

1997

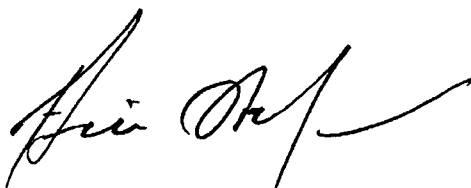
LEGISLATIVE ASSEMBLY FOR THE AUSTRALIAN CAPITAL TERRITORY

BOOKMAKERS ACT 1985

EXPLANATORY MEMORANDUM

DETERMINATION OF RULES FOR SPORTS BETTING

INSTRUMENT NO. 237 OF 1997

A handwritten signature in black ink, appearing to read 'Bill Stefaniak', with a long horizontal flourish extending to the right.

Circulated by the Authority of BILL STEFANIAK MLA

Minister for Sport and Recreation

Outline

The *Bookmakers Act 1985* (the Act) governs the activities of bookmakers in the Australian Capital Territory

Part IIIA of the Act provides for the conduct and control of sports betting. In particular, the legislation empowers the Minister to determine the rules for sports betting

Section 39C (1) of the Act provides that the Minister may, by instrument, determine or vary rules for sports betting

By Instrument No 69 of 1997, notified in Special Gazette No S99 of 18 April 1997, the rules for fixed odds sports betting were revised. This Instrument specifically adds a new component to set the rules for sports spread betting.

Spread betting (or index betting) is a betting product where the market maker frames an index on a particular contingency and punters are able to bet based on their view of the index set by the bookmaker.

As the sporting contingency unfolds, the bookmaker adjusts the index in line with the expectations of the outcome of the game and punters are able to trade their "positions" accordingly. Sports spread betting lends itself to betting in running (i.e. as the game is being played) more so than traditional fixed odds sports betting.

These rules for sports spread betting have been developed following detailed discussions with the UK Securities and Futures Authority and consultation with sports spread betting organisations in the UK and licensed sports bookmakers in the ACT. The regulatory framework for sports spread betting is modelled on the UK practice.

The rules are in two main parts - Part A covers the general rules of spread betting and part B provides the rules specifically relating to individual sports.

The provisions of each part are detailed as follows:-

Part A

Part A outlines the general rules for sports betting and requires that sports bookmakers providing the sports betting service -

- operate in a fair and honest manner and exercise care in the carriage of the business;
- ensure the protection of punters funds;
- correctly record all transactions,
- continuously provide an opportunity for clients to trade positions when betting on events; and
- promptly notify the Bookmakers Licensing Committee of any significant changes in the operations of the sports bookmaker.

The rules require the sports bookmakers to establish appropriate recording and management systems to ensure that the liabilities associated with spread betting can be appropriately recorded and monitored.

The rules provide for the protection of clients and client funds to ensure that, at all times, the funds deposited by punters are clearly accounted for and held under separate banking arrangements from the assets of the sports bookmaker

These rules require the sports bookmaker who offers the spread betting product to ensure that punters are made fully aware of the nature of spread betting and that punters signify their understanding, in writing, before spread bets are accepted.

In addition, sports bookmakers are not permitted to take any action or make any statements that are likely to induce or encourage a client to place a bet.

The rules cover the requirements relating to margin calls, whereby the client may be required to make additional payments to the sports bookmaker if open positions have resulted in the client's credit limit being exceeded. Furthermore the rules provide for the closure of open bets if a client fails to meet margin payments.

To protect inexperienced punters and ensure that punters are not exposed to possible large movements in positions and hence, possible large liabilities,

the rules provide for the establishment of stop loss/stop win limits on appropriate transactions. Appropriate transactions are those that do not have a clearly defined maximum outcome, such as the time of the first try - in a game of Rugby League, the maximum can only be up to the 80th minute.

The stop loss/stop win limits will establish the extent of possible movements in sporting contingencies and provide an artificial protection for both the punter and the bookmaker.

The rules require sports bookmakers providing spread betting to issue a statement, on at least a monthly basis, to each client which details all aspects of the client's betting transactions.

The rules prescribe the warnings that must be displayed on any advertisement in respect of the sports bookmaker's spread betting business.

Finally, the rules cover the arrangements for the granting of credit to clients and require that the sports bookmakers take all necessary steps to ensure that the level of credit provided to a client is commensurate with the client's financial capacity.

Part B

Part B of the rules sets out the general requirements that apply to spread bets on all approved sports betting contingencies.

In addition, this part sets out the sport specific requirements for spread betting.

These requirements have been established to ensure that a result can be clearly determined and betting transactions can be properly settled, based on the determined result. Where appropriate, the stop loss / stop win limits are established.

Financial Implications

The financial implications from the establishment of sports spread betting will be significant. The Office of Financial Management undertook a comprehensive cost benefit analysis of the proposal. That review showed that over a ten year period, the estimated benefits to the ACT economy would be some \$10.7m and the direct income to Government would be some \$7.1m.

The introduction of sports spread betting in the ACT will be a first for Australia, as the betting product is not available in any other jurisdiction. Over the long term, spread betting will provide increased levels of revenue to the Government.

The establishment of -

- clearly defined Terms of Business and Risk Warning documentation;
- requirements that prospective clients must clearly acknowledge their understanding of the risks associated with spread betting,
- mechanisms to protect the money of clients,
- stop loss/stop win restrictions;
- stringent record keeping and reporting requirements,
- clearly defined margin call requirements and credit management arrangements, and
- requirements for specific warnings to be carried on all advertising

provide a high degree of protection and security to punters.

These controls are consistent with, and in some cases exceed, those in place for the conduct and regulation of sports spread betting in the United Kingdom.