

54th Annual Round Table Conference

Throughout my previous career and on too often an occasion, I observed firsthand the consequence a lapse of security or integrity can render. Upon leaving the FBI in early 2005 to come to the Thoroughbred Racing Protective Bureau, I was reminded of such an occurrence only a few years earlier.

Some in this room may recall the incident wherein a technologically-savvy individual, whose employment afforded him unfettered access to valuable data, abused that trust and manipulated the system in what proved to be an unsuccessful attempt to realize a substantial monetary gain.

Notwithstanding an immediate response including the establishment of a task force to investigate the incident and review internal controls, or even the employee's arrest by federal agents and ultimate conviction and imprisonment, this one event, and the perception vulnerabilities within the system enabled it, resulted in outrage and a loss of public confidence so great it is remarked upon yet today.

I am referring not to Chris Harn and the 2002 Breeders' Cup scandal, but to Robert Hannsen, the FBI Headquarters Supervisory Special Agent convicted in 2002 of espionage. Though certainly incomparable in severity or consequence, incidents such as these serve as reminders to every institution and industry they can ill afford any laxity regarding ensuring not only the integrity of their electronic infrastructure but, as important, the integrity of those to whom they grant access.

I am pleased to report to you today on measures being taken at TRPB which enhance wagering integrity, an issue of such importance to TRPB's corporate owner, the Thoroughbred Racing Associations of North America (TRA), that late in 2003, its Board of Directors approved the creation of the Wagering Integrity Unit within TRPB to address such matters.

Since that time, TRPB has conducted specific wagering analysis, comprehensive odds-shift studies and periodic simulcast and transaction audits on behalf of TRA-member racetrack associations.

Additionally, TRPB has initiated numerous wagering investigations and at times pursued them in concert with racing commission investigators and federal or state law enforcement authorities.

TRPB, through its Director of Wagering Analysis, continues to contribute to industry initiatives including the Wagering Transmission Protocol (WTP) working group, TRA2020 Committee, Racing Consortium RFP and RCI's Wagering Model Rules Committee.

TRPB's 2005 Annual Report, on-line at www.trpb.com, more fully details the accomplishments and contributions of the Wagering Integrity Unit.

Most recently, the TRPB commenced its "Betting Analysis Project" in response to a number of factors which continue to confront TRA-member racetrack associations.

For one, the retail component of wagering is increasingly an off-course, non-racetrack activity. Limitations inherent within the Inter-Tote System Protocol (ITSP) environment obscure wagering detail from view of racetrack operators. And, although debate continues as to whether a certain wagering business model (e.g. rebating, robotic wagering) is positive for a host racetrack, the source of wagers, and possibility of illegal bookmaking, money-laundering, tax evasion or organized crime activity, remain a real concern. As well they should.

The goals of the Betting Analysis Project are focused, realistic and achievable within a budget approved by the TRA Board of Directors at its annual meeting this past February.

Simply stated, they are to (1) collect and analyze wagering information on a near-real time basis from TRA-member racetrack associations; (2) develop historical patterns of wagering to model betting activity at each location; (3) identify wagering events requiring further investigation; (4) develop new information streams to discern actions of industry participants; and (5) deliver integrity tools to monitor wagering and participant activity.

To meet these objectives, we needed to develop specialized software and processes. Though TRPB conceived the process and functionality of the system, the requisite expertise to augment, build, manage and secure this system lay elsewhere. And elsewhere was InCompass Solutions, a member of The Jockey Club family of companies.

Through considerable effort and collaboration between InCompass, and their sister company, The Jockey Club Technology Services and TRPB, I am pleased to announce today the completion of both a data warehouse and automated process which enables TRPB to import, validate and aggregate the wagering data included within the TRA settlement file, the standard for accounting reconciliations between simulcast locations and utilized almost universally throughout the pari-mutuel industry.

Today, wagering data from TRA-racetrack associations flows daily into a highly secure database server where, in the very near future and certainly this year, advanced analytics currently under development will be leveraged against wagering activity models for each wagering location.

Betting anomalies identified through this autonomous process will undergo further analysis by a TRPB wagering analyst and, if appropriate, will result in continued monitoring or a thorough investigation.

Beyond providing specific technology solutions to advance the Betting Analysis Project, InCompass, via their Racing office software application, has real time access to the industry's official pedigree and racing data through agreements with The Jockey Club and Equibase. That information may well prove beneficial in advancing a racing or wagering integrity-related investigation.

InCompass' technology solution enables TRPB, through agreements with member racetrack associations, to more quickly access certain data through a simplified process and single source.

The ongoing aggregation and analysis of TRA-member racetrack settlement files supported by other industry data is, in itself, an enhancement to the integrity of wagering never before realized. Bolstering this analysis with timely information derived through new information streams developed by TRPB makes its significance even greater. TRPB's agreements with legal foreign bookmakers, high-volume professional bettors and a betting exchange, all of whom share an interest in uncovering illegitimate activity, provide TRPB access to valuable information it otherwise might not obtain.

Responding to concerns of TRA-member racetracks, TRPB developed and implemented a strategy to conduct robust due-diligence examinations upon select secondary pari-mutuel organizations (SPMOs). This began in July of last year and has taken TRPB investigators throughout the United States and to England, the Isle of Man, Australia and New Zealand.

TRPB has combined its institutional knowledge of racing, wagering and industry participants with the world-wide intelligence gathering and investigative capabilities of a leading international security consulting company to create an all-encompassing due-diligence and compliance review resource for TRA-members and the racing industry at large.

Within the past year, five SPMOs participated in this process with TRPB and comprehensive reports detailing ownership, business operation, technical capability and regulatory oversight have been completed and distributed to racetrack associations

having, or considering, a contractual relationship. Additional reviews are presently ongoing.

Through the completion of these due-diligence examinations and the ability of TRPB to monitor an SPMO's continued compliance with contractual agreements, TRA-member racetracks have a thorough understanding of whom they are doing business with and how their respective operations work.

In conclusion, TRPB's collaborative efforts with InCompass and other members of The Jockey Club's family of companies advance the ability of TRA's membership's to secure its pari-mutuel pools and ensure the integrity of wagering activity. The safeguards are functional, effective and, most importantly, in use today.

Thank you.