



**Commission on Crime and Problem Gambling
Minutes of the seventh oral evidence session
Industry representatives**

**Thursday 25 March 2021
Meeting held virtually on Zoom, 2:00- 3:30pm**

- Present:** Peter Goldsmith (**Chair**), Jamie Bennett, Andrew Black, Henrietta Bowden-Jones, John Chisholm, Frances Crook, Andrew Neilson, Neil Platt, Sarah Ramanauskas,
- Apologies:** Matt Burton, Jon Collins, Elizabeth Morony, Gerda Reith, Norma Stephenson, Sue Wade
- In attendance:** Gemma Buckland, Helen Churcher, Anita Dockley, Robert Preece, Catryn Yousefi
- Witnesses:** Maris Catania and Tim Cook (Kindred Group plc) and Roger Parkes (Betway)

Agenda:

1. Chair's introduction

The Chair welcomed Commissioners and gave apologies of those unable to attend.

2. Briefing session

The Chair explained the format of the session and opened the floor to Commissioners for discussion before the witnesses arrived.

Commissioners heard a brief introduction to anti-money laundering (AML) regulations which influence operators' approach. Further details could be found in the evidence session briefing papers.

Commissioners were alerted to a consultation by the DCMS to proposals for changes to Gambling Commission fees from 1 October 2021. Henrietta Bowden-Jones shared the details of this consultation via email:

<https://www.gov.uk/government/consultations/proposals-for-changes-to-gambling-commission-fees-from-1-october-2021>

Commissioners were informed of progress made regarding the submission to the Gambling Act review - a draft had been prepared by the Howard League and sent to Commissioners for comment, which would then be collated and submitted.

3. Evidence session

The Chair welcomed the witnesses to the evidence session and thanked them for attending. The chair explained the format of the session to witnesses. The Chair informed witnesses and Commissioners that the session was being recorded for internal purposes.

Maris Catania, Head of Responsible Gaming and Research, and Tim Cook, Solicitor of the Senior Courts of England and Wales, Kindred Group plc

Tim Cook introduced himself and provided some background information about Kindred Group plc. He explained that in accordance with academic research (references available in the briefing papers), Kindred Group recognised the links between crime and problem gambling. He outlined some facts about prevalence and behaviour in the UK:

- Gambling is a popular pastime in British culture
- A 2010 survey reported that 14% of the UK population gambled online
- A 2020 Gambling Commission survey reported that 21% of the UK population gambled online
- Smart phones allow direct access to gambling facilities
- Based on academic studies, 0.5% of cases in the UK can amount to a gambling disorder (based on the DSM-V definition)

Tim Cook noted that the most common link between crime and problem gambling seen at Kindred Group is where a problem gambler steals to fund their gambling habit (as opposed to traditional money laundering which is blocked by monitoring procedures and cashless transactions).

Tim Cook noted that problem gambling does not only affect the problem gambler, but also their dependents. It is estimated that between 5 to 17 individuals are affected by the behaviour of one problem gambler. Effects on others include financial stress, poor mental health, and emotional problems.

Tim Cook outlined the three areas of Kindred Group's commitment to and management of responsible gambling:

Academic research: Kindred Group base their approach on academic studies and empirical information. Maris Catania is Kindred Group's in-house academic and researcher. The company sponsor PhD projects, for example on the use of artificial intelligence in AML.

Industry collaboration: Kindred Group hosts an annual sustainable gambling conference for stakeholders. They also work with treatment centres, therapy providers and software providers.

Risk management technology: Kindred Group opened their books in February 2021 and pledged that by 2023 they would receive zero revenue from problem gambling. Quarterly figures are published on their website (e.g. percentage of revenue derived from problem gambling detected by their systems, effectiveness of intervention actions for problem gambling). Kindred Group also invite stakeholders to collaborate, review systems, and to publicly share information about data science

and technology. Tim Cook would send a link to Commissioners a video on the Kindred Group's website which explains their approach.

Tim Cook outlined the three systems used by Kindred Group in detecting and monitoring problematic behaviour:

Player Safety Early Detection System (PSEDS):

- Technology identifies potentially harmful gambling behaviour allowing operator to intervene and manage risk
- Constantly monitors customer behaviour on their platforms and analyses it against DSM-V diagnostic criteria (translates to around 20 behaviours)
- Action taken depends on the level of risk identified
 - Lower risk- automated interactions (on-screen messages, emails)
 - Increasing risk- interventions become more direct and immediate
 - Interventions escalate to immediately blocking accounts
 - Highest risk- customer offered online or residential health care
- PSEDS data:
 - 97.9% of Kindred Group's customer base shows a negative risk rating for problem gambling against DSM-V criteria (they are recreational gamblers)
 - 2.1% of players show a risk of problem gambling against DSM-V criteria (comprising 4% of the revenue that Kindred Group reports as being derived from problem gambling)
 - Intervention (e.g., financial or session controls) results in 76% of at-risk customers engaging in less risky behaviour
 - 24% require further intervention

AML risk model:

- Generates a general risk profile of each customer/account (based on technology used by financial services)
- Analyses customer demographics, geography, product, transactions, and interface
- Monitors behaviours that trigger investigation and intervention. Behaviours include:
 - Increasing value of deposits
 - Increasing frequency of play
 - Increasing length of sessions

Affordability profiling:

- Affordability checks are undertaken when customer accounts are created to assess the financial health of an individual
- At creation, 7% accounts show high levels of risk
 - 2% of these show risk of bankruptcy and CCJs
 - 5% show some other indication of financial stress which require further investigation. Limits are placed on the account while spending increases are investigated
- Further affordability checks are undertaken past a certain spend threshold
- At spend thresholds, a further 13% of accounts require some level of risk review or due diligence to investigate financial circumstances

Whenever any of the systems detailed above trigger an alert to teams, information across all systems is collated and reviewed.

Commissioners queried the robustness of these systems against trickery or manipulation. Tim Cook did not believe that the risk indicators themselves could be tricked. Indeed, false positives might trigger reviews. However, Tim Cook acknowledged that operators should be mindful of manipulation/concealment when interacting with customers. Manipulation and concealment are natural responses from people suffering from addictions. Kindred Group's teams trained to deal with this. Kindred Group are also developing further web analytics to detect problematic behaviours, such as on mouse use and click speeds.

Roger Parkes, Director of Compliance and Regulatory Affairs, Betway

Roger Parkes thanked the Commission for the invitation to speak. Betway is a privately owned company with a worldwide presence.

Roger Parkes noted that Betway's regulatory services and systems were similar to those outlined by Tim Cook at Kindred Group. Betway has a team of around 150 people worldwide responsible for responsible gambling, regulatory compliance and AML.

Betway uses the CIP or **Customer Interaction Programme (similar to PSEDS):**

- Instead of DSM-V criteria, it uses PWC/Gambling Commission study data and harm markers
- Risk level of the behaviour dictates the interaction that the customer receives
 - low level risk indicators- automated emails
 - Higher level risk indicators- apply limits, suspend/close accounts
- Team of 36 people (based in South Africa) who review and analyse customer behaviour based on alerts in real time
 - Team also contacts and interacts with customers and can apply restrictions as above

Commissioners queried the customer interaction process - whether human interaction is undertaken once a warning comes up. Witnesses explained that when high risk behaviour is flagged, accounts are suspended until the customer can be contacted by staff (same approach across both companies). Betway also evaluate the effectiveness of interaction to ensure that the problematic behaviour is resolved.

Roger Parkes explained Betway's affordability risk assessment process:

- Risk assessments are automated but tailored to each customer
- Information gathered for multiple checks includes age, gender, CIP and sanctions checks, affordability risk assessment checks, credit agency style checks
- High risk customers are blocked immediately, their accounts are cancelled
- Locks on maximum deposit and loss amounts on a daily and monthly basis are placed based on this information
- Credit agency data is matched against ONS data (comparing demographics e.g. age and employment) to calculate a maximum loss amount for each customer

- For Enhanced Due Diligence checks, PEP, Sanctions, Negative News searches are conducted and in depth online searches are completed on customers using open-source search tool Scout
- Most EDD checks require customers to provide evidence of income

Betway uses behaviour model assessment and customer interaction is in real time (through text messages, emails, site interactions such as pop-ups, phone calls). There are a number of evaluation methods including hub/platform limits and automated account suspension.

Roger Parkes commented on additional areas of harm management:

- **Affordability checks:** he queried whether these would be effective in considering all types of gambling harm or appropriate only for financial harm, Instead, a more effective customer interaction programme would be preferable as it considers a far greater range of known harms.
- **Black market/unregulated market:** he highlighted the increased use in the UK of black market/unregulated services.¹ Betway believes that increasingly stringent regulations drive the use of black market/unregulated gambling as competitiveness by the licensed industry is lessened.
- **Betting integrity:** regulations have been helpful in driving out corruption in sport
- **Single customer view:** currently, operators only have visibility of play undertaken on their platform, allowing players to evade due diligence thresholds and checks and continue their problem gambling (using multiple operators, low deposit amounts, moving between operators). This negates regulatory controls. A single customer view would be technically very difficult to achieve across platforms. There are legal issues regarding data protection.

Roger Parkes concluded with an assessment of the regulator's role. The Gambling Commission should identify operator strengths as well as weaknesses - a lack of positive feedback undermines effective evaluation. Examples of what constitutes good practice should be shared. The attention of compliance teams are diverted from customers currently at risk to investigations into customers who are no longer active. There is reduced benefit in forensically assessing the handling of historic customers. Roger Parkes would welcome a revised approach from the Gambling Commission in which there is less focus on historic failings, and faster decisions regarding ongoing risks/problems that would allow learning to be fed back into operational processes in real time. The Gambling Commission should consider changes that have occurred with the business from the time of those historical failings.

4. Questions from Commissioners

The Chair thanked the witnesses and opened the floor for questions from Commissioners.

¹ Figures shared derive from the BGC/PwC review of unlicensed gambling in the UK (February 2021). Available here: https://bettingandgamingcouncil.com/uploads/Downloads/PwC-Review-of-Unlicensed-Online-Gambling-in-the-UK_vFinal.pdf

Sarah Ramanauskas asked the following question:

What role does the industry currently play in preventing and reducing gambling-related crime? How could you sum up industry position at the moment?

Sarah Ramanuskas noted that it is not 0.3% of gamblers than have a gambling problem, but 0.3% of the UK population.

Roger Parkes responded. The industry has come a long way in last five years, and particularly the last two years. Traditional money laundering is not a risk in the regulated industry - the harm lies in the use of funds raised through crime. This may be different in the black market. Roger Parkes noted the role of the banks - that the money coming into the gambling industry first passes through the banking system. Banks have not been asked about their approach to gambling related crime. To achieve no gambling-related crime, the industry would have to go down the affordability route and ascertain the source of income of every customer. More information is needed from banks, but open banking may not be palatable for customers.

Sarah Ramanauskas asked the following question:

What steps do you currently take to assess affordability, identify vulnerability and take early preventative and reactive action when risk indicators are identified? What else could you be doing? What other steps?

Maris Catania responded that an area of research to develop regards binge gamblers - people who gamble quickly and recklessly. She noted common behaviour of binge gamblers whereby they deposit large amounts quickly, self-exclude, and move on to another provider. More information and data is needed; rather than shifting responsibility, the industry could work with financial providers to share data. Maris Catania also advocated for more research into online product risk, and into establishing evaluation systems for product related risk. Finally, more of a voice should be given to those with lived experience.

Sarah Ramanauskas asked the following question:

What, if anything, does your organisation do to engage with significant others who may be affected by gambling-related crime?

Maris Catania responded that Kindred Group are looking at using an intervention whereby a monthly financial statement is sent to family members. This empowers affected others. When gambling becomes a secret, it becomes problematic.

Lord Goldsmith asked the following question:

Is the impact on affected others fed into operators' assessment of problem gambling?

Maris Catania noted that one of the DSM-V criteria is about the effect of an individual's gambling on their loved ones/relationships. The impact on affected others is hard to assess.

Neil Platt asked the following question:

How many customers do Kindred Group have?

Neil Platt noted that Kindred Group has a turnover of £800 million

Tim Cook responded that, across whole group, Kindred Group has a total 30 million registered users. These are not all necessarily active customers.

Neil Platt highlighted the relationship between problem products, problem gambling, and crime. From a rough calculation, witnesses and Commissioners were informed that if as stated 4% of Kindred Group's revenue was derived from problem gambling, this would represent £32 million. Applied to Kindred's turnover of £364 million, they derive £14-15 million from problem gambling. Out of all these customers, less than 10,000 people enter treatment in the UK. In light of these figures, Neil Platt queried the efficacy of industry interventions. It was clear that the industry generating substantial profits from problem products. Efforts such as the zero-revenue scheme were commendable but did not go far enough. He explained that extrapolating this link is important.

Neil Platt asked the following question:

There is a disparity between customer and revenue figures, versus treatment figures in the UK. The industry also generates substantial profit from problem products. What is being done to address this issue?

Maris Catania responded that Kindred Group were looking into this e.g. problem gambling risk in casino versus sports betting and live betting (the latter has similar frequency to live casino). Kindred Group is investing in research in this area (with Jonathan Park). Product risk is taken into perspective and investigated. There are intervention points at which risky behaviour with a product can be identified e.g. if they want to set a limit but doesn't. Kindred Group use a data scientist to look at how much is placed and the risk that is placed on particular types of betting. Kindred is open to researchers gaining more insight.

Roger Parkes noted that an industry body (part of the BGC, along with the Gambling Commission) was assessing game design and potential harmful aspects. The Gambling Commission had recently made requirements regarding changes to game design aspects such as auto play, immediate stop buttons. Roger Parkes argues that while there was not a great deal of evidence that these design aspects lead to harmful play, further study is on-going to categorically identify harmful attributes, rather than common usage by at-risk players.

Neil Platt asked the following question:

How effective is the existing regulatory regime at ensuring that individuals who i) may be at risk of engaging in financial crimes to fund their gambling problem or addiction are prevented from doing so and ii) those already engaged in such activity are detected?

Roger Parkes responded that actions taken by the industry are partly a result of a desire to minimise harm, and partly a result of regulations. It is a common cry from within the industry that regulations are not prescriptive enough, but rather are

outcomes based. It is difficult for operators to obtain guidance. It is guidance from, rather than regulations by, the Gambling Commission that are weak.

Andrew Neilson asked the following question:

What impact has Gambling Commission guidance related to malpractice in the use of so-called VIP schemes had on industry practices in dealing with high-value customers who may be gambling with illicit gains?

Tim Cook responded that the guidance had had a massive impact and is an effective starting point for improvements. All operators in the UK had significantly reduced the number of persons qualifying for VIP schemes and a much higher standard of due diligence required. The guidance has had a significant impact on the scope and number of persons that can be included in VIP schemes (their financial profile is assessed). Membership is reviewed on a quarterly basis. Interaction and engagement with and understanding amongst VIP customers is very high.

Roger Parkes responded that Betway had closed their VIP scheme more than a year ago and no longer have VIP customers.

Jamie Bennett asked the following question:

What engagement, if any, have you had with criminal justice agencies seeking to reduce gambling-related crime?

Tim Cook responded that Kindred Group had had some engagement with the criminal justice system (CJS), but probably not enough. Most often, engagement is a result of police investigation. Tim Cook acknowledged that this was not ideal and that more could be done.

Jamie Bennett asked the following question:

Whose responsibility should it be to better understand the relationship between problem gambling and crime?

Tim Cook responded that responsibility tends to lie with operators. Operators could be more engaged with the CJS. Maris Catania could explore this further.

Roger Parkes responded that operators tend to be passive, rather than actively seek relationships. They interact with the CJS upon police requests, or where they detect suspicious activity (and submit SARS).

Maris Catania noted the risk of relapse following CJS engagement, and that these individuals should not gamble at all.

Henrietta Bowden-Jones asked the following question:

What contribution, if any, have you made to further understanding crime and problem gambling research funding to enable this to happen?

Maris Catania responded that Kindred Group had invested more into prevention and responsible gambling e.g. funding for AML PhD research. The link had not been explored enough. She noted engagement with experts by experience who have been

through the CJS, and that these individuals have shared their own SARS to enable better evaluation of AML and risk assessment systems.

Roger Parkes responded that Betway had focused more on education and treatment as opposed to research. They fund GambleAware and number of different research education and treatment (RET) organisations on the GCs list of approved charities. Betway also work with experts by experience who assess products and systems and review messaging, content and engagement.

Henrietta Bowden-Jones asked the following question:

How do you respond to concerns from politicians and academics about the potential for industry influence and the perception of industry influence on the funding of research and treatment for gambling addiction? Should there be an independent funding pot?

Maris Catania noted that she experiences this in peer reviewed research. She noted the size and quality of data that operators collect, and its potential utility to researchers as secondary data. For example, Kindred Group sent the PGSI to all their customers in the UK. Research contracts could include clauses about industry funding.

Roger Parkes agreed with Maris Catania. He expressed that the industry is caught in a difficult position. Most of the industry would be supportive of a levy. Most of the industry pay money in to GambleAware, who administer the funds and approve research, rendering it effectively independent of the industry, but this is not the perception.

Tim Cook was in agreement. He noted that Kindred Group are very open with their data, evidenced by the journey to zero programme. Tim Cook reflected that there is a sense that the industry wants to do more, but there is this obstacle as identified in the question.

Frances Crook asked the following question:

What evidence, if any, is there on links between gambling advertising and gambling-related crime?

Maris Catania responded that this is difficult to answer, that there are additional factors beyond advertising. From her perspective, advertising stands to normalise gambling, and might lead people to gamble more. Moreover, advertising makes it difficult for people to stop or avoid relapse.

Roger Parkes agreed that advertising can cause relapse among people that experience gambling-related harms. However, he did not agree that the normalisation of gambling necessarily makes it more harmful. Conversely, normalisation could possibly make gambling more socially acceptable and reduce binge or harmful play through more education. Roger Parkes did not know Betway's advertising spend in the UK.

Witnesses and Commissioners were informed that in 2017, nearly half of the £1.56bn (€1.78bn/\$1.99bn) that was spent on marketing by gambling companies in

Great Britain last year was invested online, with television advertising accounting for just 15% of the total.²

Lord Goldsmith asked the following question:

What legislative provision are you anticipating might be made following the Gambling Act Review to strengthen regulation to prevent gambling-related crime?

Roger Parkes noted the negative media response to the industry in recent years, and thus the changing public perception of industry. The industry has made significant steps in regulation/responsible gambling. Roger Parkes highlighted commitment and culture among those in the industry to remove harm, whether it be problem gambling or crime. Roger Parkes argued that there are sufficient expectations extant in current legislation and from the Gambling Commission. However, there is not enough proscriptive guidance to help industry in understanding what is expected.

Maris Catania responded that she does not usually view most operators favourably. Any operator would want to reduce harm that extends to the CJS. She noted that gambling-related harm comes before criminality, and that this needs more focus.

Lord Goldsmith asked the following question:

How would you characterise the nature of interest the industry has in reducing gambling-related crime?

Tim Cook explained that there had been a significant change in culture in the industry over last five to ten years. He noted that gambling-related crime was not good for the business, the regulator, or their reputation.

Roger Parkes was in agreement. He highlighted the industry's commitment to the issue evidenced by increasing numbers of staff employed in responsible gambling and compliance. The industry has seen the development of a compliance culture, now a proactive part of business.

Lord Goldsmith asked the following question:

What would you like to see this Commission achieve in the course of its work?

Witnesses were informed that the Commission would be making a submission to the review of the Gambling Act 2005. Research projects were ongoing and would be published independently. The Commission would still run for some time before concluding.

Tim Cook responded that the review of the Gambling Act was a very important junction for gambling regulation in the UK. There was potential to take a step backwards. There should be investment in technology, focussed on the highest risk factors, or where the most benefit can be affected. Blanket spending caps would be a step backwards, and very difficult to manage. He would argue for a risk-based

² <https://igamingbusiness.com/online-dominates-uk-gambling-marketing-spend/>

approach using technology and data where operators can effectively manage risk and prevent harm.

Maris Catania would welcome increased dialogue and collaboration across the field and among stakeholders.

5. Closing remarks

The Chair thanked the witnesses for attending and noted the valuable and important evidence given. The witnesses withdrew from the meeting.

6. Debrief

The Chair opened floor for a debrief discussion.

Commissioners noted the use of bitcoin, and that this is registered and monitored just as any other cash or credit disposal.

Commissioners noted that, as in previous evidence sessions, awareness of gambling related crime in the CJS needs to be improved. Commissioners queried whether enough was being done by the industry, and whether engagement with/investment in responsible gambling was, to a degree, tokenistic.

Commissioners queried whether the witnesses were from the more progressive end of the industry. It was noted that larger operators are engaged and conduct mass harm prevention. Smaller operators do less compliance work.

Commissioners noted that the global picture was worrying, particularly in countries where there is no regulation.

Commissioners queried whether the operator's actions were actually effective in reducing harm, in particular the most serious effect of suicide.

Commissioners noted the inextricable link between problem products, problem gambling and criminality. Some games are extremely harmful, and the operators are making large profits from these problematic products.

Commissioners noted that there is complexity in regulating leisure activities- people do things that aren't good for them. Analogies were drawn with tobacco, fossil fuels, alcohol. A distinction was made between social and anti-social gambling.

Commissioners requested a short briefing note about the regulating and taxation of offshore companies.

7. Any other business

None. The Chair thanked all for attending and closed the meeting.

Minutes agreed by the Chair 14/04/21

CY/HC/20/04/21