

ARISTOTLE

Statement of

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Regarding

Effective Age and ID Verification Online

Before the House Committee on Financial Services

Hearing on H.R. 2046, the Internet Gambling Regulation and Enforcement
Act of 2007

June 8, 2007

Mr. Chairman and Members of the Committee, good morning. Age and ID verification online first emerged several years ago as a solution of choice for many industries concerned about their social responsibilities to the broader society, especially where their marketing and sales efforts might reach underage teens or expose children to risk. Even three years can be a generation in the lifecycle of technology. The Internet has brought an acceleration of technological remedies that are far more effective today than they were at the start of the last Congress: state-of-the-art online verification illustrates this pattern.

The Sixty Minutes report you just viewed is a relevant illustration of how in the instance of online gaming robust technology can be used by responsible private enterprise to perform a social good. As recently as last fall, some Members of this body professed to be unaware of the online age verification and ID methods the CBS report appropriately demonstrated, giving this as their reason to support the online gaming ban. Yet, the tech savvy son of the producer of Sixty Minutes could not enter the gaming site that uses an effective verification service but easily penetrated those that do not deploy it. Time may fly but technology rockets forward. That report was first aired in November of 2005: the robust system that kept the boy out of the gambling site is even more effective today.

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I am here as a stand-in for John Phillips, the CEO of Aristotle Inc. whose age and ID verification system, INTEGRITY, is the backend of the effective system in the unscripted test you just saw. Commenting on what Aristotle does for its many clients is not our custom but we were persuaded to come because it is necessary to correct central misimpressions, particularly where they pertain to child protection. Without wading into deep technical water or proprietary matters, I hope we can address most of them here today.

America is a society guided by humane principles: we are also a free enterprise economy. In the context of today's hearing, therefore, there are two considerations that should guide this exploration: First, what is necessary to provide reasonable protection to society's most vulnerable members, reduce fraud and mitigate risk, and, Second, how is the market choosing to address the first question?

Over the last ten years, law enforcement and consumer protection agencies as well as industry self-regulatory bodies have recognized the need for rapid online identity verification for Patriot Act and anti-money laundering compliance, fraud prevention and for risk mitigation involving age-restricted products such as tobacco, alcohol, pharmaceuticals, video games and mature content from many sources.

Alongside the steep rise in public concern, online age and ID verification has matured as a needed solution such that any merchant may do online what is routinely done at stores every day across America. In fact, as ever more efficient technologies and reliable databases have been developed, online transactions have become in many instances faster and less risky than the visual driver's license scan that suffices for alcohol or cigarette purchases in America's neighborhoods.

Government agencies that monitor commerce have been notably slower than the market in recognizing what has been happening but that too is changing. The Federal Trade Commission and other agencies have urged that reliable state-of-the-art methodologies available on the market be deployed to protect children from accessing promotions intended only for adults. In its 2003 report to Congress on the marketing of beverage alcohol products, the FTC pointed to the emergence of online methods, and Aristotle's service in particular, as addressing this public need. (*See FTC Report to Congress: **Alcohol Marketing and Advertising** September 2003*).

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Aristotle's INTEGRITY verification technology is one logical response to the acute need of marketers for reliable, robust and commercially reasonable protective screening that also addresses important privacy and security concerns. Depending primarily on public records data rather than on personal financial information, INTEGRITY comprises several levels of authentication in a methodology that matches process to risk. The INTEGRITY system is now a major component of the private sector's accommodation of mounting public pressure for a technological solution that was both socially responsible and commerce friendly.

According to Forbes Magazine, Aristotle's INTEGRITY verification service is the market leader in online identity and age verification. INTEGRITY is utilized today by global Fortune 1000 enterprises that are required by law or best-practices professional codes of conduct to identify individuals requesting permission to enter a facility, a website, open an account or conduct certain transactions online.

Institutions relying on INTEGRITY include more than 350 of the nation's largest financial services companies, government agencies and airport security authorities, wineries, distillers, makers of premium cigars, video game publishers and the major motion picture studios.

It is utilized to comply with the multi-state Tobacco Master Settlement Agreement provisions that prohibit marketing to minors. The service exceeds the strict standards of such laws for online age-verification as California's Business and Professions Code §22963, and Virginia Code §18.2-246.8, governing online tobacco sales. Since adoption, not one INTEGRITY service client has ever been found to have improperly marketed a tobacco product to a minor. Blocking underage teens from purchasing tobacco online is believed by most citizens to be an important social value. (The Campaign for Tobacco-Free Kids (<http://tobaccofreekids.org/Script/DisplayPressRelease.php3?Display=425>) presents the urgency of this issue on its website.)

Hollywood has also seen the wisdom of the new approach to marketing. The major motion picture studios use INTEGRITY to comply with the Motion Picture Association of America (MPAA) guidelines for restricting minors' online access to studio promotions with "R" rated content. In fact over ninety percent of all visitors to studio sites with restricted ads are age verified through Integrity.

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Vendors in the beverage alcohol business use INTEGRITY as well. In the new era of direct wine shipments, for example, online age verification has become an essential component for compliance and responsible marketing across the United States. Without a verification service such as INTEGRITY, Members of Congress and the general public would not be able legally to purchase fine cigars, wines, lottery tickets or R-rated movies by mail, by telephone or online.

Another social mandate is in the area of gambling. In addition to the risk mitigation and child protection benefits of age and identity verification, this service benefits those individuals who acknowledge that they are problem gamblers and wish to avoid relapse. A self-exclusion list program (SEL) is being developed in association with the National Council on Problem Gambling through which individuals will be able to put their own names on a confidential self-exclusion list of those who do not wish to be solicited or allowed to open an account with a casino.

As with all data in the INTEGRITY system, the list is strictly confidential, and the names would not be disclosed to anyone. Individuals could remove their names from the list after a set minimum period.

In the United Kingdom, INTEGRITY is widely used by licensed casino operators to comply with the strict UK requirements for age verification online.

In their determination to "do the right thing" and comply with the law while marketing responsibly under best practices standards, a large and growing number of enterprises across the broad spectrum of American commerce have adopted online age and ID verification. The market has spoken: industries of all stripes are moving quickly to make effective age and ID verification increasingly the norm.

In its simplest terms, the case for this child protection measure has never been more apparent or urgent. Age and ID verification is efficient, effective, reliable and available nearly everywhere.

Thank you. I look forward to responding to your questions.

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