

“Internet Gambling”

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LASSETERS ONLINE AUSTRALIA'S FIRST REGULATED INTERNET GASINO

History

Lasseters Online is the internet gaming site of Alice Springs based, Lasseters Casino. It is found at www.lasseters.com.au.

Development commenced in early 1997 and was completed in March 1999. The site has been fully developed in Australia at a cost of over \$5 million. This has involved over 135 man years of work to undertake:

- proprietary design of the games graphics
- development of games software
- design of all security systems
- development of financial transaction systems

Lasseters has taken the lead in the regulated online gaming industry in Australia believing it to be the future for gaming internationally. Gaming is a form of entertainment and the internet has irreversibly changed the way people are entertained worldwide.

For a small casino like Lasseters, it also exposes them to a larger potential market worldwide with more than 100 million people connected to the internet.

Market

Research by Lasseters has shown a demand for regulated sites within the estimated \$500 million online gaming market. There are more than 130 unregulated sites currently available.

Many internet players are losing confidence in unregulated online casinos due to poor credit card security and on some occasions, incorrect or non-payment of winnings.

The perspective taken by Lasseters is that gaming is a significant business worldwide and Australia has a strong reputation for operating a successful and well regulated industry. Extending this regulation to internet gaming provides Australian casinos with a significant competitive advantage within the world market.

Current Status

On Thursday 8 April 1999, Lasseters Online received a licence to operate for cash gaming under the Northern Territory Gaming Control (Internet Gaming) Act, passed on 30 April 1998.

Cash gaming was launched by the NT Minister for Racing, Gaming and Licensing, the Hon. Tim Baldwin MLA on Saturday 10 April 1999.

While it is Australia's first regulated internet casino, it is also the world's first to be operated by a physical casino and licensed in a fully regulated jurisdiction.

The site is being launched in two stages. Initially, residents within Lasseters Casino's gaming licence territory (NT area south of and including Tenant Creek) and international players will have access. The second stage is to open the site for the rest of Australia.

To date, almost 3,000 players from 92 countries have registered with Lasseters Online.

While Lasseters is ready to launch nationally and, ideally, would prefer to be available Australia-wide, the Northern Territory Government has asked this launch not proceed until there is further consideration of a national approach to internet gaming.

There is an urgent need for a decision to be reached on a national model for internet gaming regulation and indeed, whether one is feasible. The main issues are:

- the arrangements for tax sharing and the percentage
- the implications for licences issued for physical casinos in each state and territory because of their right to exclusive trade within a defined area for a defined time.

Features of the Site

A factsheet is attached which details the operating features of Lasseters Online.

Role of Northern Territory Government

The Northern Territory's Racing and Gaming Authority has overseen and audited all stages of the design and programming of the site and will continue to monitor Lasseters Online during its operation. The Authority has investigated every component including security, software installation, internal controls and financial systems. No aspects of the operating system can be altered without the approval of this Authority.

From a contractual point of view, Lasseters Casino has entered an Internet Gaming Operator's Agreement with the Northern Territory Government which expires on 1 January 2003. This agreement details all conditions under which Lasseters is authorised to operate which are summarised as follows:

- A tax rate of 8 percent of Lasseters Online's annual gross profit has been set. This is the same as that applied to the majority of games at Lasseter's land-based casino in Alice Springs and is comparable to all other international tax rates at other land based casinos in Australia.
- The annual gross profit from gaming will be audited annually by independent auditors who provide the results to the NT Government.
- The Minister for Racing, Gaming and Licensing will review the tax rate annually to take into account any increase in revenues and the potential impact of the GST.
- Lasseters Casino has exclusivity for internet gaming within its licence area south of Tennant Creek for one year.
- Lasseters will pay the NT Racing and Gaming Authority \$300,000 for the preparation and coordination of the agreement as part of a normal fee-for-service arrangement.

- The NT Government is indemnified from liabilities and expenses in relation to Lasseters Online.

Security Controls

Security systems to control access and financial transactions were critical aspects of the design of Lasseters Online. As a result, the system uses the highest generation of security controls available. These include the following features.

- The use of personal passwords, log-in user identification, a series of challenge questions set by the player and background checks by the operator, limit access to only those players who are over 18 years of age and verify their identity every time they play.
- Players use a credit card to open their wagering account and the amount deposited is controlled by their approved credit limit. In any event, initial registrations have a deposit limit of \$500 per month. In time, a player may apply to Lasseters Online to increase this limit but must have achieved trusted status with the operator for it to be approved.

This deposit limit also controls the amount players can potentially lose. They can only wager with this deposit and any winnings they may accumulate.

- Players can set their own bet limits to nominate how much they wish to spend on a daily, weekly or monthly basis. This option is recommended when players register. Having set a limit, the player is unable to raise it themselves without contacting Lasseters Online.
- Child access to internet casinos is restricted through background checks conducted on all players registering with Lasseters Online. In addition, the site is hotlinked with credible child screening software providers such as Net Nanny and Cyber Patrol. Their software can be downloaded from Lasseters Online.
- Lasseters Online uses a 128 bit key encryption to secure the transfer of sensitive information and the use of credit cards. This system is password protected and scrambles information sent between the player and Lasseters Online. Anyone attempting to tap this information in transit would find the material unusable.

Servers holding sensitive player information are housed in a secure environment in Lasseters Casino MIS Department in Alice Springs. The area is under 24 hour surveillance and has restricted access.

- Players who may feel they are developing a gambling problem are assisted in two ways.

First, Lasseters Online has a hotlink to community counsellors, Amity House, who provide advice about gambling problems, information and assistance.

Second, players have the option to exclude themselves from playing for a 'cooling off period'. Through a self exclusion button, players on Lasseters Online can take a seven day break. If they use this button three times, then they are considered to have a problem and are permanently excluded from registering again.

- Every transaction by a player is recorded and can be tracked through a comprehensive audit trail. The system tracks the time a player entered and left the casino, the games played, amount wagered, amount won, and amount deposited or withdrawn. This is both to the advantage of the player and to the operator particularly in the case of any disputes.
- All staff at Lasseters Online are licensed under the NT Gaming Control Act (Internet Gaming).
- Controls can be programmed to prevent improper activities such as money laundering. A specific program scans for certain conditions which may indicate money laundering and will report these automatically.

These controls show the regulations for online gaming to be much tighter than with any physical casino. No physical casino can verify the identity of all players, restrict how much they spend, or provide a report on their playing history.

Lasseters' Perspective

In summary, Lasseters Casino's position on internet gaming is as follows:

1. Australia is recognised internationally as having an outstanding record on gaming regulation. The success of the internet and the current high use of unregulated gaming sites demonstrates the demand for action on online gaming regulation.
2. A regulatory framework is vital to protect the interests of players, their financial security and to help control the shape of the growing industry.
3. Internet gaming can be effectively controlled as shown through the successful development and operation of Lasseters Online, regulated by the Northern Territory Government.
4. Lasseters Casino has agreed to postpone the national launch of Lasseters Online in the interests of cooperating on a national approach.
5. The company is proud of the design of Lasseters Online and satisfied that it has taken a responsible approach which demonstrates that all possible issues associated with internet gaming can and have been addressed.

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