new industry and can prevent the current flow of gambling money overseas to offshore gaming companies. Lastly, there is current widespread disrespect for online gaming prohibitions in America. Policy must be matched with reality, as there are currently millions of Americans who gamble daily online without consideration that this activity is prohibited by American laws (Stewart, 2006).

There are, of course, several arguments against the creation of intra-state online gambling policies. In general, the concerns against online gambling focus on the potential for an increase in gambling which will subsequently result in more underage youth gambling online and an increase in those who have serious problems with gambling. Essentially, the argument against online gambling is that providing access to gambling in the home will provide a level of convenience that will encourage more gambling than is good for society. Additional concerns regarding the provision of online gambling is that it exposes consumers potential victimization by immoral gambling companies and that it will facilitate money laundering. A final argument proposes that state policies in support of intra-state gambling will have the effect of undermining the policies of other states that prohibit it (Stewart, 2006). However, it is important to note that with regulations in place regarding online gambling policy, many of these concerns can be minimized. The current American policy for online gambling allows for millions of gamblers to gamble online without protection and results in the failure to collect millions of dollars of taxable revenue that could otherwise be spent on public services (Stewart, 2006).

An additional option is to establish a national online gaming commission that would recommend appropriate policy responses. Legislation introduced in 2002 proposed that, over the course of one year, a five-member commission group evaluate online gambling activities and its effects on problem gambling and underage gambling and to create policy options regarding state and federal licensing and regulation. The focus of these policies would include: the ability of individual states to regulate gambling within their own borders; the development of methods to deal with the issues of problem gambling, underage gambling, and money laundering; the preservation of tribal sovereignty over gambling; the clarification of federal laws regarding online gambling; the taxation and licensing regulations of online gambling; and the deterrence of laying bets with offshore gambling websites (Stewart, 2006). As recently as April 2006, there has been talk once more of establishing such a commission. This commission would target the same issues as those raised in 2002 with the additional concern of addressing the WTO ruling through the clarification of the U.S. position on online gambling and the legal issues surrounding it (Stewart, 2006).

While the American federal government has struggled with clarification of its position on online gambling, several individual states have passed their own legislation dealing with online gambling. Illinois, Indiana, Louisiana, Massachusetts, Nevada, Oregon, South Dakota, and Utah have all passed laws prohibiting online gambling or related financial transactions. Courts and Attorney Generals in additional states (New Jersey, Kansas, Texas, Florida, Oklahoma, and Minnesota) have proposed that online gambling violates state laws. In fact, many states do have a prohibition already in place against gambling businesses that are not state-licensed, which would apply to all gambling companies licensed offshore. Although several states (e.g. North Dakota, Nevada) have proposed the licensing of online gambling companies within their particular state, the Justice Department has so far been able to thwart such efforts with threats of federal law violations (Stewart, 2006). This raises an important policy issue, as according to the Constitution, it is the decision of individual states to legalize and regulate gambling activity within their borders (e.g. Morse, 2006). As of 2005, thirty states operated legal gambling facilities (through commercial casinos, racinos, or tribal casinos) (Morse, 2006). However, the other twenty states and the District of Columbia have not legalized casino gambling because of a concern with the social problems that often result from gambling. Adding to the confusion, in the United States, tribal gaming is treated similarly to state gambling in that it operates its own independent regulatory regime as determined by the *Indian Gaming Regulatory Act*. However, tribal gaming is subject to federal legislation. For example, tribal gaming is obliged to report suspicious transactions that are indicative of money laundering and “to report gambling winnings for federal income tax purposes” (Morse, 2006: 3).

In summary, to date, the American approach towards online gambling has resulted in the successful deterrence of the establishment of online gambling companies within the United States. In several cases, the American federal government has also had success in prosecutions related to online gambling and has managed to deter attempts to advertise online gambling companies. However, through the actions they have taken against online gambling, the American government has driven its citizens to gamble online with offshore gambling websites (Morse, 2006). Therefore, American citizens are contributing towards the revenues of other jurisdictions.

### Australian Policy

Australia has acted as a global leader in the regulation of online gambling. The government’s principal advisory body on industry policy, the Productivity Commission, elected to take a “managed liberalisation” approach to the issue rejecting both the alternative prohibition and laissez-fair stances (McMillen, 2000: 395). The Commission argued that due to technical and legal reasons, it could not realistically endorse prohibition, concluding that it must take a cooperative national approach (McMillen, 2000). However, the Commonwealth Government took a different view of online gambling and threatened to intervene in the policy on online gambling (McMillen, 2000). Subsequently, in 2001, the Australian federal government passed the *Interactive Gambling Bill* in which they voted to oppose the provision of online gambling sites to Australian residents. Although Australian gambling companies are still able to operate, the government also prohibited the provision of online gambling services to other jurisdictions that prohibited online gambling (Kelley, Todosichuk, & Azmier, 2001). As a result, although Australian online gambling companies can legally locate themselves within Australia and are

obligated to pay taxes on their gambling revenue, their gambling services may only be provided to residents in jurisdictions outside of Australia where online gambling is accepted. Violation of these provisions can result in a maximum penalty of \$220,000 (AU) per day for an individual or \$1.1 million (AU) per day for a corporation. The advertisement of online gambling services is also illegal in Australia. The only exceptions to the prohibition of online gambling are the operation of sites that offer sports betting and lotteries. These activities are regulated by the individual states and territories of Australia (MacKay, 2004).

### **South African Policy**

South Africa has followed Australia's path with respect to the regulation of online gambling. In 1999, a report produced by the South African National Gambling Board suggested that if South Africa acted on online gambling, it would be in a position to capture a large proportion of the market. The National Gaming Board was tasked with creating uniform standards throughout South African jurisdiction with an emphasis placed on the licensing and regulation of gambling and the prosecution of illegal gambling (McMillen, 2000).

### **New Zealand Policy**

New Zealand was poised to become the first regulated online gambling jurisdiction. However, in 1996, the government withdrew its draft legislation based on a number of social concerns regarding the effect of the bill. Since then, New Zealand has taken the laissez-faire approach by essentially not producing policy regarding online gambling, but not taking steps to prohibit it either (McMillen, 2000).

### **United Kingdom Policy**

The United Kingdom is the most recent jurisdiction to offer regulation of online gambling. In 2005, the British government passed legislation regulating online gambling. Within this legislation was the provision to establish an investigatory body composed of around 100 investigators and a Gaming Commission who together would be responsible for regulating the industry (Heydary, 2005). In making their decision, the United Kingdom recognized and accepted the "inevitability of Internet gambling" and moderated its policy to reflect this view (McMillen, 2000: 398). The 2005 *Gambling Act* will be fully implemented in 2007 with licenses to be obtained by September 1, 2007 for the operation of a remote gambling service (Gambling Commission, 2007). The Gambling Commission defines remote gambling as participation in gambling using the internet, television, telephone, radio, or other electronic device or technology designed to facilitate communication. In order to run a remote gambling operation, licenses would need to be obtained for both the operator and for some key personnel (i.e. a personal license), both of which can be obtained through the Gambling Commission (Gambling Commission, 2007).

In 2003, the U.K. Department for Culture, Media and Sport provided a series of recommendations regarding the regulation of online gambling. Among these recommendations were suggestions to improve the integrity of online gambling providers. For instance, the provision of a Kitemark would indicate approval by the British Standards Association and would be displayed on the websites of licensed online gambling operators. In order to receive a license, operators would

need to go through a process in which their honesty, financial resources, and expertise would be examined. If licensed, an operator would be issued a code of practice and would be subject to conditions on their license. Measures of social responsibility would include the provision of accurate information on rules of play, game representation, and rates of return. The Gambling Commission itself would be associated with various organizations that deal with problem gambling issues. Finally, the site would need to include safeguards that protect the privacy and security of online gambling consumers (MacKay, 2004).

### European Policy

Europe has taken a somewhat divided approach to the regulation of online gambling. While no countries directly prohibit online gambling, only several countries offer licenses. For instance, Finland operates a lottery which is available only to its own residents, while Liechtenstein operates one globally (McMillen, 2000). Gibraltar, in contrast, is the home to many online sports betting companies.

### Canadian Policy

Despite an unsuccessful 1996 attempt to introduce a bill to amend the *Criminal Code* to allow federally regulated online gambling, the Canadian approach to online gambling has thus far been to allow provinces and territories to determine whether they will offer online gambling in certain areas. In other words, while there has yet to be a proposal to completely prohibit online gambling, currently no legislation exists to regulate it, with the exception of the First Nations examples, such as the Kahnawake reserve. Thus, within Canada, the independent provinces and territories operate their own online gambling activities with respect to the provision of lotteries and betting on sports. Various provinces in Canada have elected to regulate online lottery schemes. In 2001, the Atlantic Lottery Corporation began operating the first legal online gambling site in Canada allowing residents of the Atlantic Provinces to buy lottery tickets online (MacKay, 2004). Residents of British Columbia also have access to online lotteries through the British Columbia Lottery Corporation.

There have been several attempts to establish online gambling in Canada. In 2000, the Earth Future Lottery was given approval by Prince Edward Island to operate an online lottery to sell lottery tickets globally in the hopes of raising funds for various environmental and humanitarian causes. However, as they were planning to sell tickets globally, the Prince Edward Island Supreme Court (Appeal Division) ruled that they were violating the Criminal Code (MacKay, 2004). In a second Canadian case, in 2001, Starnet Communications International Inc. pleaded guilty to criminal gambling, paying \$4 million (U.S.) in fines for taking bets from Canadian citizens. Starnet operated a server in Vancouver, thus violating federal laws prohibiting online gambling (MacKay, 2004). Other attempts to establish online gambling have been somewhat more successful, such as the 2004 introduction of HPIBET.com, operated by Woodbine Entertainment Group to allow horse racing wagers to be made online. In order for HPIBET.com to operate legally, regulatory changes were made by the Canadian Pari-Mutuel Agency. However, MacKay (2004) suggested that the federal government has since begun investigating the legality of this approach. Finally, since 1996, the Kahnawake Gaming Commission (KGC) has operated on the Kahnawake reserve in Quebec hosting numerous online gambling websites on its main

server. The KGC operations have since been declared illegal, but no charges have been laid (MacKay, 2004). Interpretations of the federal *Criminal Code* suggest that the operation of online gambling would be illegal (McMillen, 2000). However, there are several exceptions. Lottery schemes, charity events, gambling on international cruise ships, bets made by individuals who are not in the business of betting, and pari-mutuel betting may be legally engaged in Canada.

## Best Practices

Online gambling is exploding at a rapid pace with 70 countries having legalized it (Zacharias, 2007). By 2001, over 1,000 gambling companies were operating online (Morse, 2006). This number reached 2,500 by 2006 (Stewart, 2006). Valid estimates of consumer loss are difficult to ascertain, however, Christensen Capital Advisors estimated losses of \$12 billion (U.S.) in 2005. This represents a large increase from the \$8.2 billion estimated loss in 2004 (Morse, 2006). There are three main governmental approaches to the issue of online gambling: to prohibit it; to leave it in its current state; or to provide regulations (e.g. McMillen, 2000). In making their decision, government will have to decide whether the costs associated with the regulation of online gambling are acceptable and even *whether* online gambling can be successfully regulated (e.g. McMillen, 2000; MacKay, 2004). The regulation of online gambling would likely necessitate the development of a global agreement, for instance to address jurisdictional concerns. MacKay (2004) argues that this will be a difficult task to achieve. Without such an agreement, and possibly even with one in place, it would be difficult to prosecute sites operating illegally (MacKay, 2004).

### Prohibition vs. Regulation

There are essentially two arguments in support of prohibiting internet gambling. The first is that prohibiting citizens from gambling online will prevent increases in the numbers of those addicted to gambling (MacKay, 2004). Those who encourage the prohibition of online gambling argue that the social costs associated with online gambling would overwhelm any benefit to be gained by regulation (MacKay, 2004). Thus, by preventing the number of gamblers from increasing, associated increases in other social problems, such as criminal activities should also be avoided (Thompson, 2001). The second argument in support of online gambling prohibition is that it will limit access of underage gamblers. Minors and young adults compose the highest proportion of those with gambling addictions. Preventing their access to online gambling should, therefore, prevent these numbers from increasing (Thompson, 2001). This is especially important as minors are particularly susceptible to developing gambling problems. In effect, the later they begin gambling, the less likely this outcome will be (MacKay, 2004).

However, there are opposing arguments in favour of regulating online gambling. Legalizing and regulating online gambling will result in increased government revenues that can be spent elsewhere on social issues, such as health care, addictions programs, and education (MacKay, 2004). In addition, proponents of online gambling argue that the prohibition of online gambling will simply push the issue further underground, likely resulting in the substantial presence of a black market online gambling scene. This would result in the need to police this underground market, which would increase law enforcement costs (Thompson, 2001). In

addition, even if online gambling is prohibited in Canada, consumers wishing to gamble online will continue to access offshore sites increasing the risk of gambling unsafely (MacKay, 2004).

Regulating online gambling would allow for official monitoring of online sites to ensure that the gamblers' best interests are protected and that sites are operating fairly, upholding the privacy and security of online gamblers (MacKay, 2004). In addition, safeguards could be put in place to exclude underage and problem gamblers (MacKay, 2004). Providers of online gambling would be driven to prevent underage gambling as credit card debts incurred by minors cannot legally be collected (MacKay, 2004). The regulation of gambling could protect problem gamblers through the monitoring of gambling behaviours. In addition, online sites could provide numbers for gambling help lines or links to self-help groups, such as Gambler's Anonymous (MacKay, 2004). Furthermore, by regulating gambling, providers of online gambling will be forced to compete for consumers, resulting in the development of more advanced gambling software that attracts and protects consumers (MacKay, 2004). Finally, issues of gambling in both Canada and the United States are provincial and state issues respectively (Thompson, 2001; Morse, 2006). Therefore, the federal prohibition of online gambling, as has been attempted in the United States, is an inappropriate approach that borders on jurisdictional infringement. With respect to traditional gambling, i.e. in brick-and-mortar casinos, the states in America who did not legalize gambling often witnessed their citizens crossing state boundaries to gamble at nearby casinos. Citizens would, therefore, provide tax dollars to other states who have legalized gambling and who claim tax dollars from casino revenues. These citizens would then return to their own state where a minority of them would develop serious problems with gambling. As a result, states that prohibited gambling were left to deal with the social issues caused by gambling (addiction, increased crime, damage to families and communities) with none of the additional finances garnered through taxing gambling revenues to assist in funding responses to these social problems (Morse, 2006). Although this argument was made with respect to these brick-and-mortar casinos, it applies equally well to the case of online gambling. Those jurisdictions that do not regulate online gambling risk their citizens gambling in other jurisdictions, contributing money towards off-shore economies, but exhibiting their social problems at home where the non-online gambling jurisdiction is forced to find, within its limited resources, money to fund government programs.

The failure to regulate online gambling results in a lack of consumer protection, lack of confidence in the market, a corresponding lack of investment, and subsequent government failures to realize online gambling revenues. While a few companies willingly trade on stock markets, such as the London Stock Exchange, failure to regulate online gambling has meant that many online gambling companies continue to operate privately (Stewart, 2006). Private operation increases the risk that consumers will be taken advantage of through unfair practices and it results in the failure to regulate who is able to access online gambling activities (i.e. minors and problem gamblers).

The United States has recently endorsed the prohibition route with the passing of the *Unlawful Internet Gambling Enforcement Act*. Although the act resulted in the prohibition of U.S. accounts by many online gambling companies, some American residents who wished to continue gambling online simply closed down their accounts and moved to companies still accepting American



bettors. For instance, both PokerStars.com and FullTiltPoker.com are licensed by the Kahnawake Gaming Commission and both continue to accept customers from the United States (Holahan, 2006). Proponents of online gambling regulation argue that the new Act would simply push out regulated, reputable online gambling sites, such as PartyGaming, allowing for private gambling companies, financial institutions, and e-wallet companies who are loosely regulated to enter the scene (Holahan, 2006). Furthermore, they argue that this practice will limit the ability to record and audit financial transactions, paving the way for online money laundering to occur. Thus, the current state of affairs in the United States suggests that the American attempt to prohibit online gambling has not been successful. Instead of reaping the financial benefits to be gained through the regulation of online gambling, the American government has simply driven the practice of online gambling elsewhere.

As a result of their investigation into online gambling, Smeaton and Griffiths (2004) suggested a number of guidelines that should be followed should online gambling be legalized. These included validating the age of those gambling online and allowing players only to use a credit card if age can be fully validated (Griffiths et al., 2006). In addition, Smeaton and Griffiths (2004) promoted the use of truthful advertising (stating reasonable expectations for wins and losses) that is not aimed at minors and the practice of responsible gaming. Responsible gaming techniques could include the establishing of limits on the amount of money a gambler can bet in one session or on a daily basis, or limiting the amount of time played in one session or one day. Gambling websites should include a cautionary note to gamblers regarding controlled gambling and links to self help groups, gambling helplines, or official organizations (such as addictions counselling) should be provided on the site (Smeaton & Griffiths, 2004). Sites should also display the logo of organizations promoting social responsibility and contain a link to their website (Griffiths et al., 2006). Smeaton and Griffiths (2004) suggested that a pause should be built into gaming, so that gamblers are forced to wait and consider their decision before acting. Griffiths and colleagues (2006) built on this suggestion with the recommendation that confirmation screens pop up during this pause to provide the gambler a chance to think about the bet and confirm that they mean to do it. Griffiths et al. (2006) also suggested that sites display the amount of time the gambler has been playing to prevent loss of time for the gambler. Smeaton and Griffiths (2004) also encouraged the use of self exclusion from internet gambling, whereby an online gambler can request that they be denied access to a specific site. Smeaton and Griffiths (2004) also suggested that online gambling providers should be treated similarly to traditional casinos in that a portion of their revenue be directed towards the support of gambling treatment and prevention programs.

In their review of 30 U.K. owned gambling websites, Smeaton and Griffiths (2004) identified that many sites allowed underage gamblers to play games without betting any actual money. While not illegal, they claimed that this allowed underage gamblers to practice until they were confident that they could win. They also cautioned that as these sites do not actually pay out money, it is highly likely that the odds are manipulated in the gambler's favour to provide them with a false sense of security. Once these gamblers have practiced the online games sufficiently, they may develop a false sense of security, feeling confidently in their ability to win. They may then begin to play online for real money on sites where the odds are not swayed in their favour. Smeaton and Griffiths (2004) concluded that if practice sites are to be available, they should be restricted to

those over the age of majority as allowing underage gamblers to practice online will allow them to learn the games at an early age, thus increasing the chances that they might engage in online gambling for money when they reach the age of majority. Smeaton and Griffiths (2004) also argued that gambling websites should not be able to entice gamblers to chase their losses or bet their winnings. Gambling websites entice gamblers to return to their site by topping up their accounts with e-money they can use to continue gambling “for free”. This practice should be restricted as it encourages those who have stopped gambling online to return again.

## Online Gambling Help

An example of an online gambling help service is GamAid. GamAid is a form of “telehealth”, which offers instantaneous one-to-one professional help for online gamblers who are concerned that they are losing control (Wood and Griffiths, 2006: 4). They are also available to answer questions about responsible gambling. GamAid is currently in use by several online gambling sites, and with the introduction of the changes under the U.K. *Gambling Act*, its use is likely to increase (no author, 2006). GamAid allows users to directly contact an advisor online. A real-time image of the advisor is displayed on the consumer’s computer screen, however, the advisor cannot see the consumer. A dialogue box enables the consumer and advisor to converse. The advisor is also able to display links to helpful resources, some of which may be local to the consumer, that remain on the screen even after the consumer has logged off from their conversation with the advisor (Wood and Griffiths, 2006). Those providing advice to the gambler are referred to as advisors as GamAid is not a treatment service. Rather, it is an advisory service which offers reassurance and advice to those who may believe they or someone they know has a gambling problem (Wood and Griffiths, 2006). There are several purposes of the GamAid program. They offer their services as a way to assist gamblers in reducing their gambling behaviours. In addition, through conversing online with clients, GamAid advisors can assess the needs of their client and provide them with links or referrals to other relevant services, such as counselling or local support groups. Overall, their objectives are to provide online gamblers with a crisis management service available around the clock online (Wood and Griffiths, 2006).

An additional service available to online gamblers is GamStop, an online self-exclusion program. GamStop provides software that can be downloaded and used to prevent access to gambling websites (Wood and Griffiths, 2006). Once GamStop software has been installed, if there is an attempt to access a gambling website, the software will redirect the person to the GamAid website. The GamStop software can only be removed from the computer system following consultation with a GamAid advisor who will then provide the uninstall code (Wood and Griffiths, 2006). Wood and Griffiths (2006) recently conducted an evaluation of GamAid and GamStop. Most participants (72 per cent) surveyed were from the U.K., but 1% identified as being from Canada. The evaluation took place between January 30th and April 9th of 2006. During this period, 27,000 distinct people were identified as viewing the GamAid website, while 5,000 visited more than the front page of the website. Of these, 413 distinct clients contacted an advisor; most of these contacts were made by males (71 per cent). Of the GamAid clients during this period, the most common source of gambling was online (Wood and Griffiths, 2006). Wood and Griffiths surveyed GamAid clients during this period to gather more information about how



they heard about the service and their purpose in accessing the site. Eighty of the GamAid clients completed this survey. Nearly half (46 per cent) found the GamAid site through an internet search. Other common sources were through a treatment house (18 per cent), an online gambling website (15 per cent), GamCare (5 per cent), a friend or relative (5 per cent), GamStop (4 per cent), or through a doctor or counsellor (1 per cent). Most (65 per cent) of these 80 clients were accessing GamAid's services due to their own experience of gambling problems, while another quarter (26 per cent) were searching for information to provide to a friend or relative. Another 9% accessed the service looking for help or advice. Clients suggested that they chose GamAid primarily because of its easy access, but also because of the anonymity it provided, the lack of local services, because they did not want to talk to strangers on the phone, or because it was the first service that they came across (Wood and Griffiths, 2006).

Overall, those who used the GamAid service agreed that it provided a useful service that helped them to consider their options, seek help, decide what to do next, and feel more positive about the future (Wood and Griffiths, 2006). Over half of those who used the GamAid services had not previously sought help for their gambling problem, and Wood and Griffiths concluded that the GamAid service was not only immediate, accessible, and affordable, but that it offered consumers a degree of confidence and perception of privacy, which is particularly important as the use of GamAid was preferred by those consumers who did not feel comfortable talking on the phone or directly face-to-face with someone. GamAid was also perceived as useful by those for whom helping services, other than telephone, were not easily accessible (Wood and Griffiths, 2006). An overwhelming majority of clients (91 per cent) indicated that they would use GamAid services again and 93% would recommend it to others. Criticisms of the program included that the advisor service was not available 24 hours, so although consumers could visit the website to find and request information, advisors were not always on hand. In addition, there were some technological concerns, such as compatibility and the necessity for FlashPlayer to be installed. With respect to GamStop, the researchers found that the installation of the software resulted in much slower internet service. On occasion, they were able to access gambling websites without being redirected to GamAid. However, overall, the evaluation suggests that clients perceived the services provided by GamAid and GamStop as useful and most would not hesitate to use their services again (Wood and Griffiths, 2006).

GamAid's services were used mainly by British residents. However, GamAid could actually be deemed an international service given that another 28% of clients accessed its services from outside the U.K. Clients accessing these services from other jurisdictions included Canada (1 per cent), the United States (21 per cent), Australia, (1 per cent), and Hong Kong (1 per cent). As a result, Wood and Griffiths (2006) suggested that GamAid be considered an international service that should be funded internationally. They noted that with increased funding, GamAid advisors could be available 24 hours a day, 365 days a year. If Canadian provinces or territories, along with the federal government, subsequently decide to legalize and regulate online gambling, they may consider providing some funding to the GamAid and GamStop services. In addition, these services can be promoted with the provision of web-links that can be displayed on gambling websites endorsed by the Canadian governments.

## Conclusion

With the United States moving to prohibit online gambling, and the United Kingdom taking steps to regulate it, Canada is presented with a number of options with which to determine the most appropriate approach to this industry. The United States has taken an increasingly negative view of online gambling, passing several pieces of legislation that seek to restrict it. The United States has made it increasingly difficult for monetary transfers to be made between online gambling providers and consumers. By passing legislation that restricts the ability of banks to process online gambling transactions, the United States is seeking to restrict the amount of money that American residents are paying to offshore companies. However, by doing so the United States approach appears to be simply re-directing residents towards unsafe offshore sites, where transactions are made using e-wallet accounts. As discussed in this review, e-money is anonymous, thereby making it attractive to those inclined to launder money over the internet. Furthermore, by restricting the ability of American companies to provide online gambling resources to its own residents, the United States is increasing the likelihood that American residents will gamble offshore, resulting in the potential for an increase in the number of gambling addictions and related problems at home, while the money necessary to deal with these issues is sent out of the country to potentially less scrupulous companies.

In response to these and other problems that result from the prohibition of online gambling, the United Kingdom has taken a different approach than the United States, by moving towards regulation. By regulating the online gambling industry, the United Kingdom will be able to increase its revenue to subsequently be spent on social problems such as gambling addictions, and has strengthened the economy by providing jobs at home.

While an increased availability of gambling is likely to produce an increased rate of problem gamblers, the response of American residents to American prohibition indicates that if individuals desire to gamble online, they will find a way to do so, thereby putting their health, security, and privacy at risk of unscrupulous online gambling providers. Although the regulation of online gambling would require a number of important decisions, such as to whom online gambling services would be provided and the rate at which to set taxes, by failing to regulate the majority of online gambling in Canada, the provincial and federal governments are currently not addressing the online safety issues facing its citizens. As determined by the review of global best practices with respect to online gambling, the operation and regulation of online gambling that facilitates monitoring of responsible gaming practices of online gambling providers appears to be the best option with which to protect the interests of B.C. residents.

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