

Introducing an Affordability Approach to Gambling in a North American Context

1 June 2023

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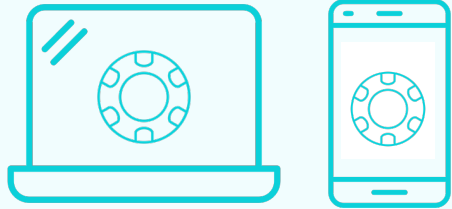
Judith Glynn, is completing her PhD at the Centre of Excellence in Responsible Gaming, University of Gibraltar. Judith's research focuses on public policy, regulation, and compliance. Judith was Director then CEO of the Ontario Problem Gambling Research Centre from 2000 to 2012. Judith serves on the Research Review Committee of the Massachusetts Gaming Commission.

Conflict of Interest: In her capacity as President of PRET Solutions Judith has received funding from government, public health, treatment agencies and regulatory bodies in the US, Canada, the UK, and Australia; and from gambling operators in Canada, the UK, Australia and Italy.

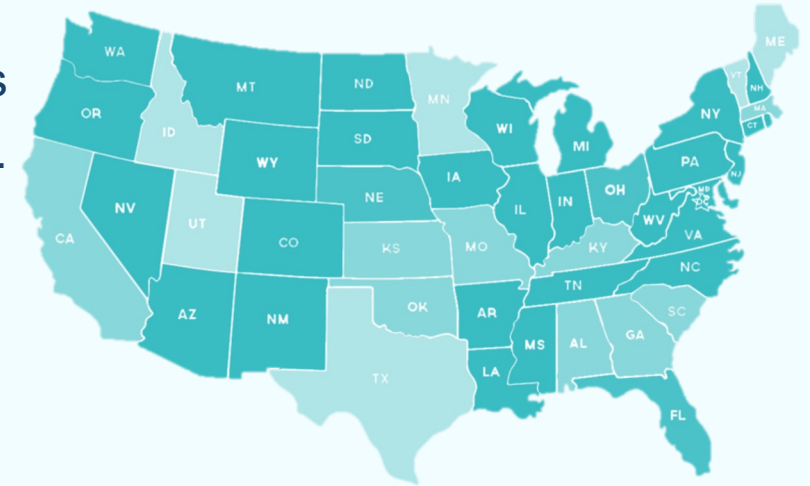
Topics

- An ever-expanding gambling environment
- The quandary of harm
- The unfulfilled promise of player analytics
- Shifting focus: from play patterns to affordability
 - *Socio-economic & regulatory rationale*
 - *Operationalizing affordability in North America & beyond*

An ever-expanding gambling environment



In 2023, sports wagering is legal in **35** states (plus DC), with 3 more introducing active legislation.

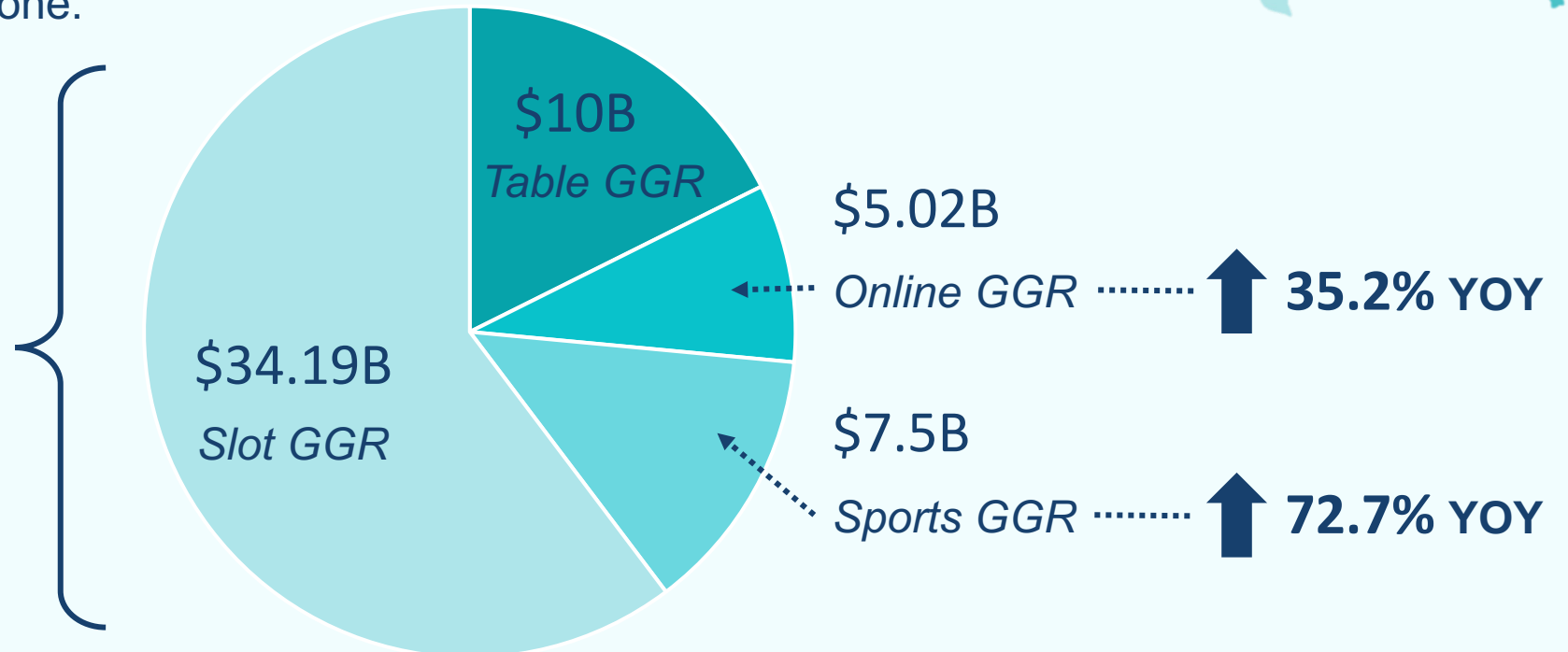


Online gambling virtually eliminates barriers, offering **continuous access** to anyone with a computer or smartphone.

\$60.4B

(USD)
2022 revenue for the commercial gaming industry

(Source: American Gaming Association)



Increasing recognition of harms

Study Finds Online Gambling Riskier Than Retail for Underage Gamblers



WRITTEN BY:
ROBYN MCNEIL



PUBLISHED:
MAY 24, 2023



UPDATED:
MAY 24, 2023

GambleAware partners LadBible to raise awareness of gambling harms

Svenska Spel CEO calls for national debt register to tackle gambling harm

10th January 2023 | By Zak Thomas-Akoo

The dark side of the sports betting boom

AGRC: 46% of Australian gamblers “at some risk” of gambling harms

Industry reaction: UKGC and BGC weigh in on House of Lords gambling-related harm report

Study estimates cost of gambling harm in Norway to be NOK5.14bn

17th March 2022 | By Daniel O'Boyle

UKGC fines SkillOnNet almost \$378K over social responsibility, AML failures

Accountability for reducing harm

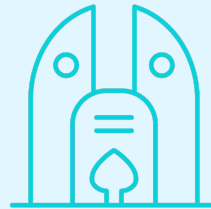
Harm reduction efforts require participation across all three roles.

However, the authors believe regulators are in the best position to provide player protection and to promote responsible and non-predatory gambling practices.



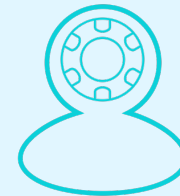
Regulator

Leadership – establish & enforce guidelines



Operator

Compliance – with regulatory guidance; screening and tools for players



Player

Adoption – and use of tools

Defining reducible or preventable harms

Public Health England report (2021):

Financial harm is a core harm that leads to others, such as relationship, mental, and physical health problems.

Muggleton et al. (2021):

Based on anonymous bank data, higher levels of gambling spend was associated with:

- higher financial distress (using overdraft, missed payments, payday loan, debt collection);
- negative lifestyle, health, wellbeing, and leisure outcomes;
- higher rates of future unemployment and physical disability; and
- at highest levels, substantially increased mortality

Research and analysis

Gambling-related harms: evidence review

A review looking at the prevalence, risk factors and public health harms associated with gambling and the economic and social burden.



The association between gambling and financial, social and health outcomes in big financial data

Naomi Muggleton ^{1,2,3} , Paula Parpart^{2,3,4}, Philip Newall ^{5,6}, David Leake³, John Gathergood ⁷ and Neil Stewart ²

Identifying the most vulnerable

Public Health England report (2021):

While the highest rates of *gambling participation* are among more advantaged populations (educated, employed and in less deprived groups), the relationship is reversed as gambling risk increases, such that, ***those who are unemployed and living in deprived areas experience the most gambling-related harm.***

Hahmann et al. (2021):

Scoping review of 27 studies found PG was clearly associated with standard poverty measures

- being unemployed;
- unstable housing or being homeless;
- having low income; and
- living in a disadvantaged neighbourhood

Research and analysis

Gambling-related harms: evidence review

A review looking at the prevalence, risk factors and public health harms associated with gambling and the economic and social burden.

Problem gambling within the context of poverty: a scoping review

Tara Hahmann, Sarah Hamilton-Wright, Carolyn Ziegler & Flora I. Matheson 

Pages 183-219 | Received 02 Apr 2020, Accepted 26 Aug 2020, Published online: 21 Sep 2020

Unfulfilled promise of big data analytics

Play behaviour, including spending patterns do not differentiate between those who can and cannot **afford** to lose what they spend.

Lack of standardization

- Proprietary, confidential models
- Risk looks different across products and player profiles

Lack of published evidence of effectiveness

- that models have identified a majority of high-risk players IRL
- No evidence of reduction in harm
- Lack of rigorous evaluation

Lack of rigour

- Indicators with limited (or no) evidentiary basis
- Models built and trained on data sourced from single operator

Imperfect definitions of harm

- Most models use outcome variables that are problematic such as SE, account closure
- Designed to identify "PG" rather than harm

Shifting focus: from play patterns to affordability

Given the lack of consistent and reliable strategies to identify and minimize harm, combined with the lack of social responsibility requirements for operators, there is a pressing need for an **objective, standardized protocol to identify players at risk of gambling harm and to provide some form of intervention, assistance, or barrier to unaffordable losses.**

Affordability guidelines could provide such standardization.

Objective

Financial markers are easily quantifiable through bank statements or credit agency reporting (vs. variability in play patterns).

Reasonable

Removes the burden on regulators or operators to determine who may be a PG based on models constructed from indicators that vary in reliability.

Complementary

Shifts the function of analytics away from predicting PG to a complementary function of informing risk levels for affordability.

Socio-economic rationale



Targeted

Evidence indicates affordability approaches would effectively target the most vulnerable to experiencing harms; those who can least afford financial losses.



Impactful

Preventing financial harms to the most vulnerable groups means preventing immediate demands (costs) on society (e.g., financial and welfare supports).



Moral & Ethical

Acknowledges the basic tenet of most developed countries that we are obligated to protect those who are most vulnerable or disadvantaged.

Regulatory rationale

Builds on existing concepts – affordability has long been a key concept of AML efforts worldwide, with financial assessments used to help determine whether wealth comes from legal means.

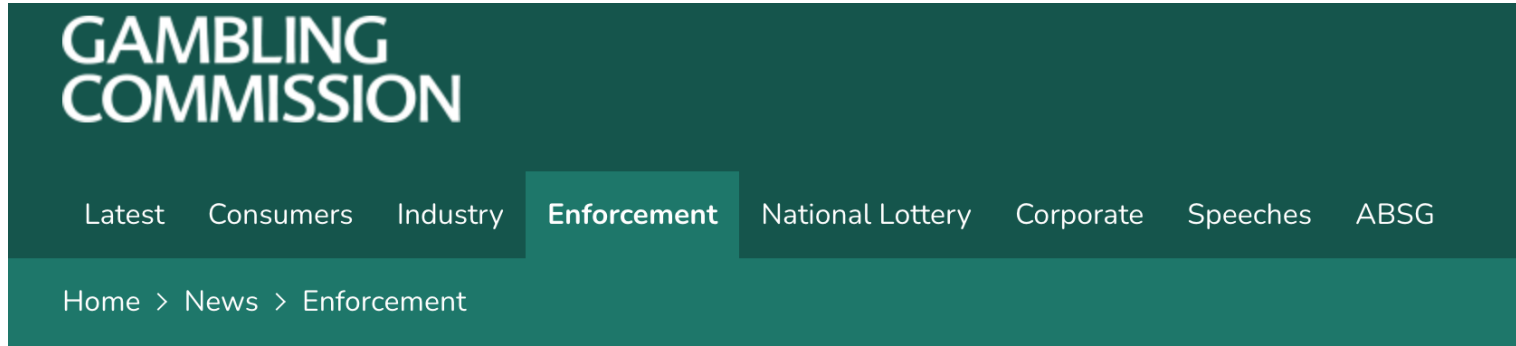
FATF 40 sets out AML requirements agreed upon by over 200 countries, translated into consistent requirements for all risk industries, including gambling.

Leverages existing systems – operators already have tools in place to assess affordability, such as third-party systems used in U.S. and UK to perform identity and source of wealth verification.

Addresses increasing accountability – growing availability of data on affordability will make it increasingly difficult for operators to claim ignorance of potential financial harm.



Policy shift in practice: UKGC



PRESS RELEASE

William Hill Group businesses to pay record £19.2m for failures

28 March 2023

Three gambling businesses owned by William Hill Group will pay a total of £19.2 million for social responsibility and anti-money laundering failures.

WHG (International) Limited, which runs williamhill.com, will pay £12.5 million, Mr Green Limited, which runs mrgreen.com, will pay £3.7 million and William Hill Organization Limited, which operates 1,344 gambling premises across Britain, will pay £3 million.

- Regulatory settlements increasingly involve dual AML/SR failures
- Taking position that **information obtained for AML purposes should inform SR activities**
- Treating AML assessments as part of SR due diligence
- From 2019 – 2022, operators were required to integrate affordability assessments across AML and SR
- As of Sept. 2022 the requirement has been paused
- This dynamic policy environment illustrates the potential challenges to meaningful change (e.g., political and industry pressure, practical considerations)

Operationalizing affordability in North America (& beyond)

To establish effective affordability guidelines, regulators will need to reconcile a number of issues:

1. Define affordability, establish thresholds & triggers
2. Communicate changes to customers
3. Determine who will conduct and monitor affordability assessments
4. Establish/codify action(s) operators are required to take when customers exceed thresholds
5. Specify the role of individual customers in setting personally affordable limits

Define affordability and thresholds

- ***Discretionary income*** is a more suitable bucket of funds to be used for gambling (vs. disposable income)
- ***Discretionary income (DI)***: amount remaining after taxes and a *minimum standard of living budget*
- ***Minimum Standard of Living (MSoL)***: 100%-150% of *standard poverty guideline* for family size and jurisdiction of residence
- ***Standard Poverty Guideline (SPG)***: published by most developed countries, to establish a poverty line and understand how families or individuals may be categorized as below it – e.g.:
 - *U.S. Department of Health and Services state poverty guidelines*
 - *Canadian Market Basket Measure (MBM)*

Discretionary Income (DI) = Annual Gross Income (AGI) – MSoL

Example 1



Family of four, living in New Jersey

AGI \$50,000 USD

SPG \$27,750 USD (U.S. Dept. Health)

MSoL \$27,750 x 1.5 = **\$41,625 USD**

DI \$50,000 - \$41,625 = **\$8,375/year**

This family would have \$8,375 a year (\$698/month or \$161/week) to spend on non-essential items, including gambling.

Example 2



Family of four, living in urban Ontario

AGI \$73,000 CAD

SPG \$46,306 CAD (MBM)

MSoL \$46,306 x 1.5 = **\$69,459 CAD**

DI \$73,000 - \$69,459 = **\$3,541/year**

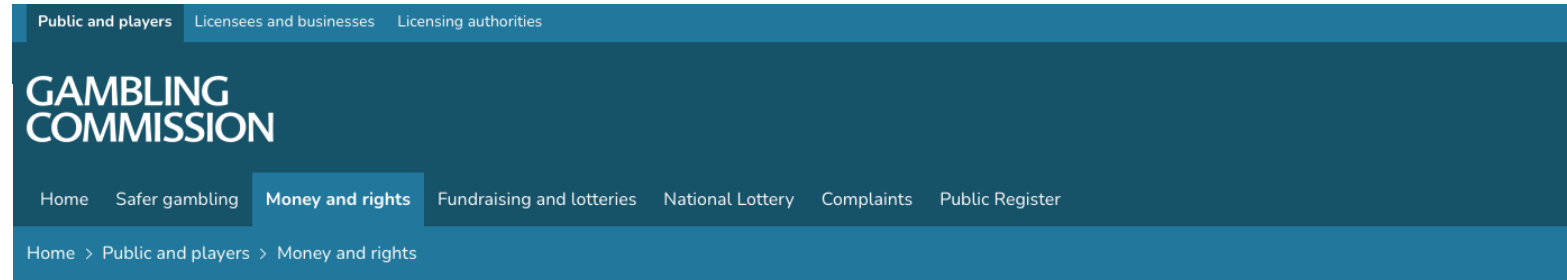
This family would have \$3,541 a year (\$295/month or \$68/week) to spend on non-essential items, including gambling.

Communicate to customers

Be clear and transparent – ensure customers understand why and how operators need to conduct assessments, which will reduce friction when financial information is requested.

Empower customers – provide tools to allow customers to calculate their own affordability, using a transparent, objective and standards-based calculation; offer related limit-setting tools.

Simplify & streamline – opt-out vs. opt-in for limit-setting tools; make part of standard on-boarding process for online play.



[Age, ID and financial verification](#)

[Why do I need to provide ID?](#)

[What type of documents can I be asked to provide?](#)

Why gambling businesses want to know about your finances

As part of their customer interaction requirements we challenge all gambling companies to know their customers inside out so they can provide the best possible service and ensure gambling in Great Britain is fair, safe and free of crime.

First and foremost, gambling companies want to keep crime and money laundering out of the gambling industry and do not want their customers falling into financial difficulties.

Gambling companies therefore use a variety of techniques to profile customers which can help to indicate that a customer is gambling with money they do not have. We make them aware of these indicators, but to be certain, they may by going directly to customers or through a third party obtain the following:

Bank statements

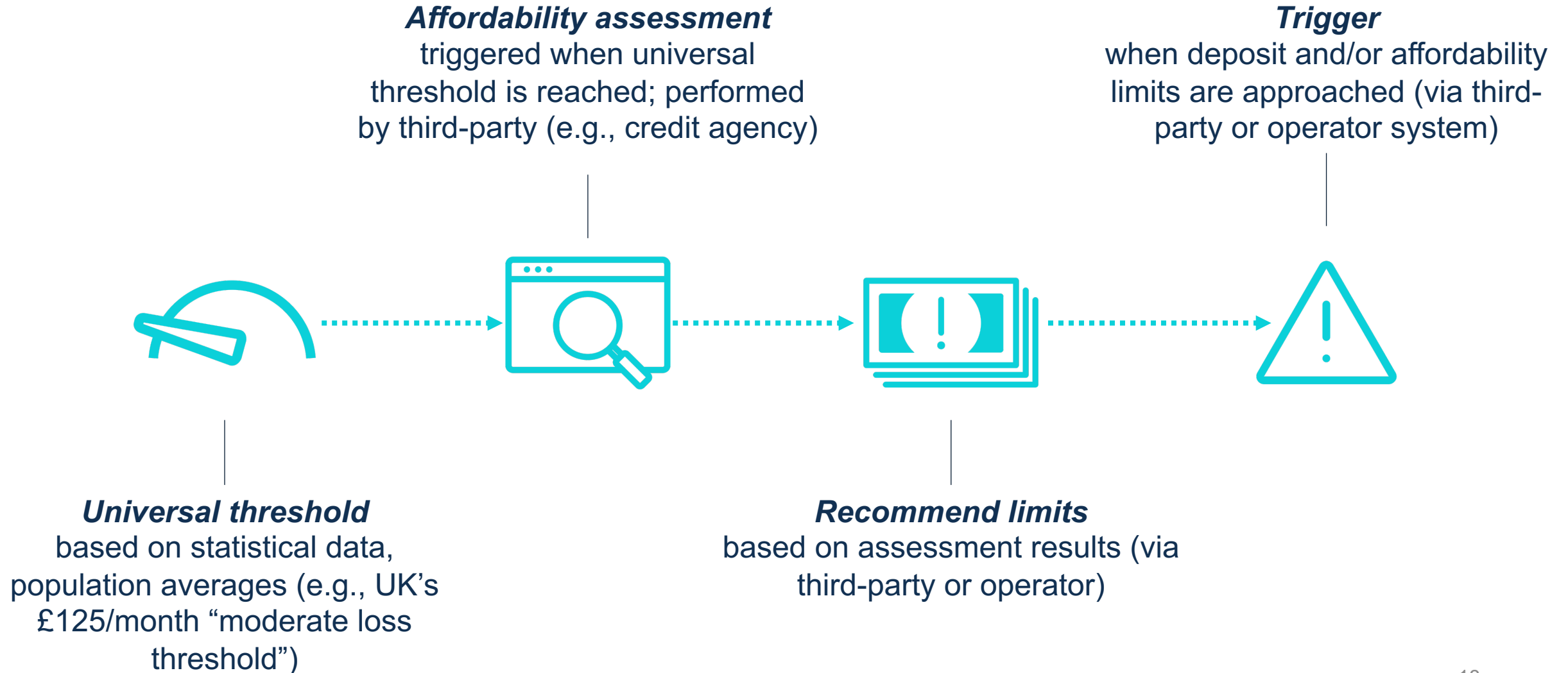
To help check that your source of funds are legitimate, and as part of a gambling company's anti-money laundering checks

Income patterns

Aside from studying bank statements, gambling companies can also ask for information which may lead to irregular income patterns in your account, such as a pending house sale.

Gambling companies also look at appropriate deposit or loss thresholds based on your income. This is helped by using open source data and Office of National Statistics publications to help them assess affordability and improve their risk assessments for customer interaction.

Conduct affordability assessments: example protocol



Summary

- The rapid expansion of gambling has provided significant revenue to operators, states, and provinces.
- However, many players may be spending more than they can afford to lose.
- At this time, developing game-, venue-, and jurisdiction-specific machine learning models is impractical and will provide only partial information relevant for harm reduction.
- **Affordability, which can be objectively and extrinsically measured, represents the crucial but currently missing information needed to identify players who cannot afford what they are spending, in contrast to those whose excessive spending is supported by their income.**
- Adopting such guidelines will be a substantial step toward a holistic approach to prevention as well as harm reduction in a North American context, and beyond.

Thank You!



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*Introducing an Affordability Approach to Gambling in a North American Context:
Considerations for Implementation*

1 June 2023

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Define affordability & thresholds: UK model

“Gambling is only affordable when it does not impede other financial commitments that a household must fulfill in order to achieve a socially acceptable standard of living.”

Noyes & Shepherd (2020)

- UK adopted a “thresholding system”, based on household **disposable income**, contextualized by minimum income standard (poverty level)
- Guided establishment of a “soft cap” limit (£100)
- To spend above £100, players submit to an affordability check conducted via third party system (Experian)
- Experian system checked identity, performed affordability assessment, offered corresponding deposit limits

'The government must remember betting is a pastime enjoyed by millions' - operators' views on affordability checks

Betting affordability checks: Could new legislation sound a death knell for horse racing?

Study Reveals UK Bettors Disagree with Affordability Checks

A majority of bettors would rather change the operator, switch to an unlicensed company or stop betting altogether if asked to provide sensitive financial documents for affordability checks

Black market betting a 'significant threat' as a result of affordability checks, UK survey reveals

🕒 13 February 2023 🧑 by Racingpost.com

UK Gambling Commission Thinks People Shouldn't Be Able to Decide If They Can Afford to Gamble

Minister rebukes Gambling Commission over intrusive affordability checks

Posted on: June 22, 2022, 08:34h. Last updated on: March 22, 2023, 10:16h.