

Betting with a smartphone? The casinos know who you are, and where you are located

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When online gaming launches soon in Pennsylvania, bettors with a smartphone will be able to gamble from just about anywhere in the state.

You can gamble from work. You can gamble from school. You can gamble in a bar. You can gamble from the bleachers.

You can even bow your head and gamble from a pew. Say amen.

But there is one place in the commonwealth where you can't engage in interactive wagering—and that is from inside the state's 13 licensed casinos.

Under Pennsylvania's expanded gaming law passed last year, which legalized a range of new ways for gamblers to put their money on the line, licensed operators must prevent players from accessing interactive games while they are inside casinos, using the same cell-phone technology to determine whether they are actually within the state's borders.

Some officials say the curious exclusion, which does not apply to sports betting, was inserted into early versions of the legislation to protect tax revenue—the tax rate for betting online was originally lower than the tax rate for betting in casinos.

The bill that was finally approved by the General Assembly equalized the tax rate for online gaming and land-based casinos—54 percent for slot machines, virtual or real. However, the language requiring the electronic ring-fence around casinos survived, they say.

"It probably slipped through in the final version," said Tony Ricci, chief executive of Greenwood Gaming & Entertainment Inc., the parent company of Parx Casino. "Frankly, it is quirky now when you look at it, what the point of it is. It complicates things in many ways."

Some insiders say the casino exclusion was not an oversight, but a small concession to the horse-racing industry, which receives about 10 percent

of the revenue from casino slot machines—a \$239 million share last year. Under the new law, the Pennsylvania Race Horse Development Trust Fund will still get its piece of the slots action, but it will receive nothing from interactive gaming, including online slots.

"You won't want anyone placing a bet on online slots while on the casino floor, and horsemen wouldn't be getting that cut that they have been promised," said Lindsay Slader, vice president of regulatory affairs for GeoComply, a vendor of geolocation services that online operators use to verify the exact position of online players.

Two Bucks County Republican senators who were involved in the gaming legislation, Robert "Tommy" Tomlinson and Chuck McIlhinney, did not respond to calls for comment.

The provision is likely to affect only a tiny amount of casino business. According to Slader, geolocation services reported that about 1 percent of New Jersey online gaming revenue is derived from players who are actually located on casino premises.

The harness-racing industry acknowledged that Pennsylvania's gaming expansion bill last year, which legalized online wagering, mini-casinos and truck-stop video gaming terminals, would likely cannibalize some business from casino slot machines, the lifeline for horse racing. But the alternative was worse: Some racing opponents had wanted deeper cuts to casino horse-racing support altogether.

"When the day comes that all of these expanded gaming options are in place, it's possible their combined impact, if negative, could actually be less than future legislative raids on the fund might have been," the Pennsylvania Harness Horsemen's Association said in a 2017 statement.

Online gaming in Pennsylvania, which includes poker, simulated slot

machines, and table games such as blackjack, is expected to be launched by year's end.

In New Jersey, where online gaming began five years ago, internet wagering generated \$190 million in winnings for the first eight months this year, and is growing 16.5 percent a year, compared with nearly flat growth for casino games. Online wagering generates about 11 percent of the revenue of casino games, but it is taxed at a higher rate, so it accounts for 19 percent of \$150 million in state tax revenue raised so far this year.

Erecting an electronic ring-fence around Pennsylvania casinos to protect the racing industry's market share is not particularly challenging, say regulators and industry experts.

Four states that have legalized online wagering use geospatial technology to block out-of-state players, and the same technology can be fine-tuned to "geofence" specific in-state locations.

Some states have considered blocking out schools, government buildings, penitentiaries or tribal reservations to protect certain communities from gaming. But Pennsylvania is the only state that has enacted such an exclusion, putting the state's casinos into a special, electronically protected class.

Geolocation services can read the unique numerical address assigned to each electronic device, and can triangulate the location within a few feet by "pinging" a player's mobile phone, which must be turned on. In New Jersey, where online gaming was legalized in 2013, casinos block illegal out-of-state bettors with a terse warning that repeated violations will result in permanent banishment.

The geolocation software also conducts a split-second scan of the

player's device to make sure no programs are running to disguise the bettor's actual location, such as a virtual private network. Companies such as GeoComply, which is based in Vancouver, British Columbia, say they employ dozens of engineers to keep up with new spoofing software.

"It's a constant game of cat and mouse," said Slader.

Some are skeptical that online verification systems are capable of filtering out fraudsters, money-launderers or underage gamblers.

A recent study in Britain, where legalized betting is well-established, found that more than a quarter-million underage gamblers are placing bets with licensed operators, Jon C. Bruning, counsel to the Coalition to Stop Internet Gambling, told a congressional subcommittee hearing on Sept. 27.

"Any smartphone, tablet, or laptop can be a vehicle for online gambling, and it is virtually impossible to pinpoint players joining from isolated networks, like those typically found in a home or office," Bruning, a former Nebraska attorney general, testified to the House Judiciary subcommittee on crime, terrorism, homeland security and investigations.

But gaming regulators say online controls are so rigorous—players need to disclose their identities, their source of gambling funds, and their physical location—that gamblers who walk into a casino and place a cash bet enjoy more anonymity, even under the watchful eye of banks of security cameras.

Casino executives say that geolocation technology has a stellar record, and that the software can exclude physical addresses of casinos, or even pinpoint the gaming floor within a casino.

"There are various ways to implement that kind of blocking to a very

accurate level, or, if the casino is paranoid, they can draw a mile radius around them to keep everybody away and then some, depending upon how sensitive they are to the situation," Slader said.

The details are still being worked out by the Pennsylvania Gaming Control Board, which so far has approved interactive gaming licenses for 5 of 10 casinos that have applied. Before the casinos can launch [online gaming](#), however, the gaming board needs to test the operators' security systems, including the precision of their geolocation software.

Some bookmakers, including the fantasy sports-betting giant DraftKings, were worried that Pennsylvania regulators would extend the online casino betting ban to mobile sports wagering.

"DraftKings suggests dropping this requirement for sportsbook, because patrons may wish to engage in gambling on the [casino](#) floor while still monitoring sports bets placed on their mobile devices," a company lobbyist, Sarah Koch, said in a June letter to the gaming board.

No worries: Pennsylvania's temporary sports-betting regulations do not restrict any locations inside the state boundaries, and will allow players to bet from mobile devices while inside casinos, said Douglas Harbach, a gaming board spokesman.

That's good news for the casinos. Early reports from New Jersey's legal online sportsbooks suggests that mobile betting is concentrated on in-game bets conducted during a sporting event, and much of it originates from inside casinos. During big sporting events, mobile devices will allow casinos to accommodate surges of in-[game](#) wagering that human tellers and automated kiosks can't physically handle.

One state, recognizing the importance of mobile sports betting to casinos but wanting to protect citizens at large from the temptation of online

wagering, has flipped Pennsylvania's restrictions on their head: Mississippi law prohibits online wagering off the grounds of the state's casinos. But inside the casinos, there are no barriers.

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