

South Africa authorities set to regulate online gambling

Virtual casinos take advantage of a regulatory void, but not for much longer, writes Julius Baumann.

Online casino Silversands' days may be numbered with the introduction of SA's online gambling regulations coming a step closer to reality.

Under the proposed regulations, which were published in the Government Gazette for public comment in February, any operator that works illegally will not be allowed to apply for a licence. Neither would it be permitted to advertise its services.

Silversands has until now taken advantage of a regulatory void and continues to operate illegally, raising the ire of both the National Gambling Board (NGB) and the industry.

Thebi Moja, acting CEO of the NGB, says the board and various law enforcement bodies are trying to put a stop to Silversands' operations. "They know very well that they are operating illegally and we have for a number of years attempted to put a stop to their activities," he says.

"If we are able to prevent them from operating in SA that would be a big victory."

The board is taking a hard line against illegal online gaming. Moja cites the example of a South African who won R8m on an offshore online gaming site but was prevented by the South African authorities from bringing the funds into the country.

However, online gaming is notoriously difficult to control and while SA has grappled over the past few years with the thorny issue of how to regulate the online environment, many of SA's

gambling operators have had to look on as operators such as Silversands have forged ahead with their internet gaming business, unable to compete.

Last year the Casino Association of SA (Casa) lodged a complaint with the Advertising Standards Authority (ASA) regarding the Silversands television and print adverts. However, they were forced to withdraw their complaint.

“We have let it ride for now. There was no point in pursuing Silversands as there is no regulation yet to hold them to,” says Casa CEO Derek Auret. Silversands cleverly repositioned their adverts as an educational campaign, claiming to teach people how to play poker rather than as an online gaming site.

The NGB is hopeful that the regulations will finally be approved by the various authorities in a few months – “provided that public comments do not result in significant changes to regulations. If there are major changes, it will have to be republished for public comment”.

Under the proposed regulations South Africans wanting to play online will have to open a nominated account with any South African bank which will be used solely for online gaming.

Only credit cards can be used to make payments and the accounts will have to adhere to normal banking and Financial Intelligence Centre Act requirements.

“We will work together with the banks and Reserve Bank to monitor the accounts and players will not be permitted to have more than R20000 in their accounts at any point,” says Moja.

Once the regulations are in place, the NGB envisages issuing 10 online licences to South African operators – those who have their servers based in SA.

Auret says online gambling is by its nature difficult to control and the regulation of the industry has until now been

“shambolic”.

“Therefore even if the regulations may not be perfect, they go a long way to bringing some control to the industry,” says Auret.

Most local gaming operators are keen to get involved in online gaming. Horsing racing and betting group Phumelela CEO Rian du Plessis has confirmed that the group will seek a licence once the regulations are in place.

Anthony Puttergill, CEO of casino group Peermont, says they too will apply when the licences become available. But Puttergill points out that there are gaps in the regulations. “We are still examining the regulation and have yet to submit our comments but we are concerned about the fact that it does not mention how many URLs each operator may have, how the licence will be enforced as well as where the gaming will take place.”

While many website are based offshore but available to South Africans, the NGB faces the challenge of how regulate foreign operators and how to make local operation competitive with those in less regulated and lower taxed regions.

Late last year the Treasury published the Interactive Gambling Tax Bill for comment. The bill provides for a tax on operators of 6% of gross gambling revenue. Auret questions whether South African operators will be able to compete with lower-taxed regions.

Nevertheless, Puttergill believes there is huge growth in the online environment, particularly as internet penetration in SA increases. He estimates the market at between R400m and R1bn at present.