



# NSW Bookmakers' Co-operative Ltd.

ABN 19 751 918 434

(Members of City Tattersall's Club)

198 Pitt Street, Sydney NSW 2000

Tel: (02) 9267.7605 Fax: (02) 9267.4147

e-mail: [bookies@citytatts.com.au](mailto:bookies@citytatts.com.au)

Monday, 8 March 2010

Regulatory Burdens Review  
Productivity Commission  
GPO Box 1428  
Canberra City  
ACT 2601

Dear Sir/ Madam,

**Subject: Submission to Productivity Commission Review of Regulatory Burdens on Business**

## 1. Introduction

The NSW Bookmakers Co-operative Ltd wishes to take the opportunity to make a brief submission to this annual review, this year targeting the Business and Consumer Services sector of the economy.

We understand that the above sector includes the Arts and Recreation Services subsector, which in turn includes the Australian racing and gambling industries.

The NSW Bookmakers Co-operative ("the Co-op") is the representative body for licensed on-course bookmakers in NSW and performs a number of functions including provision of fiduciary guarantees covering individual members' betting activities and representation of members' interests to government and industry bodies on a wide range of issues.

The Co-op currently represents some 252 bookmaking members in NSW, making up 95% of the total bookmaking licence holders in this State. The Co-op is affiliated with the Australian Bookmaking Association (ABA) which is the national representative body for on-course bookmakers, and our organisation directly provides delegates to the board of that national body.

## 2. Overview :- Main Regulatory Burden Issue:

The Co-op on behalf of our members would like to raise our concerns to this review in relation to the current regulatory burden associated with current **AUSTRAC** requirements under the **Anti-Money Laundering and Terrorist Financing Act 2006**.

In summary the regulatory burden placed on the vast majority of on-course bookmakers as a consequence of these Federal Government requirements is clearly excessive, poorly targeted and unnecessarily complex in terms of meeting the objectives of the legislation.

Further details follow, however the Co-op believes that the regulatory impost placed on our members, all sole traders under State licensing limitations, is entirely unrelated to the money laundering and terrorist financing risks that they could ever in reality pose.

### 3. Specific Details

#### a. 'The AML/CTF Act':

The stated purpose of the Anti-Money Laundering and Counter Terrorism Financing Act 2006 ('the Act') is the regulation of financial transactions in a way that will help detect and prevent these stated activities. The Act is intended to enable Australia to better meet its international obligations, and reflects international standards set by the Financial Action Task Force.

The Act is framed around a "risk based approach". It sets out the primary obligations of providers of "designated services", which are specific services that could be exploited to launder money or finance terrorism. As one would expect, these designated services are predominantly those relating to the banking and finance sectors of the economy.

However, Australian gambling operators of various types are also defined as designated service providers under the Act. This gambling – related definition is cast very wide, with any person (e.g. a bookmaker) who accepts a bet or pays out winnings, being included. When included by definition there are a significant number of mandatory compliance obligations to be met under the Act.

The Act is supplemented by a set of comprehensive rules made by AUSTRAC which contain practical and operational detail, and which are legally binding.

Reporting entities (i.e. including all bookmakers) are required, without exception, to develop 'risk-based' systems and controls. In this respect, the core requirements of the Act include customer identification and due diligence responsibilities, record keeping, suspicious matter reporting, threshold transaction reporting and the implementation of an AML/ATF program.

#### b. Why the Regulatory Burden is excessive / unnecessary for most bookmakers:

As before, the current legislative and regulatory requirements covering AML/ATF issues are considered to be disproportionate to the relative risks inherent in on-course bookmaking activities.

The following snapshot of the licensee numbers and commercial activity summary of NSW on-course bookmakers is helpful in understanding this assertion.

**Number of licensed NSW bookmakers (2009): 252**

**Of that total:**

**49 (19%) had an average per meeting betting turnover of less than \$5,000**

**92 (37%) " " " " " " between \$5,001 and \$10,000**

**36 (14%) " " " " " " between \$10,001 and \$15,000**

**15 (6%) " " " " " " between \$15,001 and \$20,000**

In summary 192 (76%) of our total 252 bookmaking members in NSW last year experienced betting turnover averages (per race meeting attended) of less than \$20,000. A significant proportion (141 or 56%) experienced averages of less than \$10,000 per meeting.

Clearly at these rates of average betting hold, the majority of bookmakers would pose no statistically- based risk of engaging in activities that would present AML or ATF problems to the Australian Government or the wider community in general.

Significantly, only 19 (8%) bookmakers experienced *total annual* betting turnovers of *more than \$5m*. It is considered that, even under the most conservative of risk threshold assessments, this upper category of bookmakers ONLY should be subject to the complex AML/ATF compliance obligations prescribed under the Act.

This is not to say that there should be no compliance requirements targeted at all bookmakers. Clearly there is a strong case to continue requirements to report any suspect or above-threshold individual transactions. However these should be "one off" compliance obligations only, with smaller bookmakers being exempt from other annual / ongoing systematic compliance programmes.

Again, the key issue here is the significant burden – being related compliance and administrative requirements – placed on sole trader bookmakers by the Federal legislation and related rules and conditions. The Co-op's summary points as to where this burden fails the test of being appropriate to achieve stated objectives are as follows:

- The legislation provides excessive coverage of what is (for the vast majority of bookmakers) a low risk AML/ATF environment;
- Compliance requirements on bookmakers, including monitoring by various levels of government and statutory officials, is already amongst the highest in the economy for any type of commercial activity;
- The legislation and accompanying regulatory requirements are considered to be blunt, poorly targeted and unnecessarily complex in respect of most forms of bookmaking; and
- Normal and appropriate risk assessment policies and methodologies are NOT flexibly available for use by the Federal Government agencies concerned, due to the overly restrictive key provisions of the actual AML/ATF legislation.

#### **4. Conclusion**

The NSW Bookmakers Co-operative strongly believes that the current AML/ATF legislation and related AUSTRAC rules clearly qualify for review under the Productivity Commission's current parameters for analysis of Regulatory Burdens on Business.

The Board and Management of the Co-operative therefore requests that your Commission engages in further discussions with our body and (if appropriate) the Australian Bookmakers Association (ABA) with a view to considering the alleviation of this significant burden to the majority of on-course bookmakers, both in NSW and other Australian jurisdictions.

Yours faithfully,

**Mick Rolfe**  
**Chairman**