

# GOOD PRACTICES IN ADDRESSING ILLEGAL BETTING

A HANDBOOK FOR HORSE RACING AND OTHER SPORTS TO UPHOLD INTEGRITY



## TABLE OF CONTENTS

Foreword	4
Preface	6
Acknowledgements	7
List of Good Practices in Addressing Illegal Betting	8
<b>Chapter One: Introduction to Illegal Betting</b>	<b>14</b>
What is illegal betting?	18
Why is illegal betting so popular?	20
Horse racing and sports integrity risks from illegal betting	21
<b>Chapter Two: Major Issues Around Illegal Betting</b>	<b>24</b>
Illegal betting is big and growing	27
Illegal betting facilitates money laundering and transnational organised crime	29
Illegal betting threatens the integrity of horse racing and sports	30
Illegal betting causes gambling disorder and associated social issues	32
Combatting illegal betting requires collaboration between stakeholders	35
Annex: Examples of match-fixing regulation across jurisdictions	36
<b>Chapter Three: Bet Monitoring and Betting Analysis in Horse Racing</b>	<b>42</b>
Bet monitoring and betting analysis	44
Information sharing	44
Bet monitoring case studies	45
Examination of common characteristics	48
Human assessment supported by automated systems	50
Commercial bet monitoring organisations	52
Conclusion	53
<b>Chapter Four: Intelligence Gathering and Analysis</b>	<b>56</b>
Why is intelligence important?	58
What is intelligence?	59
Types of intelligence	61
How is intelligence collected?	62
Open source intelligence	63
Conclusion	69

<b>Chapter Five: Illegal Betting Investigations and Collaboration with Law Enforcement Bodies</b>	<b>70</b>
Primary objective of investigations	72
Guiding principles in investigations	73
Licensing, rules and legislation	74
Illegal betting / sports / racing integrity investigations	77
Case study: Victoria Police Sport Integrity Intelligence Unit	82
Case study: The Hong Kong Jockey Club and the Independent Commission against Corruption (ICAC)	83
Education	84
Standard of proof	84
Communication	85
Investigation debrief	86
Culture	86
Case study: INTERPOL Match Fixing Task Force	87
Conclusion	88
Annex: Guiding principles in investigations	89
<b>Chapter Six: Stakeholder Engagement to Combat Illegal Betting</b>	<b>92</b>
Introduction	94
Government-related organisations	95
Police and law enforcement	97
News media	98
Opinion shapers	99
Financial institutions	100
Telecommunications and internet-related companies	100
Local and international horse racing / sports governing bodies	101
Conclusion	104

<b>Chapter Seven: Future Financial Crime Threats to Horse Racing and Other Sports</b>	<b>106</b>
What is financial crime?	108
Financial Crime in Horse Racing and Other Sports	109
Fraud and money laundering in the bloodstock industry	110
Cryptocurrencies in betting worsening the impact of corruption on sports integrity	112
Excessive scrutiny by regulators and law enforcement agencies of transnational horse racing business leading to blockages in key activities	114
<b>Appendix: Literature Review and Further Reading</b>	<b>116</b>
<b>Glossary</b>	<b>124</b>
<b>List of Figures and Pictures</b>	
Figure 1. The Pyramid Nature of Illegal Betting	19
Figure 2. Transnational Nature of Online Betting	21
Figure 3. The Match-Fixing Cycle	31
Figure 4. Role of Betting Analysis in Investigation Process	53
Figure 5. Definition of Intelligence	61
Figure 6. Stakeholder Model to Combat Illegal Betting	104

## FOREWORD

It is my great pleasure as Chairman of the Asian Racing Federation to provide the opening thoughts in this Handbook, which is intended to ensure that horse racing remains a leader in sports integrity and anti-corruption. This is an important time for such a publication, as racing and other sports grow increasingly global fanbases, betting on racing and sports continues to grow, and sport remains so important to our societies.



Horse racing is an ancient sport. Since humans and horses have lived together they have raced for the joy of running and for the competition. The ancient Greeks gave us the word *hippodrome*, taken by joining the words *hippos* (horse) and *dromos* (course), and they built their horse racing courses in major cities around the Mediterranean.

The Romans built great stadiums such as the Circus Maximus in Rome, which remains a beautiful example of a horse racing (and chariot racing) venue dating back over 2,000 years.

The ancient Chinese raced horses for thousands of years and this even influenced their strategy and philosophy. According to Chinese legend, during the Warring States period (403BC – 221BC), King Wei of the Qi state and General Tian Ji, a high-ranking army commander, frequently bet heavily on horse races. The military strategist Sun Bin advised General Tian to bet heavily as he would win if he raced his slow horse against the King's fast horse, his fast horse against the King's medium horse, and his medium horse against the King's slow horse. General Tian Ji lost the first race but won the next two, and a thousand gold pieces from the King. Tian Ji's horse racing strategy has passed down as a modern game theory, showing how horse racing and betting have influenced us since ancient times.

Thoroughbred horse racing has been described as the "sport of kings" since the 18th century in Britain, and since then has become popular with all parts of society. Huge crowds go to major racecourses to watch beautiful thoroughbred horses race, to experience the thrill of the competition, and to place a bet on the outcome. Betting on horse racing may be ancient, but in modern times it has grown to huge levels with the advent of the internet.

To safeguard the integrity of the sport of horse racing and also to protect people from the negative effects of excessive betting, we must ensure that betting is conducted through legal, responsible operators who are committed to this balance. Betting can influence racing integrity if people in the sport are corrupted by those seeking advantage for betting. Customers who enjoy racing and betting can be harmed by those who provide credit and unlimited betting opportunities. Corruption in racing and problem gambling have largely been caused by illegal betting, which has grown to extraordinary levels across the globe.

The Asian Racing Federation recognised many years ago that illegal betting was a grave threat to the sport of horse racing, and indeed to all sports. We determined that we would help those engaged in horse racing and other sports to better understand illegal betting, the negative effects on our sports and society, and how to combat these problems.

*Good Practices in Addressing Illegal Betting* is a Handbook for horse racing and other sports organisations to uphold integrity. It does so by providing deep insight into the nature of illegal betting and how horse racing and sports administrators can combat it through use of betting analysis, intelligence, investigations, and engagement with appropriate stakeholders in society.

The Handbook has been produced by the Anti-Illegal Betting Task Force of the Asian Racing Federation, a standing group of international subject matter experts from academia, horse racing, law enforcement and NGOs. The Task Force members are from Australia, Hong Kong, South Korea, New Zealand, Ireland and the UK, and bring vast experience to provide the best practices in this Handbook.

I hope that this Handbook contributes to the integrity of horse racing and other sports, and that racing can remain a leader in showing how legal and appropriately regulated betting can be a positive part of the growth of sports for more fans to enjoy.

Winfried Engelbrecht-Bresges  
Chairman, Asian Racing Federation

## PREFACE

In 2016, the Chairman of the Asian Racing Federation asked me to establish a Task Force to combat illegal betting. Having conducted research into the illegal betting markets for many years with The Hong Kong Jockey Club, I was well aware of the growing scale of the problem and pondered how we could have impact to counter this growing threat. The Asian Racing Federation is the ideal organisation to host such a Task Force as it has wide membership of major horse racing organisations that have deep experience maintaining integrity in our sport. The Asian Racing Federation stretches from Australasia to all corners of Asia, to Africa and to the Mediterranean, a vast geographical scale with members who can influence their governments to combat illegal betting and the related criminality.



Attention to illegal betting is urgently needed to combat this social problem. The Task Force has estimated that as many as 80% of sports and racing bets worldwide are made illegally and that the total amount wagered illegally may be between USD340 billion and USD1.7 trillion, often controlled by transnational organised crime groups.

The scale of illegal betting does not deter us; the global scope of illegal betting does not contain our efforts; and the continued growth of illegal betting operators connected to organised crime does not diminish our work. To protect horse racing and other sports from being undermined by the corruption that thrives with illegal betting we must combat this problem.

This Handbook was written to better educate all stakeholders about the problem of illegal betting. It is intended for horse racing administrators, sports administrators, sports and betting regulators, government policy makers, academics, news media, and NGOs who should collaborate to protect our sports.

The Anti-Illegal Betting Task Force of the Asian Racing Federation will continue its efforts to combat illegal betting, with an emphasis on understanding the nature of the problem, facilitating co-ordinated government policy against illegal betting, collaborating with horse racing and other sports organisations to prevent sports corruption caused by illegal betting, and assisting law enforcement organisations in their efforts against the criminality related to illegal betting.

However, a key part of combatting illegal betting is ensuring that there is a sufficient competitive legal betting market on horse racing and other sports to provide customers with the appropriate betting opportunities so that they do not turn to illegal betting channels. I hope that this Handbook helps.

Martin Purbrick  
Chairman  
Anti-Illegal Betting Task Force  
Asian Racing Federation Asian Racing Federation

## ACKNOWLEDGEMENTS

This Handbook is based on the wide-ranging expertise and vast experience provided by the Task Force members, all of whom contributed greatly to the planning, drafting and reviewing of the document:

<b>Martin Purbrick</b>	Chairman; Former Director of Security & Integrity, The Hong Kong Jockey Club
<b>Jack Anderson</b>	Director of Studies, Sports Law, Melbourne Law School, University of Melbourne
<b>Graham Ashton</b>	Former Chief Commissioner, Victoria Police
<b>Tom Chignell</b>	Executive Manager, Racing Integrity and Betting Analysis, Racing Control, The Hong Kong Jockey Club
<b>Brant Dunshea</b>	Chief Regulatory Officer, British Horseracing Authority
<b>Neil Grimstone</b>	Manager, Integrity Assurance, New Zealand Racing Integrity Unit
<b>Claudio Marinelli</b>	Criminal Intelligence Officer, Italian Guardia di Finanza (Financial Police); Project Manager, INTERPOL Match-Fixing Task Force
<b>James Ogilvy</b>	Secretariat, Asian Racing Federation; Executive Manager, Racing Authority (External), The Hong Kong Jockey Club;
<b>Ronan O'Laoire</b>	Crime Prevention and Criminal Justice Officer, Programme on Safeguarding Sport from Corruption and Crime, United Nations Office on Drugs and Crime
<b>James Porteous</b>	Secretary; Due Diligence & Research Manager, The Hong Kong Jockey Club
<b>Douglas Robinson</b>	Deputy Chairman; Executive Manager, Due Diligence and Research, The Hong Kong Jockey Club
<b>Tim Robinson</b>	General Manager, Intelligence & Integrity Services, Racing Victoria
<b>Tak Sung-hyun</b>	General Manager, Responsible Betting Department, Korea Racing Authority
<b>Damian Voltz</b>	Senior Intelligence Analyst, Australia Criminal Intelligence Commission

The Task Force wishes to put on record its appreciation of the backing from the Asian Racing Federation, as well as the heads of members' respective organisations, in supporting members' participation in the Task Force, and for all of the above-named organisations' unwavering commitment to preserving the integrity of sports and horse racing.

The production of the Handbook would also not have been possible without the project management of Kiki Chu of The Hong Kong Jockey Club.



# LIST OF GOOD PRACTICES IN ADDRESSING ILLEGAL BETTING

## Chapter One: Introduction

- 1.1 Given horse racing's long experience and expertise in sports integrity and the current concerns among other sports, there should be greater collaboration – through organisations such as the ARF Anti-Illegal Betting Task Force – between horse racing and international sports bodies to foster good practice in identifying, preventing and mitigating the risks associated with illegal betting.

## Chapter Two: Major Issues around Illegal Betting

- 2.1 Governments and stakeholders should adopt a clear definition of illegal betting in law.
- 2.2 Jurisdictions should impose clear regulations on those wishing to run betting operations: companies should be licensed and approved by the specific jurisdiction in which they operate, rather than by offshore jurisdictions.
- 2.3 Legal betting operators should work with regulators to improve their price and product offerings within regulatory limits in order to increase their competitiveness against illegal operators.
- 2.4 Governments and regulators across jurisdictions should work to harmonise compliance regulations on betting operators to ensure the adoption of a unified framework that treats betting operators with a similar level of oversight to financial institutions, in particular requiring them to publish their ultimate beneficial ownership and corporate structure and annual accounts as a condition of licence.
- 2.5 Anonymous payment processors should not be permitted in betting transactions, customer betting data should be recorded, and suspicious transactions or large bets above a certain threshold should be reported to relevant national anti-money laundering and counter-terrorism financing agencies.
- 2.6 Governments should establish national sporting integrity units or officers to ensure a co-ordinated and dedicated capacity to:
  - Enact specific legislation against match-fixing;
  - Enact legislation banning athletes from betting on sports in which they take part and from betting on any sport with non-approved operators;
  - Develop education programmes for athletes / coaches and other participants in sport against fixing;
  - Monitor and investigate irregular and suspicious betting activities to facilitate effective law enforcement activities.

- 2.7 Horse racing and other sports organisations should carefully consider the reputational risks of being associated through sponsorship with betting operators who target customers in jurisdictions where online betting is illegal or unlawful.
- 2.8 Legal betting operators and other stakeholders such as racing bodies should highlight the fact that illegal bettors are more likely to indulge in excessive wagering and problem gambling than legal bettors, citing independent peer-reviewed academic research.
- 2.9 Legal operators should implement responsible gambling programmes and have self-exclusion policies in place, as well as being seen to act in a responsible fashion to distinguish themselves from illegal operators. This includes taking active steps to ban minors and vulnerable people and contributing financially to research, education and treatment of problem gamblers.
- 2.10 Governments should follow the example of jurisdictions such as the United Kingdom, Hong Kong, Australia and others which have recognised the dangers of allowing betting on credit, and ban the practice to curb problem gambling.
- 2.11 Law enforcement bodies should equip their staff with specific knowledge on illegal betting and its links to organised crime, enhance their cybercrime and anti-money laundering knowledge, and strengthen co-operation with counterparts in other jurisdictions to address the transnational nature of illegal betting and organised crime.
- 2.12 Globally, sports, racing and the legal betting industry must work together to bring pressure to bear on betting tax havens and jurisdictions which act irresponsibly and enable illegal and grey-area betting.

### **Chapter Three: Bet Monitoring and Betting Analysis in Horse Racing**

- 3.1 Sports should have in-house betting analysts with expertise in betting and data analytics.
- 3.2 Sports should automate the bet monitoring process to support the betting analysts' assessment and analysis of betting data.
- 3.3 Bet monitoring teams should have access to sports integrity intelligence systems and data.
- 3.4 Sports operators should have confidential and anonymous reporting channels for information about corruption and malpractice.

- 3.5 Betting operators should be compelled by clear legislation, such as a condition of their betting licence, to share relevant betting information with sports. Such legislation should also make clear to betting operators what is expected from them in reporting suspicious betting activity.
- 3.6 Sports betting analysts should have regular direct communication with betting operators to increase the amount of betting intelligence received by their sport.
- 3.7 Gambling regulators and sports should note the proposed changes to greater transactional monitoring in Australia.

## **Chapter Four: Intelligence Gathering and Analysis**

- 4.1 The development of an integrated intelligence capability is increasingly important, given the growing sophistication of illegal betting markets and the speed with which they are evolving.
- 4.2 When thinking about intelligence, it is important to understand that intelligence is both a process and a product.
- 4.3 Intelligence should be used to help decision makers make well-informed – and therefore better – decisions.
- 4.4 Sports operators should develop diverse sources of information to inform their intelligence, provide greater insights, and assist in the development of sound judgements and conclusions.
- 4.5 Securing the commitment and support of the senior executives of an organisation to develop an intelligence capability is critical, as they are the primary consumers of intelligence.

## **Chapter Five: Illegal Betting Investigations and Collaboration with Law Enforcement Bodies**

- 5.1 Regulators of racing and other sports should have highly-trained and experienced staff with relevant competency to undertake complex investigations.
- 5.2 Regulators of racing and other sports should have robust licensing and registration processes to ensure an individual's suitability to participate in the sport.
- 5.3 Regulators of racing and other sports should have robust rules or regulations that allow investigators the ability to inspect, search and seize, as well as the ability to request production of records, documents, devices or property.

- 5.4 Regulators of racing and other sports should consult lawmakers to adopt legislation that provides regulators with the ability to investigate individuals who are not licensed or registered with a sport.
- 5.5 Regulators of racing and other sports must ensure their rules provide the ability to seize and image electronic devices from licensed persons for analysis during an investigation.
- 5.6 Regulators of racing and other sports should have policies and procedures in place to manage information received from human sources to ensure safety and confidentiality.
- 5.7 Regulators of racing and other sports should engage with their relevant stakeholders, including law enforcement agencies, to establish exchange of information protocols such as Memorandums of Understanding.
- 5.8 Regulators of racing and other sports should consider adopting proactive education programmes aimed at improving industry standards and professional development for industry participants.

## **Chapter Six: Stakeholder Engagement to Combat Illegal Betting**

- 6.1 Good practices when engaging with government-related organisations:
  - Publicise that illegal betting is not a victimless crime;
  - Disseminate research to demonstrate the scale, mode of operation and negative impacts of illegal betting;
  - Highlight the fact that illegal betting drains society's financial resources and causes gambling disorders and other social issues at a higher rate than legal betting, including inequality and societal tension;
  - Emphasise that illegal operators are increasingly targeting the young, leading to gambling addiction at a young age;
  - Create awareness that combatting illegal betting requires a strong and mutually-supporting combination of legislation, regulation and education;
  - Underscore good practices in betting regulation, urge for policy changes and seek consensus to tackle the real drivers of illegal betting.
- 6.2 Good practices when engaging with police and law enforcement:
  - Show evidence that illegal betting is not a victimless crime and lobby police to include illegal betting in operational priorities;
  - Share knowledge and intelligence with police to facilitate investigations;
  - Encourage, and fund if appropriate, the establishment of police-led information schemes to report intelligence on illegal betting.

6.3 Good practices when engaging with news media:

- For building public awareness of illegal betting, the most influential television and news media outlets should be engaged, after identification by viewer figures and size of readership.
- For public-opinion shaping, news outlets that are considered the most credible should be identified and engaged, based on available local research relating to perceived bias.
- Television stations that broadcast the most popular sports tournaments and events should be identified and engaged as they have viewers with a natural interest in racing and sports, and thus are more likely to take interest in illegal betting issues in relation to the protection of sports.
- Use should be made of “themed series” and embedded messages to build public awareness about illegal betting.

6.4 Good practices when engaging with opinion shapers:

- Assess opinion shapers based on clout and relevance before deciding to engage, and then lobby them to undertake research into illegal betting.

6.5 Good practices when engaging with financial institutions:

- Lobby operators to block transactions to and from illegal betting merchants.

6.6 Good practices when engaging with telecommunications and internet-related companies:

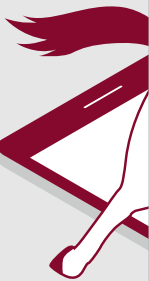
- Lobby operators to block access to illegal betting websites.

6.7 Good practices when engaging with local and international horse racing / sports governing bodies:

- Highlight the importance of supporting international standards;
- Highlight the threats of illegal betting to sports integrity;
- Highlight illegal betting links to criminality and negative impacts on society;
- Promote the importance of anti-illegal betting and sports integrity education to both players and coaches.



CHAPTER ONE  
INTRODUCTION TO  
ILLEGAL BETTING





Match	Home	Away	Draw	Home	Away	Draw
1. Arsenal vs Chelsea	1.50	4.50	3.50	1.50	4.50	3.50
2. Liverpool vs Manchester City	2.00	3.50	3.00	2.00	3.50	3.00
3. Tottenham vs Newcastle	1.80	4.00	3.20	1.80	4.00	3.20
4. Manchester United vs Everton	1.60	4.20	3.40	1.60	4.20	3.40
5. West Ham vs Brighton	1.90	3.80	3.10	1.90	3.80	3.10
6. Aston Villa vs Fulham	1.70	4.10	3.30	1.70	4.10	3.30
7. Burnley vs Reading	1.55	4.30	3.60	1.55	4.30	3.60
8. Cardiff vs Millwall	1.65	4.00	3.40	1.65	4.00	3.40
9. Barnsley vs Gillingham	1.50	4.50	3.50	1.50	4.50	3.50
10. Luton vs Notts County	1.60	4.20	3.40	1.60	4.20	3.40



## CHAPTER ONE: INTRODUCTION TO ILLEGAL BETTING

Horse racing has operated with betting for centuries, and as a result the administrators of the sport have deep experience and expertise in managing integrity in racing in relation to betting. This experience and expertise should be better utilised across the horse racing world and also shared with other sports, hence the purpose of this Handbook.

The Asian Racing Federation (ARF), a federation of national racing authorities in Asia-Pacific, is well placed to lead this effort against illegal betting. One of the core objectives of the ARF is the promotion of integrity in horse racing. In 2017, to further this aim, the ARF established the Anti-Illegal Betting (AIB) Task Force..

The Task Force consists of experts from horse racing, law enforcement, academia and related fields who have significant experience in analysing international betting markets, intelligence-gathering, conducting criminal and sporting investigations, engaging with international stakeholders, and conducting and publishing peer-reviewed academic research. Task Force members have contributed chapters relating to their own expertise which have been further developed and refined through a rigorous group review process involving the entire Task Force.

The Task Force is an international effort to facilitate collaboration among horse racing operators, regulators and government agencies to better combat the threat of illegal betting to racing integrity. The AIB Task Force also aims to promote efforts by other sports to maintain integrity in the face of the threat of illegal betting, and educate governments regarding this risk.

This handbook is a combination of open-source research and the direct experience and expertise of Task Force members, based on racing and betting industry best practices adapted for the particular needs of horse racing and other sport, and the particular features of illegal betting.

Areas of good practices include guidance on how to monitor betting markets to raise alerts over potential corruption; how to gather intelligence around illegal betting and suspected corruption; how to conduct an investigation and collaborate with law enforcement; and how to identify, educate and engage with key stakeholders to win support in fighting illegal betting.

These frameworks are presented as examples and guidelines which have proven successful in various ARF jurisdictions and beyond. They may provide a roadmap for those looking to set up similar programmes, but should of course be adapted to meet individual circumstances.

Other sections include a brief overview of some of the key existing research into illegal betting and an outline of significant potential future threats in what is an ever-evolving space.

The purpose of this Handbook is to help readers – particularly those in horse racing and other sports, policy-makers

and legislators – understand the negative impact of illegal betting and to highlight good practices in addressing them. It is a follow-up from the previous research paper produced by the Task Force, *Illegal Betting in an Asian Context* (2018), which provides an overview of the scale and negative impacts of illegal betting.<sup>1</sup>

This Handbook focuses on practical examples of good practice for horse racing and sports organisations to combat illegal betting and related corruption by:

- Monitoring betting markets to highlight potential integrity or corruption issues from illegal betting;
- Gathering intelligence to complement bet monitoring and inform decision-makers in the organisation on threats from illegal betting;
- Investigating those involved in operating and/or corrupted by illegal betting, in collaboration with law enforcement agencies;
- Engaging with key stakeholders such as government policy makers, sports and betting regulators, police and law enforcement, banks and financial institutions, news media sites; and
- Assessing other future financial crime threats to horse racing.

Illegal betting affects a wide range of stakeholders in society, all of whom are impacted by the resultant huge direct and indirect costs explored in Chapter Two, Key Issues in Illegal Betting. To mitigate the harm done to society by illegal betting, we first need to understand what illegal betting is and what harm it causes.

## What is illegal betting?

There is no universally agreed definition of illegal betting, and transnational regulations have not kept pace with the globalisation of the betting industry, which has been facilitated by the rise of online betting. The Council of Europe's Convention on the Manipulation of Sports Competitions (The Macolin Convention), a legal framework aimed at preventing sports corruption which came into force in September 2019, is one of the few, if not the only, international treaties that provides such a definition, which is: "Any sports betting activity whose type or operator is not allowed under the applicable law of the jurisdiction where the consumer is located." <sup>2</sup>

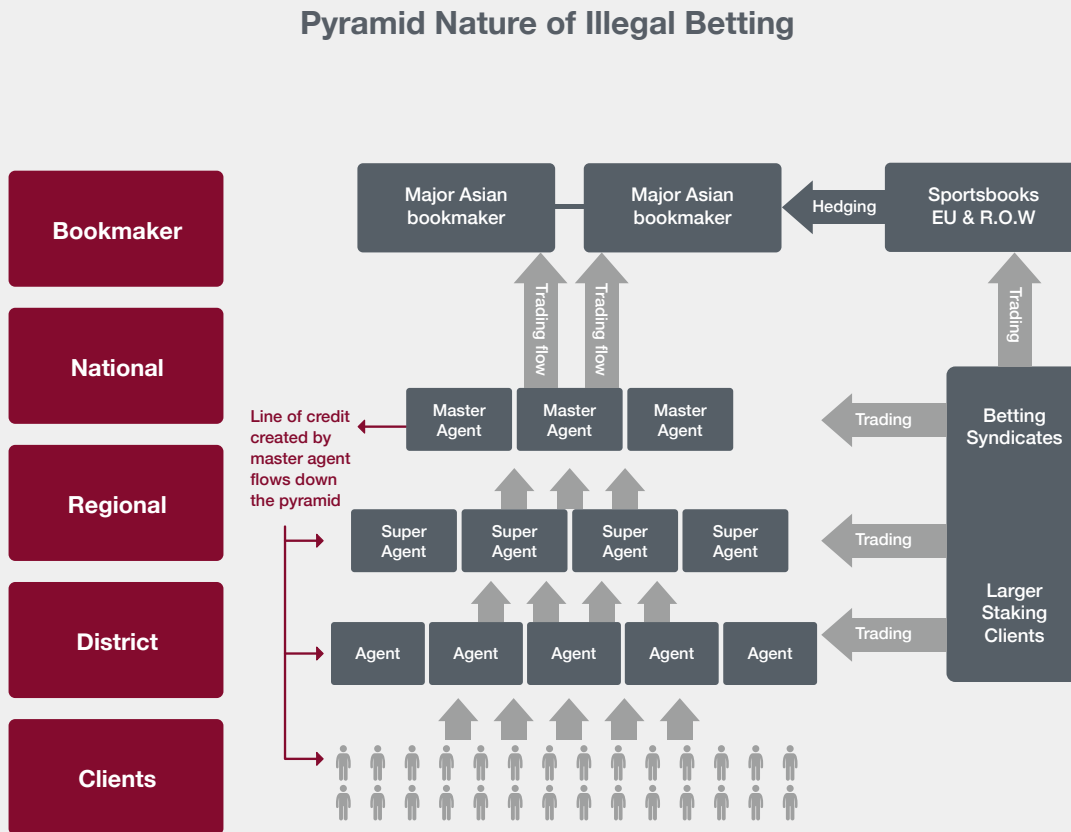
The Task Force focuses on three broad categories of betting operators which follow from this definition of illegal betting:

- **White market** – Companies licensed to operate in the jurisdiction where their customers are located (legal betting operators).
- **Grey market** – Companies licensed in some jurisdictions but which take bets from consumers in jurisdictions where they are not licensed.
- **Black market** – Operators who have no licence from any jurisdiction (illegal betting operators).

Grey-market operators argue that they are not acting illegally, because they possess licences granted by certain jurisdictions. Their opponents argue that when they take bets from consumers (particularly in Asia) in jurisdictions where they are not licensed, they are facilitating illegal betting. For example, in China the only entity lawfully allowed to provide sports betting is the government's Sports Lottery, and all online betting is prohibited – yet offshore betting operators (often licensed in the Philippines or other betting havens) make the equivalent of billions of dollars a year<sup>3</sup> by catering to this vast market. The situation is similar in most of Asia.

The key point in understanding modern illegal betting is that the rise of the internet has created this transnational grey area and that there is crossover and interaction between grey and black markets.

For example, at the bottom of the pyramid of illegal betting (see figure 1), black-market street bookies act as agents for black and grey market websites and funnel bets from their network of clients up the pyramid. Much of the illegal betting in Asia makes its way ultimately to a handful of major websites.



**Figure 1. The Pyramid Nature of Illegal Betting**

Illegal betting in Asia operates on a pyramid structure, with bettors at the bottom of the pyramid generally interacting in person or by phone, text or apps with local agents to place bets and settle balances. These agents in turn funnel bets up the pyramid to regional and national agents, and ultimately to the biggest Asian bookmakers, with each level taking a commission on bets at each step. Betting is often on credit, which is allocated by master agents and passed down the pyramid. The right side of the diagram illustrates how large bettors and professional syndicates interact directly with higher levels of the pyramid to place bets. The volume and liquidity in Asian markets is so great that major betting operators in Europe and the rest of the world will hedge liabilities with their Asian counterparts

## Why is illegal betting so popular?

Betting has existed for centuries, but is subject to a wide variety of cultural and regulatory approaches in different jurisdictions. Naturally, whenever demand for a product is not well served by legal markets, illegal markets arise.

Governments in some countries and regions such as Hong Kong, the UK, Australia and New Zealand recognise that a well-regulated legal market benefits society through taxation, payments to support sports on which betting depends, and levies to support responsible gambling projects. Some operators are even run as not-for-profit organisations, such as The Hong Kong Jockey Club.

**“AS LONG AS THE DEMAND FOR PROHIBITED FORMS OF GAMBLING REMAINS, ESPECIALLY SPORTS BETTING, IT IS LIKELY THAT NEW ILLEGAL OPERATORS WILL EMERGE TO CATER TO THIS DEMAND.”<sup>4</sup>**

However, illegal operators attract betting customers because they have several advantages over legal competitors. Unburdened by taxes and other duties, they can compete on price by offering better odds – for example a bettor who bet HKD10 on every winning horse in Hong Kong in September 2019 would have won HKD3,384 with the legal operator compared with HKD4,106 at a leading illegal operator – a 21% difference. By not having to comply with local legislation, illegal betting operators are also more competitive on product, offering a wider and more varied range of bet types and markets. They can promote their bet offerings through online advertising, sponsorship of sport, and networks of online and on-the-ground affiliate marketers and agents. Legal betting operators are usually barred or heavily restricted from such promotions.

Furthermore, the transnational nature of online betting where, for example, a criminal group in Hong Kong might set up a betting operation with IT infrastructure in Taiwan, a licence and support staff in the Philippines, and customers from across Asia, makes enforcement of laws extremely difficult.

### Where did the crime take place?



Figure 2. Transnational Nature of Online Betting

### Horse racing and sports integrity risks from illegal betting

It is a commercial reality that horse racing has been an adjunct of the gambling industry almost from the beginning of its organised existence. Consequently, race rigging in various forms has been an aspect of horse racing integrity and stewarding for a very long time, as have associated integrity issues relating to age fraud, threats to the welfare of participants, image and money laundering by criminal associates, doping, and the manipulation of regulated betting markets, as well as illegal betting. For this reason, the sport of horse racing has long-established structures, processes and expertise to manage and maintain integrity in response to risks from betting.

The UK, Australia and Hong Kong are widely agreed to be the leading jurisdictions globally when it comes to an integrated response to sports integrity issues, including illegal betting. When the UK Minister for Sport brought together a panel of experts in 2009 to review the UK's sports betting integrity landscape (resulting in the publication of the seminal Parry Report of 2010 on the establishment of a UK sports betting integrity network), its composition was drawn heavily from the racing and betting industries.

This blended approach to expertise – drawing from the betting industry, the racing industry, the police, players, supporters' groups, other sports governing bodies, the legal profession and the regulator (the UK Gambling Commission) – remains one of best practice.

Notably, this diversity of expertise permitted the Parry Report to focus with agility and depth on its three main and common areas of concern: the adoption of robust rules and disciplinary procedures; the implementation of a comprehensive education programme for all participants; and the creation of an integrity unit which has the capability to gather and analyse intelligence. These three areas are applicable to all sports.

The first paragraph in the terms of reference of the Parry Report specifically referred to illegal betting, noting: “The vast majority of sports betting is legal and fair, and enhances the enjoyment of sport for many fans. But betting also provides an opportunity and an incentive for corrupting sport through the use of unfair or illegal betting practices.”<sup>5</sup>

Similarly, the authorities in Australia have made extensive use of the racing industry in wider reviews and investigations of sports integrity. When the state of Victoria's legislation in this regard was reviewed in March 2011, the assessment was led by Des Gleeson, a former Racing Victoria head steward, and all recommendations made pursuant to that report were later commended by that state's government including amendments to its criminal laws relating to match-fixing in sport.

Again in 2011, when the New South Wales Law Reform Commission issued a comprehensive report on “Cheating at gambling”,<sup>6</sup> it drew heavily from submissions made by the racing industry. And in 2018, when a federal government-led review of Australia's sports integrity framework was carried out, one of the three-person panel was Ray Murrhly, former chairman of stewards for Racing New South Wales.<sup>7</sup>

Moreover, in countries such as the US and India where gambling has for many years been largely restricted, the horse racing industry has been one of the few sectors permitted under law to offer betting, because of its long-standing commitment to integrity.

**“NO SPORT ALONE CAN INDIVIDUALLY HOPE TO ADDRESS THE ISSUE OF SPORTS INTEGRITY THREATS AND ILLEGAL BETTING.”**

The voice and experience of horse racing could in the future, and in a wholly collaborative way, be part of the wider discourse surrounding supranational initiatives on sports integrity and illegal betting, including those initiated by international organisations.

The experience of horse racing in dealing with sports integrity and illegal betting, and its learning from past mistakes and failings and associated costs, means that the industry should be better integrated in the discourse on solutions. It also illustrates that no sport alone can individually hope to address the issue of sports integrity threats and illegal betting.

The horse racing industry has in some ways a headstart on this issue of integrity and illegal betting. The core 10 aspects of this headstart are:

1. The racing industry has centuries-old links to the betting industry;
2. The racing industry has a long history of best practice in gathering, recording, storing and analysing betting-related data which can then be used accurately to estimate the size and activity within betting markets (both legal and illegal);
3. The racing industry has had to develop an ability to deal with rapid changes in betting technology, including betting monitoring techniques;
4. The racing industry has long had to police its image and reputation in respect of attempts by criminal figures to use racing for betting purposes;
5. The racing industry has expertise in dealing with attempts both on- and off-course, and on- and off-line, to use betting as a means of money laundering;
6. The racing industry was one of the first sports to develop links with law enforcement on the specific issue of criminality and betting;
7. Globally, the racing industry is often one of the few sports to operate on an exclusively statutory footing;
8. In many jurisdictions, the racing betting revenues are used as part of the public exchequer;
9. The racing industry is also the sport first associated with the concept of operating on a social licence, whereby the welfare of its direct (animal and jockey) participants, as well as its indirect participants such as those who bet regularly on it, must be taken into account in the integrity-related decision-making of that sport;
10. Given the movement of horses and jockeys, the industry has developed enhanced international integrity links not necessarily replicated in other sports.

### GOOD PRACTICE 1.1

Given horse racing's long experience and expertise in sports integrity and the current concerns among other sports, there should be greater collaboration – through organisations such as the ARF Anti-Illegal Betting Task Force – between horse racing and international sports bodies to foster good practice in identifying, preventing and mitigating the risks associated with illegal betting.

### Endnotes

- 1 Asian Racing Federation Anti-Illegal Betting Task Force, *'Illegal Betting in an Asian Context'*, September 2018 (<http://www.asianracing.org/uploadmedia/ARF-AIBTF-White-Paper--Illegal-Betting-in-an-Asian-Context.pdf> accessed 26 March 2020)
- 2 Council of Europe Convention on the Manipulation of Sports Competitions, *'Council of Europe Treaty Series - No. 215'*, 2014 (<https://rm.coe.int/CoERMPublicCommonSearchServices/DisplayDCTMContent?documentId=09000016801cdd7e> accessed 22 May 2019)
- 3 A state-backed report in July 2019 estimated that the amount wagered by Mainland clients of one online gambling operator was more than CNY1 trillion, nearly twice the annual income of China's legal betting options. See: *'The Chinese state manages the world's second-biggest lottery industry'*, *The Economist*, 29 August 2019 (<https://www.economist.com/china/2019/08/29/the-chinese-state-manages-the-worlds-second-biggest-lottery-industry> accessed 21 January 2019)
- 4 Jay Albanese, *'Illegal betting and Organized Crime – an Analysis of Federal Convictions in 2014'*, Trends in Organized Crime, 2017, ([http://jayalbanese.com/yahoo\\_site\\_admin/assets/docs/Albanese\\_ILGB\\_and\\_Organized\\_Crime\\_TOC\\_2017\\_18p.162121941.pdf](http://jayalbanese.com/yahoo_site_admin/assets/docs/Albanese_ILGB_and_Organized_Crime_TOC_2017_18p.162121941.pdf) accessed 3 March 2020)
- 5 The Sports Betting Integrity Panel, *'Report of Sports Betting Integrity Panel'*, February 2010, (<http://www.sportsbettinggroup.org/downloads/Report%20of%20the%20Sports%20Betting%20Integrity%20Panel%20-%20Feb%202010.pdf> accessed 3 March 2020)
- 6 New South Wales Law Enforcement Reform, *'Cheating at Gambling'*, 2011, (<https://www.lawreform.justice.nsw.gov.au/Documents/Publications/Reports/Report-130.pdf> accessed 3 March 2020)
- 7 Department of Health of Commonwealth of Australia, *'The Review of Australia's Sports Integrity Arrangements'*, 2018 ([https://www.health.gov.au/internet/main/publishing.nsf/Content/63F0A5D7BDA5A0B5CA2582CF0005E6F9/\\$File/HEALTH-RASIA-Report-Acc.pdf](https://www.health.gov.au/internet/main/publishing.nsf/Content/63F0A5D7BDA5A0B5CA2582CF0005E6F9/$File/HEALTH-RASIA-Report-Acc.pdf) accessed 3 March 2020)



**CHAPTER TWO:  
MAJOR ISSUES AROUND  
ILLEGAL BETTING**





## CHAPTER TWO: MAJOR ISSUES AROUND ILLEGAL BETTING

Illegal betting causes both direct and indirect economic costs to society.

This is not just an issue for legal betting operators or other narrow sectoral interests, because in some jurisdictions legal betting can be completely subsumed by illegal betting, with its widespread negative impacts on racing, sport and society.

From a simple economic standpoint, nearly all of these vast profits either go offshore or directly fund criminality, rather than supporting society through taxation in the jurisdictions in which consumers are based.

In addition to this direct economic cost, illegal betting's many indirect negative impacts include increased rates of problem gambling, the manipulation of racing and sport, and the funding of other criminality and money laundering. In some ways, the negative impacts from these are even greater than the direct economic cost, as they can erode social fabric, permanently destroy trust in sport and racing, and harm the integrity of financial markets.

The financial impact can be distilled into a simple fact: legal betting operators licensed in the jurisdictions in which their customers are based (white-market operators) pay tax and other levies imposed by regulators, but illegal operators pay no tax. It is evident which of these benefits society, and this is a compelling argument for many stakeholders when the distinction between white, grey and black markets is explained. Less immediately obvious financial implications of illegal betting include money laundering, capital flight, and the corruption and distortion of markets and economies.

The horse racing industry, which depends on legal betting to exist, is intimately concerned by illegal betting, which does not support the sport. Other sports, particularly football, cricket and tennis, have also begun to realise how illegal betting markets facilitate match-fixing and corruption. The association of sporting organisations with betting operators of dubious and/or opaque backgrounds through sponsorship not only lends itself to the manipulation of competitions, but also has potential for reputational harm.

The societal impacts of illegal betting are pernicious yet not widely recognised. There is compelling evidence from multiple countries that shows illegal and offshore betting leads to problem gambling *at a higher rate than legal betting*.<sup>1</sup>  
<sup>2 3 4 5 6</sup> Problem gambling in turn leads to a host of issues for individuals, families and societies.

## Illegal betting is big and growing

The global illegal betting market is large and rapidly growing. Governments and citizens should be concerned by this because, unlike legal betting, this vast market does not benefit society financially, and in fact imposes direct financial costs.

The Task Force has assessed that the illegal sports betting market is *at least as big as* the legal market in terms of margin (the portion of wagers kept by the bookmaker, i.e. customers' losses). It is estimated that as many as 80% of sports and racing bets worldwide are made illegally and that the total amount wagered in this fashion may be between USD340 billion and USD1.7 trillion.<sup>7 8</sup> This market is growing at least as fast as the legal market, while previous ARF research has shown that in some jurisdictions the illegal growth rate is as much as twice the legal growth rate.

Illegal operators provide no benefits to the countries in which they take bets. Usually, grey market operators are licensed in a group of jurisdictions around the world that have established themselves as licensing hubs to profit from the online betting boom, such as Curaçao, the Isle of Man, Malta and the Philippines. Any tax benefit from betting thus flows from jurisdictions in which bets were made to these offshore jurisdictions. Illegal betting operators pay no tax in the country in which they take bets.

Illegal betting is often seen as a victimless crime; the perception is that the only person who suffers is the bettor who loses his or her money. This perception is inaccurate as there is a wide range of negative impacts caused by illegal betting, permeating far beyond the narrow sectoral interests of bettors and bookmakers.

Horse racing and sports organisations cannot tackle illegal betting without wide support from governments and key stakeholders in society. Such collaborative efforts require first to explain and outline the negative impacts of illegal betting to these stakeholders.

### GOOD PRACTICE 2.1

Governments and stakeholders should adopt a clear definition of illegal betting in law.

**GOOD PRACTICE 2.2**

Jurisdictions should impose clear regulations on those wishing to run betting operations: companies should be licensed and approved by the specific jurisdiction in which they operate, rather than by offshore jurisdictions.

Regulatory grey areas confer a further advantage on grey and illegal betting operators: because they have lower operating margins, they can offer better odds. Consider one business taxed at 20% competing against many others paying 0-5% tax – naturally the latter will be able to transfer this cost-saving to the customer in the shape of lower prices (better odds). Legal betting operators are also usually constrained by regulations as to the variety of betting markets and bet types they can offer, while illegal operators work under no such constraints. Continuing the analogy, this is as if the taxpaying business is only permitted to sell a limited number of products and brands, while the other can offer as many as customers demand.

This huge competitive advantage explains the vast size and rapid growth of illegal betting markets, and underlines the fact that if not checked or addressed they have the potential to completely subsume legal markets, and thus remove all of these markets’ financial benefits to society.

**GOOD PRACTICE 2.3**

Legal betting operators should work with regulators to improve their price and product offerings within regulatory limits in order to increase their competitiveness against illegal operators.

**Table 1. The scale of untaxed illegal betting profits <sup>9</sup>**

Jurisdiction	Year	Illegal betting margin (USDm)	Illegal betting margin as % of total market
Australia	2015	780	6%
New Zealand	2017	32	21%
Singapore	2015	336	37%
South Africa	2016	14	48%
South Korea	2016	1,448	62%
Hong Kong	2016	1,610	36%
<b>Total</b>		<b>4,220</b>	

## Illegal betting facilitates money laundering and transnational organised crime

Illegal betting aids criminality by providing a reliable revenue stream to the criminal groups that operate it. In addition, criminals benefit from fraud involving betting customers (especially the failure to pay winnings, which is common with illegal betting operators), illegal money lending (“loansharking”), and physical crimes such as assault against customers or even those involved in sports when they come under the influence of illegal betting operators.

Illegal betting is also a key means of money laundering by transnational organised crime. It has been estimated that USD140 billion, or 10% of global crime proceeds, is laundered through sports betting every year.<sup>10</sup> Money-laundering risks from casino gambling are generally well understood and most jurisdictions have anti-money laundering (AML) programmes of varying degrees of effectiveness to try to limit these. But in many sports betting jurisdictions, particularly offshore havens, such AML oversight is absent or ineffectual.

Sports betting websites are essentially analogous to financial institutions as they are involved in deposits and withdrawal of money, which can be huge amounts. Yet illegal operators are subject to none of the AML oversight of financial institutions or indeed legal betting operators. Exacerbating this is the fact that many illegal operators are *deliberately* run poorly in this regard – they are set up by transnational organised crime *specifically* to make the proceeds of crime appear to be the profits from licensed betting operations. For example, in 2015, police seized EUR2 billion of assets from the ‘Ndrangheta, the Italian organised crime group behind most of Europe’s cocaine trade. These assets included 82 gambling websites licensed in the betting haven of Malta, through which huge sums were laundered.<sup>11</sup>

The Philippines similarly enables huge Asian betting websites to ply their trade as “licensed” bookmakers, even though online betting is illegal or restricted in almost every jurisdiction in Asia. Notably, the Philippines does not allow its own people to bet with these websites. The vast majority of these business entities are registered in offshore tax havens known for their opacity such as the British Virgin Islands, making any insight into their ultimate beneficial ownership almost impossible to ascertain. It is known, however, that at least some are linked to a web of transnational organised crime groups operating from Malaysia, Taiwan, Thailand, Vietnam, Cambodia and Hong Kong, and connected to casino junket operators in Macau.

The related economic impacts of illegal betting, for which space precludes a more detailed examination, include capital flight, underground banking, and the distortion or disruption of economies by, for example, the proceeds of illegal betting being injected into stock markets.

### GOOD PRACTICE 2.4

Governments and regulators across jurisdictions should work to harmonise compliance regulations on betting operators to ensure the adoption of a unified framework that treats betting operators with a similar level of oversight to financial institutions, in particular requiring them to publish their ultimate beneficial ownership and corporate structure and annual accounts as a condition of licence.

### **GOOD PRACTICE 2.5**

Anonymous payment processors should not be permitted in betting transactions, customer betting data should be recorded, and suspicious transactions or large bets above a certain threshold should be reported to relevant national anti-money laundering and counter-terrorism financing agencies.

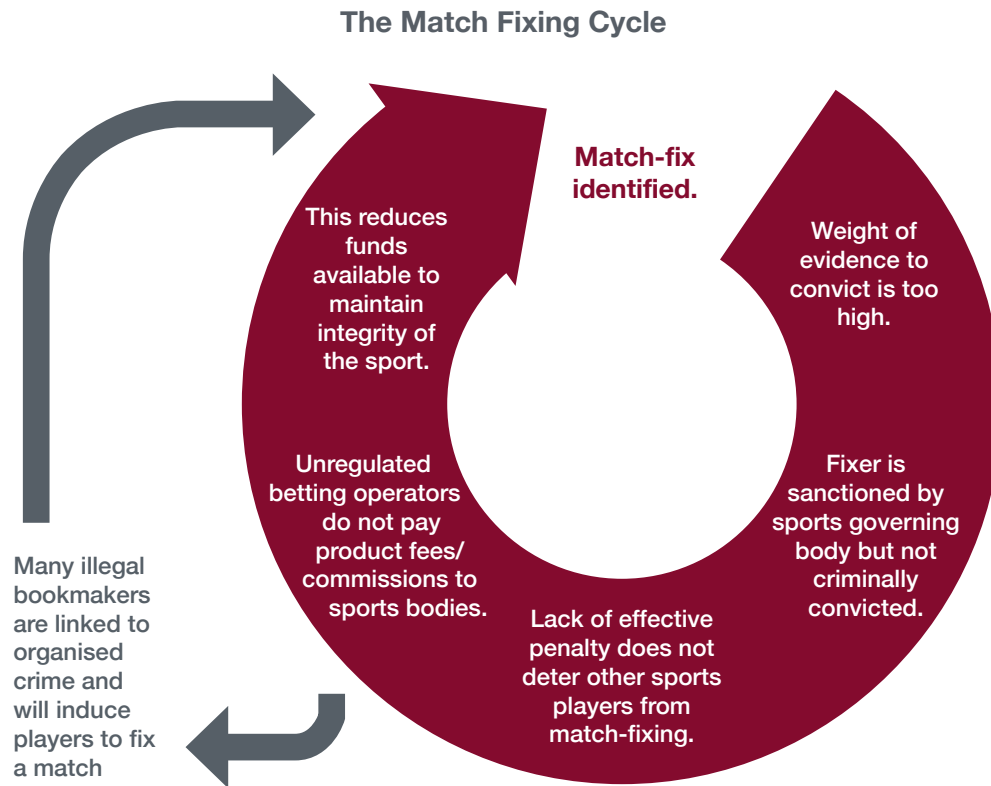
## **Illegal betting threatens the integrity of horse racing and sports**

The globalisation of sport and betting has been a perfect combination for the corruption of racing and other sport. Match-fixers can arrange a fix safe in the knowledge that leading Asian illegal bookmakers often accept large bets on even obscure sporting events.

Unlike legal operators, illegal betting operators do not share information about suspicious betting patterns or otherwise co-operate with law enforcement or sports governing bodies. Illegal betting operators ignore race- and match-fixing, and may actively participate.

Race- and match-fixing has a huge social and economic impact, and if not stopped leads to a vicious cycle of corruption which can destroy the public's faith in the sport. Once lost, it is extremely difficult if not impossible to win back this trust. For horse racing, this is of even greater concern, since the sport depends on public confidence in racing integrity, without which there is no betting appeal.

Even if a race or match fix is identified, the weight of evidence required to secure a criminal conviction is often too high and the sanctions from sports disciplinary proceedings are ineffective. Few jurisdictions have specific legislation against match fixing, so fixers are often charged under general corruption or bribery legislation which can make conviction more difficult. Unregulated betting operators do not support sports integrity efforts by assisting sports governing bodies, and may actively participate in match fixing. This reduces funding for integrity programmes, continuing the match fixing cycle (see Figure 3 below).



**Figure 3. The Match-Fixing Cycle** <sup>12</sup>

Illegal betting is far more attractive than legal betting to fixers because it generally offers far more markets and sporting events, accepts much larger wagers without asking questions, and requires little or no proof of customer identity. Illegal operators also do not follow sporting integrity best practices such as alerting authorities to suspicious betting or sharing data with law enforcement, further reducing the risks to the fixer.

### **GOOD PRACTICE 2.6**

Governments should establish national sporting integrity units or officers to ensure a co-ordinated and dedicated capacity to:

- Enact specific legislation against match-fixing; <sup>13</sup>
- Enact legislation banning athletes from betting on sports in which they take part and from betting on any sport with non-approved operators;
- Develop education programmes for athletes / coaches and other participants in sport against fixing;
- Monitor and investigate irregular and suspicious betting activities to facilitate effective law enforcement activities.



Race- and match-fixing is well understood by most in racing and other sports. Less well understood is the potential negative impact to clubs and leagues of associating their brand with betting operators operating in unregulated markets. Some 70% of football teams in Europe are associated with betting sponsors, for example, and while many of these are highly reputable and well-regulated, others operate in unregulated markets in Asia. Teams and leagues which associate their brand with these operators may suffer reputational risk by appearing to condone betting in jurisdictions where it may be illegal or unlawful.

#### **GOOD PRACTICE 2.7**

Racing and sports organisations should carefully consider the reputational risks of being associated through sponsorship with betting operators who target customers in jurisdictions where online betting is illegal or unlawful.

### **Illegal betting causes gambling disorder and associated social issues**

The link between excessive betting and the onset of gambling disorder is well established. There is also a growing body of academic evidence showing that *illegal betting is worse than legal betting* in this regard, and thus has a greater negative impact on society.

Academic evidence for this fact stretches back 20 years in the United States, Europe, Australia, New Zealand, South Korea and Hong Kong, <sup>16</sup> showing that excessive bettors are significantly more likely to gamble illegally, and that there are many more excessive bettors among those who bet illegally than those who bet legally. Illegal betting has been shown to be among the forms of betting most strongly associated with problem gambling.

The reason why illegal betting fosters gambling disorder at a higher rate than legal becomes clear when distinctions are drawn between legal and illegal betting operators. Unlike legal betting operators, who offer their product in a socially-responsible manner and often look actively to mitigate negative impacts of gambling via responsible-gambling initiatives, either voluntarily or under a condition of licence, <sup>17</sup> illegal betting operators generally have no such safeguards in place and even actively entice customers to gamble to excess.

In the absence of regulatory oversight, it is in the interests of illegal betting operators to *encourage* excessive gambling, because this leads to greater profits. One way they do this is by allowing credit betting, encouraging compulsive behaviour. Many legal operators and licensing regimes (for example Hong Kong, Australia and, as of April 2020, the United Kingdom) ban credit betting for this reason and others are considering it.

Furthermore, illegal betting operators are not constrained as to permissible betting product types, maximum bet limits and advertising and marketing restrictions. The example mentioned above of how Asian-facing betting operators use European sports sponsorships to market their product in jurisdictions where promoting gambling is illegal is a case in point.

## Higher Risks of Problem Gambling among Illegal Bettors Compared with Legal Bettors

Jurisdiction	Percentage of bettors deemed non-problem gamblers		Percentage of bettors deemed to be problem gamblers, or at-risk or moderate-risk of becoming problem gamblers	
	Among legal bettors	Among illegal/offshore bettors	Among legal bettors	Among illegal/offshore bettors
<b>Australia</b> <sup>18</sup>	40.3	21.5	59.7	78.5
<b>New Zealand</b> <sup>19</sup>	76.8	68.8	23.2	31.2
<b>Singapore</b>	No Data <sup>20</sup>			
<b>South Africa</b> <sup>21</sup>				30.4
<b>South Korea</b> <sup>22</sup>	83.7	64.7	16.3	35.3
<b>Hong Kong</b> <sup>23</sup>	62	28	38	72

Gambling disorder is more prevalent among those who bet via illegal channels: previous ARF AIB Task Force research found unequivocal evidence of this link as summarised in the table above.

This should be a concern to governments and regulators as multiple global studies show that problem gambling has a highly negative effect – both mentally and financially – on not just the gambler, but also their family members and society in general.<sup>24 25</sup> This includes increased rates of depression, alcohol and drug abuse, family breakdown, debt and even suicide.

### GOOD PRACTICE 2.8

Legal betting operators and other stakeholders such as racing bodies should highlight the fact that illegal bettors are more likely to indulge in excessive wagering and problem gambling than legal bettors, citing independent peer-reviewed academic research.

### GOOD PRACTICE 2.9

Legal operators should implement responsible gambling programmes and have self-exclusion policies in place, as well as being seen to act in a responsible fashion to distinguish themselves from illegal operators. This includes taking active steps to ban minors and vulnerable people and contributing financially to research, education and treatment of problem gamblers

### **GOOD PRACTICE 2.10**

Governments should follow the example of jurisdictions such as the United Kingdom, Hong Kong, Australia and others which have recognised the dangers of allowing betting on credit, and ban the practice to curb problem gambling.

Beyond problem gambling, illegal betting brings other negative impacts to society at large. It often supports organised crime groups' other activities such as drug, wildlife and human trafficking; counterfeiting; loan-sharking; violence and intimidation; and even murder.

Academic research, law enforcement and media reports have shown that illegal betting is integral to organised crime groups in North America, Europe and Asia such as the Italian and US Cosa Nostra, 'Ndrangheta and Camorra crime families, Russian and Eastern European groups, Chinese triad societies and Macau casino junket operators.

**“ILLEGAL BETTING, WHILE APPEARING TO BE A MINOR PART OF A TRADITIONAL ORGANISED CRIME (TOC) NETWORK, IS ACTUALLY A FOUNDATION UPON WHICH MOST OTHER ILLICIT ACTIVITIES ARE SUPPORTED.”<sup>26</sup>**

Other criminal impacts include fraud – illegal betting sites are notorious for withholding payments or simply disappearing with bettors' deposits – and cybercrime and identity theft from disreputable websites. Popular betting forum sportsbookreview.com, for example, has 1,020 online sportsbooks on its list of sites reported for problems ranging from scams to financial collapse. Cybersecurity experts have highlighted the online gambling sector as a key target for cyberattacks from dark web botnets to extort identity data, including banking details, and fraudulently extract funds. Fraud and cybercrime is seen by these criminals as low-risk and high reward, as there is little chance of being caught or successfully prosecuted.

### **GOOD PRACTICE 2.11**

Law enforcement bodies should equip their staff with specific knowledge on illegal betting and its links to organised crime, enhance their cybercrime and anti-money laundering knowledge, and strengthen co-operation with counterparts in other jurisdictions to address the transnational nature of illegal betting and organised crime.

**GOOD PRACTICE 2.12**

Globally, sports, racing and the legal betting industry must work together to bring pressure to bear on betting tax havens and jurisdictions which act irresponsibly and enable illegal and grey-area betting.

**Combatting illegal betting requires collaboration between stakeholders**

There are considerable legal / regulatory, commercial and technical challenges to tackling illegal betting and its negative impacts.

In relation to legal and regulatory issues, many countries do not have laws designed to prevent illegal betting operators targeting their citizens or to prevent or punish citizens from betting with such operators. The transnational nature of online illegal betting also makes it extremely difficult to determine under whose jurisdiction any crime took place.

In relation to commercial issues, illegal operators have considerable advantages over legal counterparts, which will always make them attractive to bettors who value price over legality, or are unaware of the legal issues.

In relation to technical issues, even if there is the will to investigate and prosecute, highly-specialised technical, cyber and forensic skills are required to identify, charge and convict illegal betting operators.

Lack of understanding among key stakeholders such as government, law enforcement, financial institutions, technology companies and others about the negative impact of illegal betting means there is little incentive for them to act. A lack of awareness among the wider public means there is little pressure on those in power to respond.

For these reasons, combatting illegal betting requires greater co-operation and collaboration between all stakeholders: horse racing and sports operators, governments, regulators, law enforcement agencies, financial institutions and the media. Because of the transnational nature of illegal betting, this collaboration and co-operation also needs to cross borders.

## Annex: Examples of match-fixing regulation across jurisdictions

This Annex expands on “Good Practice 2.6” in this Chapter and provides examples of specific match-fixing legal frameworks, regulations and policies across jurisdictions.

### Australia

<p><b>Law</b></p>	<p>Sports corruptors can be jailed for up to 10 years after State and Territory ministers agreed in November 2011 to introduce nationally consistent criminal offences for those who engage in, facilitate and/or conceal conduct that would corrupt a betting outcome on a sport or racing event, or use corrupt conduct or inside information for betting purposes.<sup>27</sup></p> <p>Specific match-fixing laws include:</p> <ul style="list-style-type: none"> <li>• Crimes Amendment (Cheating at Gambling) Act 2012 (New South Wales);</li> <li>• Crimes Amendment (Integrity in Sports) Act 2013 (Victoria);</li> <li>• Criminal Law Consolidation (Cheating at Gambling) Amendment Act 2013 (South Australia);</li> <li>• Criminal Code (Cheating at Gambling) Amendment Act 2013 (Australian Capital Territory);</li> <li>• Criminal Code (Cheating at Gambling) Amendment Act 2013 (Queensland); and</li> <li>• Criminal Code Amendment (Cheating at Gambling) Act 2013 (Northern Territory).</li> </ul>
<p><b>Regulation</b></p>	<p>Australian governments endorsed a Sports Betting Operational Model (SBOM) to address matchfixing, of which the key functional element is a formalised partnership between sports and wagering service providers (WSPs) through ‘product fee and integrity agreements’ (PFIAs).</p> <p>Under this model, a WSP seeking to provide sports betting services relating to an Australian sporting event must have in place a PFIA with the relevant Sports Controlling Body, and set out the contingencies that can be offered as part of the approved market for that event.</p> <p>WSPs and sports are required to share relevant information to help prevent the manipulation of sports competitions and related corruption – for example, sports will provide details of players, officials and support personnel to WSPs to assist in detection of participants seeking to bet on their own sport. WSPs also need to provide information of suspicious betting and other activities to sports for investigation, and vice versa.</p>
<p><b>Policy</b></p>	<p>Enacted in June 2011, the ‘<i>National Policy on Match-Fixing in Sport</i>’ represents a commitment by the Australian government,<sup>28</sup> along with its federated state and territory governments, to work together to address sports corruption. The Policy sets in place a system of co-operative relationships between sporting organisations and betting agencies, underpinned by:</p> <ul style="list-style-type: none"> <li>• agreement to pursue nationally consistent legislative arrangements;</li> <li>• legal arrangements and integrity agreements between sports and betting companies which include requirements to share information, provide sports with a right to veto bet types and provide a financial return from sports betting to sports;</li> <li>• the adoption of codes of conduct by sports;</li> <li>• the establishment of a National Integrity of Sport Unit to oversee national arrangements and provide support for smaller sports; and</li> <li>• the provision that government funding will be contingent on sport implementing appropriate anti-match-fixing and anti-corruption policies and practices.</li> </ul>

## New Zealand

<p><b>Law</b></p>	<p>Match-fixing is incriminated by <i>the New Zealand Crimes Act</i>,<sup>29</sup> as amended in 2014, under Section 240: the offence of deception (obtaining by deception or causing loss by deception).</p> <p>Section 240A of the Act makes it clear that deception includes any act or omission that is done or omitted with intent to influence a betting outcome by manipulating the overall result of the activity or any event within the activity. This applies to activities of the following kinds: sporting competitions, games, matches, races and rallies involving human participants (whether or not they also involve equipment, horses, vehicles, or vessels); and dog races. This amendment ensures that anyone who obtains a benefit or causes a loss by engaging in matchfixing will commit an offence and will be liable to a maximum penalty of seven years' imprisonment.</p>
<p><b>Regulation</b></p>	<p>In New Zealand, all National Sport Organisations (NSOs) must have rules regarding how they will prevent and respond to match-fixing activity, and the expectations and requirements of its athletes and the broad entourage.<sup>30</sup> The rules must:</p> <ul style="list-style-type: none"> <li>• include provision for at least one NSO officer responsible for matters relating to overseeing the NSO's anti-match-fixing measures;</li> <li>• apply to as wide a range of persons associated with the NSO as considered necessary by the NSO for the purposes of the policy, which may include staff and officers of the NSO and associated people such as players' agents;</li> <li>• specify a match-fixing incident reporting and investigation mechanism</li> <li>• specify a disciplinary framework detailing meaningful penalties for engaging in any of the restricted actions or failing to take the required actions, which is broadly consistent with those of other sporting codes (including broadly consistent penalties), and includes an appeals mechanism such as referral to the Sports Tribunal of New Zealand.</li> </ul>
<p><b>Policy</b></p>	<p>Specific to match-fixing, Sport New Zealand has implemented the New Zealand Policy on Sports Match-Fixing and Related Corruption, in response to the emerging international match-fixing threats.<sup>31</sup></p> <p>The Policy comprises two distinct but connected elements to tackle match-fixing. The first element refers to a co-ordinated national policy approach involving government agencies, the sports sector and the betting industry working together to address the issue of inappropriate and fraudulent sports betting, match-fixing and related corruption.</p> <p>The second outlines the responsibilities of national sporting organisations in relation to the Policy, including compliance, adopting match-fixing rules, education programmes, sports betting agreements and information sharing.</p>

## South Korea

<p><b>Law</b></p>	<p>In South Korea, there are a number of laws addressing match-fixing related to bribery and illegal betting: <i>the National Sports Promotion Act, the Bicycle and Motor Boat Racing Act and the Korean Horse Affairs Association Act.</i></p> <p>Relevant to horse racing, the <i>Korean Horse Affairs Association Act</i> <sup>32</sup> incriminates active and passive bribery. Offenders can be punished by imprisonment for up to two years; or by a fine not exceeding KRW2 million.</p> <p>The Korean legislation also has limited the incentives for match-fixers to gain profits through different forms of gambling and betting by prohibiting gambling and betting for pecuniary purposes (Gambling, habitual gambling: Article 246 kCA)</p> <p>Furthermore, match-fixers can be incriminated under criminal law provisions such as:</p> <ul style="list-style-type: none"> <li>• Fraud (Article 347 kCA)</li> <li>• Acceptance of bribe and advance acceptance (Article 129kCA); Bribe to a third person (Article 130); Improper action after acceptance of bribe and subsequent bribery (Article131); Acceptance of bribe through good offices (Article 132 kCA)</li> <li>• Receiving or giving bribe by breach of trust (Article 357 kCA)</li> </ul>
<p><b>Regulation</b></p>	<p>In the aftermath of a series of high-profile match-fixing scandals in 2011, the Korean government strengthened punishment for match-fixing and illegal sports betting by amending relevant regulations.</p> <p>The <i>National Sports Promotion Act</i>, which was revised in 2012, requires that match-fixing shall be punished by imprisonment for up to 7 years or by a fine of less than KRW 70 million. In the case of illegal betting, only the operator of the illegal sports betting website was punished in the past. Under the revised Act, individuals who bet on those websites could be subject to imprisonment for up to 5 years or fines of up to KRW 50 million.</p> <p>In addition to sanctions, the government also developed regular sports integrity educational program which all sports organisations that are subjected to Sports Toto are obliged to attend. Before 2011, only brief training sessions was given to newcomer players.</p>
<p><b>Policy</b></p>	<p>Relevant organisations such as the Ministry of Culture, Sports and Tourism, Korea Sports Promotion Foundation, Sports Toto, and National Gambling Control Commission have launched joint campaigns to eradicate illegal sports betting in South Korea since 2011.</p> <p>These organisations disseminated anti-illegal betting messages through various channels, promoted the tightened punishment related to illegal sports betting in public places such as subways, and developed “an anti-corruption pledge to eradicate and prevent illegal sports activities” on the fields where the teams competed.</p> <p>In addition, a reporting center was established to incentivise reporting of illegal sports betting sites with rewards while a bet pattern monitoring system was created as a set of protocols, including bet monitoring and analysis; sharing information; and taking pre-emptive action before suspicious matches.</p>

## United Kingdom (UK)

<p><b>Law</b></p>	<p>The UK government introduced the <i>Gambling Act 2005</i> which consists of a specific offence addressing ‘cheating at gambling’ to address the variety of match-fixing offences that arise.<sup>33</sup> Section 42, Paragraph 1 of the Gambling Act provides that a person commits an offence if he (a) cheats at gambling, or (b) does anything for the purpose of enabling or assisting another person to cheat at gambling. The offender is liable to imprisonment for a term of up to two years, and/or to a fine.</p> <p>The Act specifies that cheating at gambling may consist of “actual or attempted deception or interference” in connection with the process by which gambling is conducted, or a real or virtual game, race or other event or process to which gambling relates. In other words, this provision is applicable to both the individuals who place bets illegally and those who are involved in the betting-related match-fixing.</p>
<p><b>Regulation</b></p>	<p>In the UK, all licensed betting operators, including both UK-based and offshore operators, are required to have in place systems and procedures to identify unusual betting patterns and report any suspicions of corrupt betting practices to the UK Gambling Commission under their licence condition (Section 15.1) of the Licensing Condition and Codes of Practice.<sup>34</sup></p> <p>The Gambling Commission has the power to investigate, prosecute and void bets when there is suspicion of cheating. The Commission also exchanges information with licensing authorities and alerts them of suspicious betting activities. This is considered an important channel for preventing and monitoring betting-related fraud, as detailed in next chapter of this Handbook: <i>Bet Monitoring and Analysis in Horse Racing</i>.</p>
<p><b>Policy</b></p>	<p>The UK Sport and Sports Betting Integrity Action Plan, implemented by the Sports Betting Integrity Forum, outlines the British approach to addressing risks to the integrity of sport and sports betting. The Action Plan sets out what is expected of sports governing bodies, athletes’ associations, betting operators and government in addressing risks associated with match-fixing and sports betting integrity. In its recent Year 2020 updates, eight actions were listed to address match-fixing:</p> <ul style="list-style-type: none"> <li>• Sharing knowledge and good practice;</li> <li>• Strengthening linkage with law enforcement and prosecutors;</li> <li>• Reviewing the national approach to whistle-blowing and reporting mechanisms;</li> <li>• Supporting risk assessment;</li> <li>• Improving sports education programmes;</li> <li>• Researching black and grey markets to understand the impacts on British sport and sports betting</li> <li>• Protecting sports integrity after Brexit</li> <li>• Collating and comparing existing data collection policies to identify potential common standards and good practice.</li> </ul>



Endnotes

- 1 Rachel Volberg, 'Gambling and problem gambling in New York: A 10-year replication survey, 1986 to 1996', Report to the New York Council on Problem Gambling, 9 July 1996 ([https://gaming.ny.gov/gaming/20140409forum/Other%20Materials/Gemini%20Research,%20New%20York%20Gambling%20Replication%20\(1996\).pdf](https://gaming.ny.gov/gaming/20140409forum/Other%20Materials/Gemini%20Research,%20New%20York%20Gambling%20Replication%20(1996).pdf) accessed 30 August 2018)
- 2 Rachel Volberg, 'Gambling and problem gambling in Mississippi', *A Report to the Mississippi Council on Compulsive Gambling*, January 1997 (<http://citeseerx.ist.psu.edu/viewdoc/download?doi=10.1.1.7.9659&rep=rep1&type=pdf> accessed 30 August 2018)
- 3 Rachel Volberg, Max Abbott, Sten Rönnerberg and Ingrid Munck, 'Prevalence and risks of pathological gambling in Sweden', *Acta Psychiatrica Scandinavica* vol. 104 (2001): p250-256.
- 4 D de Bruin, C Meijerman, F Leenders and R Braam, 'Verslinderd aan meer dan een spel Een onderzoek naar de aard en omvang van kansspelproblematiek in Nederland', *WODC / Ministerie van Justitie*, (2005) ([https://pdfs.semanticscholar.org/8a68/4a800ae867d7dfcc518fdac15b31897cb4fb.pdf?\\_ga=2.204651287.605512969.1583223312-1502139827.1583223312](https://pdfs.semanticscholar.org/8a68/4a800ae867d7dfcc518fdac15b31897cb4fb.pdf?_ga=2.204651287.605512969.1583223312-1502139827.1583223312) accessed 3 March 2020)
- 5 Per Binde, 'What are the most harmful forms of gambling? Analysing problem gambling prevalence surveys', *Centre for Public Sector Research*, 2011 ([http://www.utbildning.gu.se/digitalAssets/1327/1327132\\_cefos-wp12.pdf](http://www.utbildning.gu.se/digitalAssets/1327/1327132_cefos-wp12.pdf) accessed 9 May 2017)
- 6 Andrew Tessler, Kareen Beyrouy and Natasha Crapnell, 'An exploratory study of illegal gamblers in Hong Kong', *Asian Journal of Gambling Issues and Public Health*, 2 December 2017 (<https://www.ncbi.nlm.nih.gov/pmc/articles/PMC5712323/> accessed 6 August 2018)
- 7 'Preventing criminal risks linked to the sports betting market', European Commission, *The French Institute for International and Strategic Affairs (IRIS)*, June 2017 ([https://www.iris-france.org/wp-content/uploads/2017/06/PRECRIMBET\\_2017\\_FINAL.pdf](https://www.iris-france.org/wp-content/uploads/2017/06/PRECRIMBET_2017_FINAL.pdf) accessed 3 March 2020)
- 8 *ibid.*, p.22.
- 9 For in-depth sources and methodologies of these estimates, see individual country reports in "Illegal Betting in an Asian Context", *Asian Racing Federation Anti-Illegal Betting Task Force*, September 2018 (<http://www.asianracing.org/uploadmedia/ARF-AIBTF-White-Paper---Illegal-Betting-in-an-Asian-Context.pdf> accessed 26 March 2020)
- 10 Christian Kalb and Pim Verschuuren, 'Money Laundering: the Latest Threat to Sports Betting?', *IRIS Editions*, 2013 (<https://www.iris-france.org/publications/money-laundering-the-latest-threat-to-sports-betting/> accessed 3 March 2020)
- 11 'Italian police seize €2bn in 'Ndrangheta mafia assets', *BBC*, 22 July 2015 (<https://www.bbc.co.uk/news/world-europe-33627093> accessed 28 August 2018)
- 12 Asian Racing Federation Anti-Illegal Betting Task Force, '*Illegal Betting in an Asian Context*', September 2018 (<http://www.asianracing.org/uploadmedia/ARF-AIBTF-White-Paper---Illegal-Betting-in-an-Asian-Context.pdf> accessed 26 March 2020), p16.
- 13 See Annex B for examples of regulation against match-fixing from different jurisdictions.
- 14 English Premier League, English Championship, Spanish Primera Liga, German Bundesliga, Italian Serie A, France Ligue 1 and Netherlands Eredivisie. Data correct as of 30 August 2019
- 15 Companies were assessed to be targeting Asian markets depending on the following: they openly state this to be the case; Chinese characters or other Asian scripts in their logos or other marketing materials; separate websites specifically for Asian markets; Asian language and currency options on their websites.
- 16 Andrew Tessler, Kareen Beyrouy and Natasha Crapnell, '*Impact of Illegal Betting in Hong Kong*', Oxford Economics, April 2016 (<https://www.oxfordeconomics.com/recent-releases/impact-of-illegal-gambling-in-hong-kong> accessed 3 March 2020)
- 17 Alex Blaszczyński, Robert Ladouceur and Howard Shaffer, '*A Science-Based Framework for Responsible Gambling: The Reno Model*', *Journal of Gambling Studies* vol. 49 (2004): p301-317 ([https://www.gaming.ny.gov/gaming/20140409forum/Nelson%20\(Harvard%20Medical%20School\)/Applicant%20Provided%20Material/Blaszczyński%20et%20al,%20Science-Based%20Framework%20for%20Responsible%20Gambling%20-%20The%20Reno%20Model,%20Journal%20of%20Gambling%20Studies,%2020\(3\),%20301-317%20\(2004\).pdf](https://www.gaming.ny.gov/gaming/20140409forum/Nelson%20(Harvard%20Medical%20School)/Applicant%20Provided%20Material/Blaszczyński%20et%20al,%20Science-Based%20Framework%20for%20Responsible%20Gambling%20-%20The%20Reno%20Model,%20Journal%20of%20Gambling%20Studies,%2020(3),%20301-317%20(2004).pdf) accessed 30 July 2017)
- 18 Problem Gambling Severity Index (PGSI) scale from Erika Langham, Alex Russell, Nerilee Hing and Sally Gainsbury, 'Sense of Coherence and Gambling: Exploring the Relationship Between Sense of Coherence, Gambling Behaviour and Gambling-Related Harm', *Journal of Gambling Studies* vol. 33 (2017) p.661-684
- 19 Problem Gambling Severity Index (PGSI) scale from Maria Bellringer, Nick Garrett, Komathi Kolandai-Matchett and Max Abbott, 'Offshore Gambling by New Zealanders Study', *Gambling and Addictions Research Centre, National Institute for Public Health and Mental Health Research, School of Public Health and Psychosocial Studies, Faculty of Health and Environmental Sciences, Auckland University of Technology*, 11 September 2015 ([https://nipmhr.aut.ac.nz/\\_data/assets/pdf\\_file/0010/11125/Final-Report-Offshore-Gambling-Study\\_11-September-2015.pdf](https://nipmhr.aut.ac.nz/_data/assets/pdf_file/0010/11125/Final-Report-Offshore-Gambling-Study_11-September-2015.pdf) accessed 3 March 2020). Note that in this case, the percentages refer to combined racing and sports bettors only, not poker, casinos or other forms of gambling, and compares online offshore with online NZ TAB only.
- 20 Singaporean findings did not conclusively link betting frequency with the onset of gambling disorder.
- 21 National Gambling Board South Africa, '*Socio-Economic Impact of Illegal and Online Gambling in South Africa*', September 2016 ([https://www.ngb.org.za/SiteResources/documents/2016/Final%20Summary%20Illegal%20gambling%20research%20report%20\(28%20Sep%2016\).pdf](https://www.ngb.org.za/SiteResources/documents/2016/Final%20Summary%20Illegal%20gambling%20research%20report%20(28%20Sep%2016).pdf) accessed 3 March 2020). The report states that problem gambling is 30.4% among illegal gamblers, based on an IPSOS survey, and states that this is much higher than non-illegal gamblers, but the original survey data could not be obtained. It is also not known on what scale this is based.
- 22 Marianna Toce-Gerstein, Dean Gerstein and Rachel Volberg, 'The NODS-CLIP: a rapid screen for adult pathological and problem gambling', *Journal of Gambling Studies*, vol.25 (2009): p541-555
- 23 Problem Gambling Severity Index (PGSI) scale from Andrew Tessler, Kareen Beyrouy and Natasha Crapnell, 'An exploratory study of illegal gamblers in Hong Kong', *Asian Journal of Gambling Issues and Public Health*, 2 December 2017 (<https://www.ncbi.nlm.nih.gov/pmc/articles/PMC5712323/> accessed 6 August 2018)
- 24 Ruth Kalischuk, Nadine Nowatzki, Kelly Cardwell, Kurt Klein and Jason Solowoniuk, 'Problem Gambling and its Impact on Families: A Literature Review', *International Gambling Studies* vol. 6 (2006): p31-60
- 25 National Research Council, '*Pathological Gambling: A Critical Review*', 1999 (<https://doi.org/10.17226/6329> accessed 3 March 2020)
- 26 L Moodie, Organized Crime Section. Illegal Gambling (2002). Paper presented at the Gambling, Law Enforcement Systems Issues Conference, University of Alberta, Edmonton, March 8 2002. As cited in James Banks, *Gambling Crime and Society* (2017).
- 27 Sports Ministers of Australia, '*National policy on match-fixing in sport*' 2011 (<http://www.health.gov.au/internet/main/publishing.nsf/Content/national-policy-on-match-fixing-in-sport> accessed 1 April 2020)
- 28 Full text available at <https://www1.health.gov.au/internet/main/publishing.nsf/Content/national-policy-on-match-fixing-in-sport> accessed 6 March 2020)
- 29 Full text available at <http://www.legislation.govt.nz/act/public/1961/0043/latest/DLM327382.html> accessed 6 March 2020)
- 30 Sport New Zealand, '*New Zealand Policy on Sports Match-Fixing and Related Corruption*' (<https://sportnz.org.nz/assets/Uploads/attachments/managing-sport/integrity/New-Zealand-policy-on-sports-match-fixing-and-related-corruption.pdf> assessed 1 April 2020)
- 31 *ibid.*

- 32 For the full translated texts, see '*Criminalization approaches to combat match-fixing and illegal/irregular betting: a global perspective*', IOC-UNODC, 2013 (<https://www.unodc.org/documents/corruption/Publications/2017/UNODC-IOC-Study.pdf> accessed 6 March 2020), p. 157
- 33 Full text available at (<https://www.legislation.gov.uk/ukpga/2005/19/contents> accessed 4 March 2020)
- 34 Sports Betting Integrity Forum, "*Sport and Sports Betting Integrity Action Plan*", 2020 (<https://www.s bif. uk/ Docs/ SBI- Action- Plan- 2020- Final- v1. 0. pdf> accessed 1 April 2020)

CHAPTER THREE:  
BET MONITORING AND  
BETTING ANALYSIS IN  
HORSE RACING



## CHAPTER THREE: BET MONITORING AND BETTING ANALYSIS IN HORSE RACING

Integrity is vital to the success and health of the racing industry. Increasingly, horse racing authorities have created integrity teams that include dedicated analysts who monitor bets for integrity purposes. The British Horseracing Authority, Racing Victoria and The Hong Kong Jockey Club all have established such teams. This section examines how bet monitoring is conducted by these organisations, identifies key prominent themes, and shows how betting analysis can best be integrated with the wider regulatory framework.

### **Bet monitoring and betting analysis**

Bet monitoring is the analysis of the legal, grey and illegal betting markets for irregular or suspicious betting activity which may directly impact on the manipulation of a sporting event, i.e. a horse race or football match.

The Council of Europe Convention on the Manipulation of Sports Competitions defines irregular betting as “any sports betting activity inconsistent with usual or anticipated patterns of the market in question or related to betting on a sports competition whose course has unusual characteristics” (Article 3.5.b) and defines suspicious betting as “any sports betting activity which, according to reliable and consistent evidence, appears to be linked to a manipulation of the sports competition on which it is offered” (Article 3.5.c).<sup>1</sup>

Bet monitoring includes the analysis of individual betting transactions and the overall betting market for irregular or suspicious patterns such as odds changes and betting volumes.

The identification and analysis of irregular or suspicious betting activity is a significant tool to help identify the manipulation of a sports event and tackle corruption. The knowledge of irregular / suspicious betting can help expose incidents in a race or match that may otherwise go unnoticed. It raises a flag to indicate that unusual activity is happening which requires further attention or investigation.

Bet monitoring and the analysis which accompanies it is an essential function of any sports integrity unit. Betting analysis provides the ability to build intelligence, develop networks and associations, and investigate and prosecute betting-related corruption and breaches of the sport's rules.

### **Information sharing**

Betting analysis is at its most effective when all relevant information can be assessed. Information sharing between betting operators and sports, such as the details of suspect account holders and the sharing of customer betting histories, allows analysts to scrutinise all relevant betting information, which can assist in identifying evidence of suspicious betting activity.

Transactional-level betting information is a very effective asset to identify irregular or suspicious activity. This level of detail is not always available, particularly when suspicious bets have been placed with grey or black-market operators and information is not shared with sports; in these cases, monitoring odds movement patterns is heavily relied upon. Illegal betting operators thus pose a significant integrity threat as they are unwilling to share customer and betting information with sports, and are not compelled to as a condition of licence; nor do they have sufficient know-your-customer (KYC) processes to be able to share customer information to the same extent as regulated operators.

## Bet monitoring case studies

### *The British Horseracing Authority (BHA)*

The BHA was one of the first horse racing organisations internationally to show the willingness and ability to investigate and prosecute betting integrity cases through disciplinary hearings. It has brought multiple betting corruption cases to successful prosecutions: in the 10 years from 2009 to 2018, 82 individuals were successfully prosecuted, including 12 jockeys. The BHA has been monitoring betting since 2004, following a review into integrity services in 2003.

82

Number of individuals successfully prosecuted from 2009 to 2018 as a result of BHA investigations

The BHA monitors betting markets in real time for every horse race in Great Britain across multiple fixtures per day (1,511 race meetings were scheduled for 2019). This bet monitoring is supported by an intelligence function based on the UK policing National Intelligence Model (NIM).<sup>2</sup> The NIM guides authorities in developing strategy, prioritising and allocating the deployment of resources, formulating tactical plans and managing the risks associated with integrity threats.

The majority of the betting conducted on British racing is through betting operators licensed by the UK Gambling Commission, which is the gambling regulator for Great Britain; however the number of grey and illegal operators is increasing, as is the turnover from these markets on British racing. The betting market is complex and highly competitive with a wide range of bet types. There are dozens of betting operators offering fixed-odds markets on British racing, including thousands of betting shops, multiple betting exchanges and spread betting companies.

The BHA bet monitoring process is actively conducted by analysts and supported by automated systems. The analysts assess numerous factors that may impact on the betting market, including developing intelligence on a specific horse or licensed person, and the monitoring of social media for integrity-related comment. Real-time monitoring is supported by applications known as bet monitors, provided by betting exchanges; these display time-stamped individual betting transactions. Bookmakers do not currently provide real-time transactional data feeds. The size of the betting exchange market is significant in British horse racing, accounting for the highest betting exchange turnover out of all racing jurisdictions in the regulated market.

The analysts are in daily contact with betting operators. Gambling Commission licence conditions require betting operators to provide the relevant sports governing body with sufficient information to conduct an effective investigation if the betting operator (licensee) suspects that they have any information, from whatever source, that may: a) lead the Commission to consider making an order to void a bet, or b) relate to a breach of a rule on betting applied by that sports governing body.<sup>3</sup> This licence condition helps facilitate regular communication between the analysts and the betting operators.

It is challenging to obtain information on bets placed by non-British-based customers with betting operators based outside Great Britain as these operators are not obliged by Gambling Commission licence conditions to report suspicious betting activity to British sport regulators. To receive information in these circumstances, the BHA needs to work directly with international gambling regulators and build relationships with foreign-based betting operators.

Many betting operators freely enter into a Memorandum of Understanding (MOU) with the BHA which enshrines the spirit of collaboration between the operator and the BHA; this, along with a proportionality test and objective approval process to ensure the appropriateness of any information request, improves the information-sharing relationship.

A critical part of the analyst's role is to watch races live to identify unusual rides or race patterns. They provide regular updates on race days to the racecourse stewards and alert them of any irregular or suspicious activity; this may be facilitated *in situ* by the analysts at the racecourse or via an e-based alert system in real time.

Betting investigators are expected to provide expert witness statements containing detailed betting analysis which may be used as part of the evidence in disciplinary hearings. Like any other expert, they may also be required to give oral evidence to support their written statements during the disciplinary process. The hearings are administered by an independent judicial panel.

### ***Racing Victoria (RV)***

Racing Victoria's bet monitoring has a structure similar to that in place at the BHA.

Betting flows and other relevant information are assessed by analysts in a centralised control room. The analysts are experienced in racing form and produce independent ratings and price guides which support their assessment of the betting market; a bespoke form and betting database has been developed to capture this data. They also have the ability to report any other integrity concerns that may require further analysis. This data is assessed and integrated with other RV intelligence holdings and referred to the relevant areas for further investigation as required.

The analysts develop intelligence and are in regular daily contact with racecourse stewards, providing real time information by working with the stewards on-course or via a control room over web-based video conferencing facilities. A critical part of this role is to alert the stewards of any irregular or suspicious activity. There are often multiple race fixtures per day (557 fixtures were scheduled for the 2018/19 season).

The majority of the betting conducted on Victorian racing is through licensed betting operators with some leakage to illegal and grey markets. Almost all of the licensed betting operators are bookmakers, offering 'back' bets only. There is only one licensed betting exchange which offers betting on Australian races.

All betting operators offering wagering on Victorian Thoroughbred Racing are required to be approved by the regulator in accordance with relevant legislation (Racing Act 1958 or the Gambling Regulation Act 2003). Besides allowing the operators to offer betting products on Victorian racing, this approval by extension provides the betting operator with the ability to exchange betting information with Racing Victoria wagering analysts.

As part of their approval, and upon request from Racing Victoria, approved betting operators are obliged to provide betting data for integrity purposes. This process allows betting analysts the ability to analyse the data to assist the investigative process; however, this is generally a reactive process and is only requested once an anomaly has been identified, for example irregular betting fluctuations, unusual riding or training tactics, or other intelligence that requires detailed study of betting data.

As analysts do not have access to transactional-level data before an event occurs, the ability to identify integrity threats is significantly diminished. This is one of the reasons Racing Victoria is in the process of developing a Transactional Monitoring System (TMS) in partnership with the Australian Football League.

The concept of TMS is that it provides regulators with access to transactional-level data (time-stamped individual betting transactions) before and during the event, which allows enhanced analytical capability across the regulated betting environment. An RV TMS will lead to increased automation of monitoring and greater transparency of the regulated betting markets. If adopted, it will also align with the Australian Federal Government's endorsement of the recommendations emanating from the Wood Review of Australia's sports integrity arrangements, which was requested by the Australian government and led by the Hon. James Wood AO, QC. The Wood Review proposed that "a central clearing-house function be established within the National Platform to receive, assess and disseminate data, information and intelligence from Sports Wagering Service Providers (SWSPs) and Sports Controlling Bodies (SCBs)." <sup>4</sup>

### ***The Hong Kong Jockey Club (HKJC)***

The only legal form of betting on horse racing and sports in Hong Kong is with The Hong Kong Jockey Club, which offers totalisator pools on its horse races. The integrity of Hong Kong racing is significantly threatened by a substantial illegal market from which less betting information is available for monitoring purposes. The illegal markets include betting exchanges that offer different bet types such as lay betting (betting on horses to lose). Usually two race meetings are scheduled a week in Hong Kong.

The HKJC has a dedicated racing integrity betting analysis team which operates sophisticated monitoring systems and processes to detect irregular and suspicious betting activity on both the legal and illegal markets. The analysis of the legal market is based upon real-time individual bet transaction data, which is not available from the illegal market. A strong statistics-based approach is taken to analyse the illegal markets.

The bespoke HKJC monitoring capabilities use technology designed and built in-house specifically for the integrity threats to HKJC racing.



A large proportion of the monitoring is automated, and assessed with other relevant information such as specific intelligence on licensed persons. Betting alerts are based on unique betting algorithms which have been developed to detect suspicious betting on Hong Kong racing; these alerts are graded based upon the degree of irregularity, and are updated as the betting market evolves. In 2018, betting alerts raised concerns of suspicious betting on a leading jockey who, after an investigation, was banned for 15 months for betting offences at a subsequent inquiry.

The automated betting alerts help identify: a) irregular or suspicious activity on a specific horse or race in real time; and b) emerging and existing suspicious trends. Real-time betting information is passed on to the race-day stipendiary stewards with an assessment explaining the nature of the information. This information includes the reporting of irregular or suspicious betting and also rationale for legitimate market movement. Emerging and long-term betting trends are automatically flagged along with visualisations displaying significant patterns.

Consistent and regular betting analysis reporting are important outcomes of the monitoring. The automated systems allow for the development of structured reports such as: a) post-race betting reports for every race meeting; b) reports on emerging betting trends based upon betting alerts; c) expert formal betting reports detailing irregular and suspicious betting, which include clear definitions of the methodology used behind findings.

Detailed assessment of the illegal market such as estimated market size is systematically conducted to support the monitoring processes.

The principles behind bet monitoring have expanded to include integrity profiles on all licensed persons. Alerts are run on a wide range of performance outcomes and are based upon the structure of betting alerts. For example, if a jockey has an irregular trend for being slow to leave the starting stalls, a graded alert will be triggered. The integrity-related performance features are reported alongside betting alerts and betting analysis in integrity profiles. This reporting makes a significant contribution to the HKJC's integrity management strategy.

## **Examination of common characteristics**

Each racing organisation operates in a unique betting environment where there are different requirements for legal licensed betting operators to provide the sport with information. Different types and quantities of betting information are made available to each organisation and this is also impacted by the scale of grey and illegal markets in each jurisdiction.

The team at the BHA relies upon relationships with multiple betting exchange operators, spread betting companies and bookmakers. Racing Victoria is endeavouring to progress to real-time transactional level monitoring, while The Hong Kong Jockey Club's racing attracts very high turnover on the illegal markets.

Although these betting environments differ, there are strong common characteristics in the approach taken by each jurisdiction to bet monitoring and analysis.

### ***Dedicated betting analysis teams***

Critical components of a dedicated betting integrity team are a structured approach and a specialised central monitoring team, made up of experienced industry professionals who proactively assess and analyse betting information. These teams should comprise personnel with specialist skills such as form experts, race readers and statisticians, all with extensive betting knowledge and expertise and an understanding of the intelligence process.

Direct communication between the sport and the betting industry supports the flow of relevant information to the analysts. In-house betting expertise strengthens the productivity of these relationships and avoids the misinterpretation of betting information. Regular communication between analysts and betting operators strengthens trust and understanding, which increases the flow of information to the sport.

Betting experts may be required to provide expert witness statements forming part of the evidence in sports disciplinary hearings (i.e. against a jockey charged with corruption offences). The betting analysis can make up a key part of the evidence in sports disciplinary hearings and therefore expert evidence is often required to explain findings.

The betting statements detail findings of suspicious betting and explain methodologies as to how these findings were made, such as disclosing the algorithms used to trigger alerts. For a successful prosecution, the betting expert's evidence needs to be robust and able to withstand challenge and cross-examination.

To achieve a successful sports prosecution, the betting analysis usually needs to be supported by other corroborative evidence such as suspicious communication or a suspicious ride given by a jockey.

#### **GOOD PRACTICE 3.1**

Sports should have in-house betting analysts with expertise in betting and data analytics.

### ***Human assessment supported by automated systems***

Human assessment is supported by a varying degree of automated bet monitoring. These bespoke systems and processes are specifically designed by each sport to fit its unique requirements and betting environment. Depending on the organisation's resources, these can be built in-house or with external technological support.

Automation of betting data assists in the structured collection and processing of data and supports consistency in the betting analysis. The human assessment of automated processes leads to a greater in-depth assessment of specific events, and requires consideration of other factors, such as significant betting information which was not factored into an alert or intelligence.

#### **GOOD PRACTICE 3.2**

Sports should automate the bet monitoring process to support the betting analysts' assessment and analysis of betting data.

Automated bet monitoring on its own is not enough. For example, those seeking to corrupt sports are likely to be aware that bets are monitored, and therefore will use strategies to avoid creating large ripples in the market that would trigger alerts. These anti-detection strategies include betting to smaller stakes, using multiple betting accounts, and betting with a wide range of betting operators at specific times.

Betting account holders losing large amounts of money can also be recruited by criminals to place corrupt bets through their accounts, as they are more likely to have higher bet limits (allowed to stake more money per bet) and will be less likely to raise suspicion.

Bet monitoring thus needs to go beyond low-hanging fruit and identify more than just the extreme suspicious betting cases. In order to gain greater understanding of betting patterns which may appear only slightly irregular, it is imperative for regulators to have the ability to analyse internal and external intelligence holdings. This will assist analysts to identify and focus on high integrity risks. For this reason, the work of analysts must be complemented with technology that has the ability to store, collate, analyse and automate analysis of large data. Intelligence systems with this ability, coupled with analysis of betting data, create the whole picture including bettor associations and networks, linked entities and other potential sources of information.

It is essential that bet monitoring teams work closely with the intelligence function to ensure all relevant information is accessible for assessment and analysis. This is particularly important when identifying threats posed by the illegal market where individual betting transactions cannot be monitored and analysts do not receive suspicious betting reports from illegal operators. Chapter 4 of this Handbook illustrates good practices in intelligence gathering.

**GOOD PRACTICE 3.3**

Bet monitoring teams should have access to sports integrity intelligence systems and data.

The intelligence may come from informants, betting professionals, the media, sports professionals, law enforcement and regulators, social media and confidential reporting lines such as Racewise,<sup>5</sup> which is the BHA's anonymous reporting line run externally by UK Crimestoppers. Intelligence from these sources may assist in identifying specific events which can be the trigger for additional analysis or investigation (i.e. looking below the threshold that may trigger alerts).

Approaches can be made to regulated betting operators for additional reviews of betting data, so as to narrow down on specific events which may not have originally triggered high-enough concerns to share information with the sports providers.

**GOOD PRACTICE 3.4**

Sports operators should have confidential and anonymous reporting channels for information about corruption and malpractice.

***Real-time monitoring and assessment***

The betting analysts monitor in real time and provide information to race-day officials (stewards). This information can lead to early intervention techniques being employed to prevent races from being manipulated: for example, a jockey or trainer may be questioned before a race on which suspicious betting patterns have been observed. Questions may relate to race tactics or the health and preparation of the horse in the build-up to the race. Proactive intervention techniques, if successful, can be an effective and efficient way to disrupt potentially corrupt activity.

***Licensed betting operators in well-regulated environments provide useful data***

Licensed betting operators in well-regulated jurisdictions support sports integrity by providing betting data, which is assessed with other intelligence to guide analysis and investigation. However, different regulatory requirements mean that the amount and quality of data which betting operators are required to share varies, and individual voluntary agreements such as memorandums of understanding can lead to inconsistencies in the data shared by different betting operators. Clear legislation, such as making the sharing of information a mandatory condition for being granted a betting licence, is an effective method of ensuring information is consistently shared with sports by betting operators, and makes clear to betting operators what is expected from them.

Information and data-sharing is an essential resource for maintaining the integrity of racing and sport. The more insight analysts have into the betting market, the stronger their position is in identifying suspicious betting activity that may be related to the manipulation of a race or other sporting event. The reporting of suspicious betting is significantly less effective in less robust licensing jurisdictions which do not specify a requirement for betting operators to share information with sports.

### **GOOD PRACTICE 3.5**

Betting operators should be compelled by clear legislation, such as a condition of their betting licence, to share relevant betting information with sports. Such legislation should also make clear to betting operators what is expected from them in reporting suspicious betting activity.

Operators in illegal markets do not report suspicious betting activity or share information and thus are a major threat to sports integrity. A well-regulated market increases transparency, which helps strengthen the integrity of the sport.

## **Commercial bet monitoring organisations**

Commercial sports betting monitoring organisations are often used by sports regulators who do not have in-house capability to monitor betting markets for irregular or suspicious activity. These organisations use systems to capture odds movements from a range of betting operators and have clear, established alerting procedures which use algorithms to flag irregular or suspicious betting activity to the sport's regulator.

After reviewing alerts, monitoring organisations tend to take a conservative approach with their reporting to sports on suspicious betting. This approach often leads to a low amount of false positives, i.e. information reported as suspicious which does not turn out to be suspicious.

The leading commercial monitoring organisations offer other additional services to betting operators such as trading solutions and sportsbook management, as well as selling media rights on behalf of sports. These additional services provided to betting operators and sports could be viewed as a potential conflict of interest. Commercial bet monitoring organisations are not regulated.

The commercial monitoring organisations can be an effective information source for sports integrity units, but should not be regarded as a complete betting integrity solution.

## Conclusion

Bet monitoring provides real benefits for sports if structured as a dedicated, centralised betting integrity function which analyses information from all sources. Real-time monitoring and analysis, overlaid with other intelligence holdings, can lead to broader investigation or early intervention techniques being employed to prevent an event from being manipulated.

Figure 4 below illustrates how betting analysis can feed into an investigation process leading to a disciplinary hearing:



Figure 4. Role of Betting Analysis in Investigation Process

Co-ordinating intelligence and having in-house betting expertise helps the sport to understand integrity threats. Analysts assess all available betting data along with information from sports officials, sports participants, intelligence and other information. This co-ordination provides the sport with a well-rounded understanding of the integrity threat, assisting the sport in risk management and decision-making. Alone, bet monitoring as a function will not solve corruption problems, but its effectiveness in tackling corruption is enhanced when it works closely with the intelligence function. The importance of this relationship is increased when tackling threats from illegal market operators for which there are no information-sharing agreements with sports or transactional-level bet monitoring.

There is no one-size-fits-all betting analysis system, as the betting environment differs from sport to sport. Sports regulators are ideally positioned to manage their own betting analysis rather than outsource the management to external monitoring firms. In some jurisdictions, data protection laws often restrict betting operators from sharing sensitive information, but they can be provisioned to share sensitive information with the sports for integrity purposes. This was identified in the British Horseracing Authority and Racing Victoria examples, where betting analysts are in direct frequent contact with betting operators to share sensitive information. Ongoing and sustainable relationships with betting operators can increase the amount of betting intelligence passed onto the sport.

#### **GOOD PRACTICE 3.6**

Sports betting analysts should have regular direct communication with betting operators to increase the amount of betting intelligence received by their sport.

As the regulated online betting market continues to grow in size and complexity, so also must the ability of sports to monitor and analyse this data. Racing Victoria is moving towards a transactional monitoring system which will allow analysts to analyse real-time transactional betting data from a greater number of betting operators. This will significantly increase market transparency and reduce the requirement to make vast numbers of manual requests to betting operators for information, thus making the analytic process more efficient and allowing greater opportunities to automate processes to support bet monitoring.

It is not clear how feasible it would be for other jurisdictions to replicate this proposed system in different regulatory environments. However, betting exchanges have provided transactional data to the BHA, Racing Victoria and many other sports, which highlights the potential to progress this initiative in other jurisdictions.

#### **GOOD PRACTICE 3.7**

Gambling regulators and sports should note the proposed changes to greater transactional monitoring in Australia.

Legislation, such as a condition of betting operating licence as used by the UK Gambling Commission, is an effective method of ensuring that relevant betting information is shared by betting operators with sports. For this to work most effectively, sports integrity units must be proactive with their requests and build trusted relationships with betting operators. These relationships help the data-sharing process for more complex investigations and can avoid situations where only the most standout suspicious bets are reported. It should be noted that many high-profile betting operators do not report on suspicious betting activity as they hold licences from regimes that provide light-touch regulation. The role of sports intelligence and sports whistle-blowing channels should not be underestimated. This information encourages analysts to inspect data in greater detail when corruption has taken place, but has not moved the betting markets to such an extent as to trigger an alert.

Horse racing has examples of established integrity controls for bet monitoring which other sports do not have in place. In summary, a sports integrity unit with betting expertise allows for a) intelligence-led bet monitoring, b) direct relationships with bookmakers, c) internal organisational reporting and market assessment, d) expert assistance in the investigation process and e) expert witness statements for disciplinary hearings. This can all be co-ordinated by the sport and is a critical means of maintaining integrity in sports, as illegal betting continues to grow and cause race- and match-fixing.

## Endnotes

- 1 'Convention on the Manipulation of Sports Competitions, Council of Europe Treaty Series No. 215', *Council of Europe*, 2014 (<https://www.coe.int/en/web/conventions/full-list/-/conventions/rms/09000016801cdd7e> accessed 31 January 2020)
- 2 PolicielCT, '*National Intelligence Model*', (<https://ict.police.uk/national-standards/intel/> accessed 31 January 2020)
- 3 Gambling Commission, '*Reporting suspicious bets*' (<https://www.gamblingcommission.gov.uk/for-gambling-businesses/Compliance/Sector-specific-compliance/Betting/Reporting-suspicious-bets.aspx> accessed 31 January 2020)
- 4 Department of Health of Commonwealth of Australia, '*The Review of Australia's Sports Integrity Arrangements*', 2018 ([https://www.health.gov.au/internet/main/publishing.nsf/Content/63F0A5D7BDA5A0B5CA2582CF0005E6F9/\\$File/HEALTH-RASIA-Report-Acc.pdf](https://www.health.gov.au/internet/main/publishing.nsf/Content/63F0A5D7BDA5A0B5CA2582CF0005E6F9/$File/HEALTH-RASIA-Report-Acc.pdf) accessed 31 January 2020)
- 5 British Horse Racing Official Website, '*RaceWISE: Racing's anonymous reporting service updated to cover four key areas*', 2 March 2020, ([https://www.britishhorseracing.com/press\\_releases/racewise-racings-anonymous-reporting-service-updated-to-cover-four-key-areas](https://www.britishhorseracing.com/press_releases/racewise-racings-anonymous-reporting-service-updated-to-cover-four-key-areas) accessed 5 May 2020)



# CHAPTER FOUR: INTELLIGENCE GATHERING AND ANALYSIS





## CHAPTER FOUR: INTELLIGENCE GATHERING AND ANALYSIS

### Why is intelligence important?

The threat from illegal betting markets to the integrity of racing, and in more recent years other sports, continues to evolve rapidly, and these illegal betting markets continue to challenge legacy regulatory frameworks.

The global footprint and reach of illegal betting platforms have adversely impacted the ability of racing authorities to maintain visibility of betting markets, and key actors operating within these betting markets. Bet monitoring alone is not sufficient to protect the integrity of racing without contemporary and accurate intelligence. Furthermore, locally-focused integrity mechanisms, while still important, no longer provide sufficient visibility of the globalised threats to the integrity of racing.

The development of an effective intelligence capability can expand the reach, understanding and visibility of racing integrity units. Intelligence enhances the capacity of racing authorities to understand the scale of the threat to their jurisdiction and how that threat may manifest. This knowledge can then guide strategies to address threats which emanate from outside their jurisdiction.

The global illegal betting ecosystem also continues to evolve in response to a wide range of factors including:

- increasing competition between regulated and unregulated betting operators;
- innovation in betting products;
- changes in laws by government;
- actions by enforcement agencies.

Given that they are not bound by rules, regulations or oversight, a key feature of illegal betting platforms is their high level of innovation, early adoption of new technologies and exploitation of jurisdictional weaknesses.

Intelligence can play a key role in understanding these changes in the global betting ecosystem, and the potential impact not only on the integrity of racing, but also the broader impacts on other business areas of racing, and inform the development of bespoke and targeted responses.

In addition to constantly evolving, the global unregulated betting market has also become increasingly complex as it responds to:

- market forces and opportunities;
- technological innovation;
- the innovation of illegal betting platform operators;
- exploitation of global regulatory vulnerabilities.

**GOOD PRACTICE 4.1:**

The development of an integrated intelligence capability is increasingly important, given the growing sophistication of illegal betting markets and the speed with which they are evolving.

As the illegal betting market has evolved, it has also become interlaced with the regulated betting system as professional gamblers exploit opportunities offered by the presence of illegal betting markets. Once again, a well-developed intelligence capability helps to understand these issues, by providing a detailed understanding of the environment and linkages across the global betting ecosystem.

Tactically, intelligence can also provide integrity departments and racing authorities with an understanding of the groups and individuals who have access to, or provide access to, illegal betting channels, and therefore pose an integrity risk to their organisations.

Illegal betting channels may include particular websites, individuals who act as agents for illegal betting platforms, or individuals who themselves act as illegal bookmakers. Individuals who perform specific roles in support of illegal betting platforms may be of particular importance from an intelligence perspective, as focusing on these individuals may provide a deeper understanding of illegal betting networks. Identifying these touchpoints or links between individuals and groups who could threaten the integrity of racing is a key benefit of any intelligence capability. This intelligence can then be used to develop effective risk mitigation strategies either at a strategic level (e.g. policies or rules), or tactically (e.g. an investigative focus on certain individuals within the jurisdiction of the racing authority).

**What is intelligence?**

While intelligence has a long history in the military and law enforcement, sectors and industries which have not traditionally used intelligence are increasingly recognising the benefits of doing so. Consequently, the definition of intelligence has evolved and been adapted to suit the unique circumstances in which it is now employed.

Although definitions of intelligence have evolved to suit the unique circumstances in which it is used, there are also many commonalities amongst these various definitions. Consistent elements are that intelligence is:

- information that has been subjected to a process to add value or significance
- both a product and a process.<sup>1</sup>

**GOOD PRACTICE 4.2:**

When thinking about intelligence, it is important to understand that intelligence is both a process and a product.

As illustrated in Figure 5 below, the intelligence process involves the collection, processing, integration, evaluation, interpretation and analysis of available information.<sup>2</sup> The output from the intelligence process is the insights and understanding which are then developed into a product that can support decision making at a strategic, operational or tactical level.<sup>3</sup> The key clients of intelligence are decision makers.

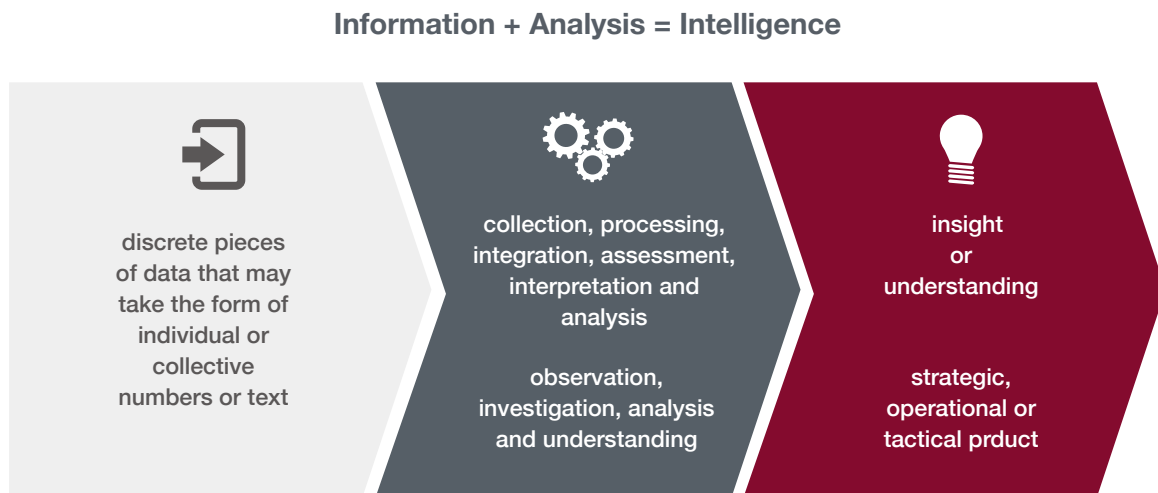


Figure 5. Definition of Intelligence <sup>4</sup>

## Types of intelligence

The intelligence community broadly refers to three main types of intelligence, strategic, operational and tactical. While these are separate forms of intelligence, they also link together within an intelligence framework.

### ***Strategic***

Consumers of strategic intelligence are typically high-level decision-makers, hence its aim is to influence these decision-makers. Strategic intelligence provides an understanding of the environment in which they operate, and current and future threats within it. It can be used to inform long-term planning, organisational strategies and industry reform. It may also be used to advise legislators and guide the development of targeted regulatory frameworks.

### ***Operational***

Operational intelligence is more focused on decision-making around the prioritisation and allocation of integrity, investigative and intelligence resources. This could include identifying different illegal betting operators worthy of further investigation or attention, or intelligence relating to different methodologies being employed by illegal betting platforms. Operational intelligence can also inform strategic intelligence.

### ***Tactical***

Tactical intelligence is focused on specific targeting of individuals or entities, and on guiding disruption or enforcement action. Typically, tactical intelligence is focused on specific cases, and in the context of illegal betting in racing, may be directed at (for example) an illegal betting agent providing jockeys or industry participants with access to illegal betting platforms.

#### **GOOD PRACTICE 4.3**

Intelligence should be used to help decision makers make well-informed – and therefore better – decisions.

## How is intelligence collected?

Information collected in support of intelligence activities can be obtained from a diverse range of sources and methods. The information collection phase is usually one of the most intensive, and the identification of intelligence collection requirements to define the scope of the task is essential to provide focus.

Intelligence collection can be both reactive, typically in support of a current investigation, or proactive, to guide a strategic intelligence programme aimed at developing a deeper understanding of issues, to close an intelligence gap, or to focus collection on an organisational priority.

Although illegal betting by its nature does not occur openly, illegal channels and platforms must also be visible and accessible in order for bettors to interact with them. It is these interaction points – personal, technological and financial – that are key areas on which to focus intelligence collection activities.

While the information sources will depend upon the actual task or focus of the intelligence work, some sources which may be valuable are:

- **Professional bettors and betting industry experts** – As these individuals are immersed in betting and are looking for new and profitable betting opportunities or markets, they will have an understanding of all aspects of the local and global betting ecosystem, including potentially illegal betting channels and platforms. Ongoing relationships with these professionals may provide both proactive and reactive intelligence collection opportunities.
- **Confidential sources** – Similar to industry experts, these are individuals who may be willing to work with intelligence professionals in order to provide confidential insights on illegal betting. Such sources may be engaged in the illegal betting business themselves, and hence caution is required. Depending on the nature of the information, certain safeguards may be required to protect the identity of the source. Other issues such as the motivation and reliability of the source may also need to be considered in developing any relationship.
- **Government departments** – Government departments collect and retain a vast amount of data which is at times available to the public. Such departments include social services (i.e. dealing with problem gamblers who bet with illegal operators), communications and media authorities (i.e. to deal with blocking illegal betting websites), as well as bodies that examine and regulate anti-money laundering.
- **Law enforcement and anti-money laundering agencies** – While much of the information and intelligence held by law enforcement agencies and anti-money laundering agencies is classified and therefore restricted, the development of a relationship with these agencies may prove beneficial through the sharing of expertise, insights and mutual interest. These agencies also publish or are able to share non-classified information which may still be of benefit to the intelligence professional working in racing or sport. Given the fact that illegal betting platforms by necessity must move money, anti-money laundering agencies may be particularly interested in the work of anti-illegal betting intelligence analysts.

- **International sporting integrity bodies** – A number of international and national sporting organisations are developing an integrity capability. As part of establishing their integrity capability they are setting up units with investigative and intelligence capabilities. Given that both the reputation of the sport and its individual operators are threatened by illegal betting, the sharing of intelligence, expertise, resources and capability is likely to be mutually beneficial.

## Open source intelligence

Open source intelligence (OSINT) is defined as “intelligence that is produced from publicly available information and is collected, exploited and disseminated in a timely manner to an appropriate audience”. Open source information (OSIF) is publicly available data that has not been subjected to analysis to validate relevance or accuracy.

The internet has revolutionised OSINT with a vast and ever-expanding amount of information now available to intelligence analysts. Given the legal impediments in relation to accessing classified information collected and retained by law enforcement agencies, OSINT by necessity is a critical source of intelligence on individuals who threaten the integrity of racing and sport.

There are a number of limitations of OSINT that must be considered, and expert guidance and advice on OSINT would be beneficial for any organisation seeking to build its capability. Given the rapidly evolving nature of OSINT and other online resources, specific webpages or guides have not been included in this handbook, but online searches will provide extensive resources useful to sport and racing authorities.

Some examples are:

- Online forums;
- Social media;
- Grey literature

### **Online forums**

Betting is information-intensive and the internet is awash with tipping services, odds comparison sites and sites devoted to discussions focused on sport and the various racing codes. A number of these sites host online forums where bettors interact and discuss a wide range of topics on betting, racing and sport. Discussion can turn to ways of accessing alternative betting platforms, including illegal betting platforms, and how to circumvent regulatory frameworks. These forums can reveal great insights into methods of accessing illegal betting platforms and provide racing authorities with a contemporaneous understanding of the betting landscape relevant to their jurisdiction. They may also be used to interact directly with users of illegal betting platforms and pose questions on illegal betting in specific jurisdictions.



### ***Social media***

The analysis of social media can provide valuable information on individuals, their associates and other information which can be used to build a picture of individuals. This information can then be used to guide new intelligence collection opportunities. As with all information sources, social media has limitations that must be considered by the intelligence analyst. A wide range of tools is available through the internet, some free, which assists in searching across and extracting information from various social media platforms. Other types of information which can potentially be obtained through social media platforms include geolocation data, digital footprints and metadata.

A number of online betting platforms, including affiliates and agents of illegal betting platforms, maintain a social media presence presenting an opportunity to monitor, interact with and develop a range of intelligence collection opportunities.

To understand the various opportunities available through social media analysis, a large number of webpages and information can be found online which discuss opportunities and strategies.

### ***Grey literature***

Grey literature is information that originates from non-media institutions and organisations, research establishments, national governments, private publishers, corporations, trade associations, think tanks and academia. It can provide important strategic insights given the academic focus and interest from governments around the world on the impact and harms associated with illegal betting.

### ***Other online information sources***

A vast amount of information is now available through the internet and other online tools. Just some of these include:

- Reverse e-mail searches to identify the owners of e-mail accounts;
- Digital footprint searches;
- Automated identification of tweets from specific locations;
- Social media monitoring tools which monitor multiple platforms for keywords and hashtags;
- Domain owner searches to identify details about the owners of websites;
- Inbound link search platforms to identify webpages which redirect to a site you are tracking or researching;
- Archive of webpages to identify old or deleted webpages.

It is important to also consider maintaining visibility of and searching the deep web, the part of the internet whose contents are not indexed by standard search engines, and the dark web, a small portion of the deep web that has been intentionally hidden and is inaccessible through standard web browsers. Information on searching the deep and dark web is widely available via the internet.

**GOOD PRACTICE 4.4**

Develop diverse sources of information to strengthen your intelligence, provide greater insights, and assist in the development of sound judgements and conclusions.

**Developing an intelligence capability**

In considering the development of any intelligence capability, one of the key steps is securing the support and commitment of senior management. Given that they are the primary consumers of intelligence and therefore clients of any intelligence products, decision-makers in the organisation must be committed to and supportive of any intelligence capability.

**GOOD PRACTICE 4.5**

Securing the commitment and support of the senior executives of an organisation to develop an intelligence capability is critical, as they are the primary consumers of intelligence.

Other key requirements include establishing clear expectations, roles, responsibilities, functions and remit of the intelligence capability. Direct or close reporting relationships are also desirable, as well as information exchange between the intelligence capability and the decision-makers in the organisation

Broader organisational education and internal marketing of the power and capability of an intelligence unit is equally important, as its role and functions are sometimes not well understood. This can result in the intelligence unit being under-utilised by other internal stakeholders who may benefit from working with it.

Detailed information on establishing an intelligence capability is available via the internet.<sup>5</sup> While the vast majority of this literature is focused on law enforcement, business and military intelligence, nevertheless these guidelines can be adapted to suit the unique requirements and limitations of establishing an intelligence capability in racing and other sports, which by necessity will largely work on open-source material. Some of the key issues that must be considered include the following.

### ***Information security***

- Secure storage of intelligence on a stand-alone computer system;
- Document and database access controls;
- Audit functions;
- Information classification system and appropriate access controls based on the sensitivity and source of the information.

### ***Physical security***

- Separate, secured office space with restricted access to the intelligence unit;
- Secure storage facilities within the intelligence office to store sensitive documents;
- Access controls and audit functions of these;
- Appropriate physical security of information systems.

### ***Information management***

- Effective information storage with the capacity to search and retrieve information;
- Information evaluation processes to assess and determine the accuracy and validity of intelligence;
- Information quality control and validation processes.

### ***Other considerations***

- The unique software needs of analysts to manage, analyse and interpret large datasets and appropriate security software;
- Budget for analytical tools and commercial databases;
- Dissemination processes – who, what and how;
- Policies that satisfy privacy, data retention and other possible legislative requirements;
- Identifying primary partner agencies and establishing information-sharing frameworks or agreements;
- Strategies to maintain ongoing relationships with primary agencies impacted by, or involved in, addressing illegal betting.

## Staffing

An additional consideration in establishing an intelligence capability is staffing of the unit and whether your organisation will develop a comprehensive intelligence capability, use commercial entities on a user-pays or exclusive basis, or deploy a blended model of having an in-house capability with specialist skills/experts brought in to support it (e.g. surveillance or expert open source/social media intelligence agencies).

### Case Study – Australia’s Sports Betting Integrity Unit

The Sports Betting Integrity Unit (SBIU) was established within the Australian Criminal Intelligence Commission (ACIC) in November 2017. A joint initiative of Australia’s National Integrity of Sport Unit (NISU) and the ACIC, its focus is on serious and organised crime links to sports, exploitation of vulnerabilities by unregulated offshore and domestic wagering platforms, and criminal infiltration of the sports and racing markets within Australia. Given the multi-jurisdictional nature of sports and racing integrity threats, this requires a comprehensive national and international approach involving a wide range of partners.

The SBIU’s primary functions are:

- collecting, analysing and disseminating information and intelligence to combat match-fixing and the manipulation of sport events in Australia;
- developing actionable intelligence relating to the serious organised crime infiltration (and exploitation) of sports and racing within Australia and internationally;
- maintaining an up-to-date understanding of current and emerging criminal methodologies used to exploit the domestic and international bookmaking industry and corrupt Australian sport, including the threat posed by offshore unregulated platforms;
- providing expert advice on current and emerging threats to Australian sport and racing industries;
- receiving information on irregular and suspicious bets placed on Australian sports events and racing and, where appropriate, alert Australian law enforcement agencies and national sporting organisations.

By necessity the SBIU also has a close working relationship with, and supports, Australian thoroughbred greyhound and harness racing codes, and associated statutory racing integrity agencies.

The SBIU is the only dedicated sports integrity unit in the world located within a national criminal intelligence agency. Its national criminal intelligence powers and capabilities are focused on transnational and serious organised criminal activity linked to sports and racing corruption, and criminal links to (and exploitation of) domestic and unregulated offshore wagering markets.

It is staffed by dedicated specialist sports integrity and betting intelligence analysts and a dedicated financial investigator, with specialist ACIC resources including cyber-analysts and legal officers supporting the SBIU's intelligence activities.

The ACIC's specialist capabilities and advanced intelligence collection powers have proved fundamental to the SBIU's work in understanding unregulated offshore wagering markets, domestic links to these markets, and threats to the integrity of Australian sport and racing. The SBIU has dedicated significant efforts to developing close working relationships with key stakeholders including Australian sport and racing codes, Australian and international law enforcement agencies, domestic and international bookmakers, and regulators.

The SBIU is currently acting as the Australian National Platform within the Group of Copenhagen<sup>6</sup> – a network of 29 international platforms established under the Macolin convention to combat the manipulation of sports. The SBIU is the first unit outside the Council of Europe to maintain such a role. A key capability for the SBIU is that it is not bound by domestic or international borders, and is able to work with and assist domestic and international law enforcement in any matter relevant to the work of the SBIU. The high level of co-operation and close working relationship that has subsequently developed between the SBIU and its primary sport and racing integrity stakeholders has encouraged greater information sharing and exchange.

The SBIU disseminates intelligence products on a broad range of integrity issues to a wide range of domestic and international partners.

## Conclusion

The illegal betting market is a complex interplay of online and offline entities that have consistently demonstrated a high level of innovation and the capacity to rapidly exploit opportunities, including jurisdictional and regulatory weaknesses.

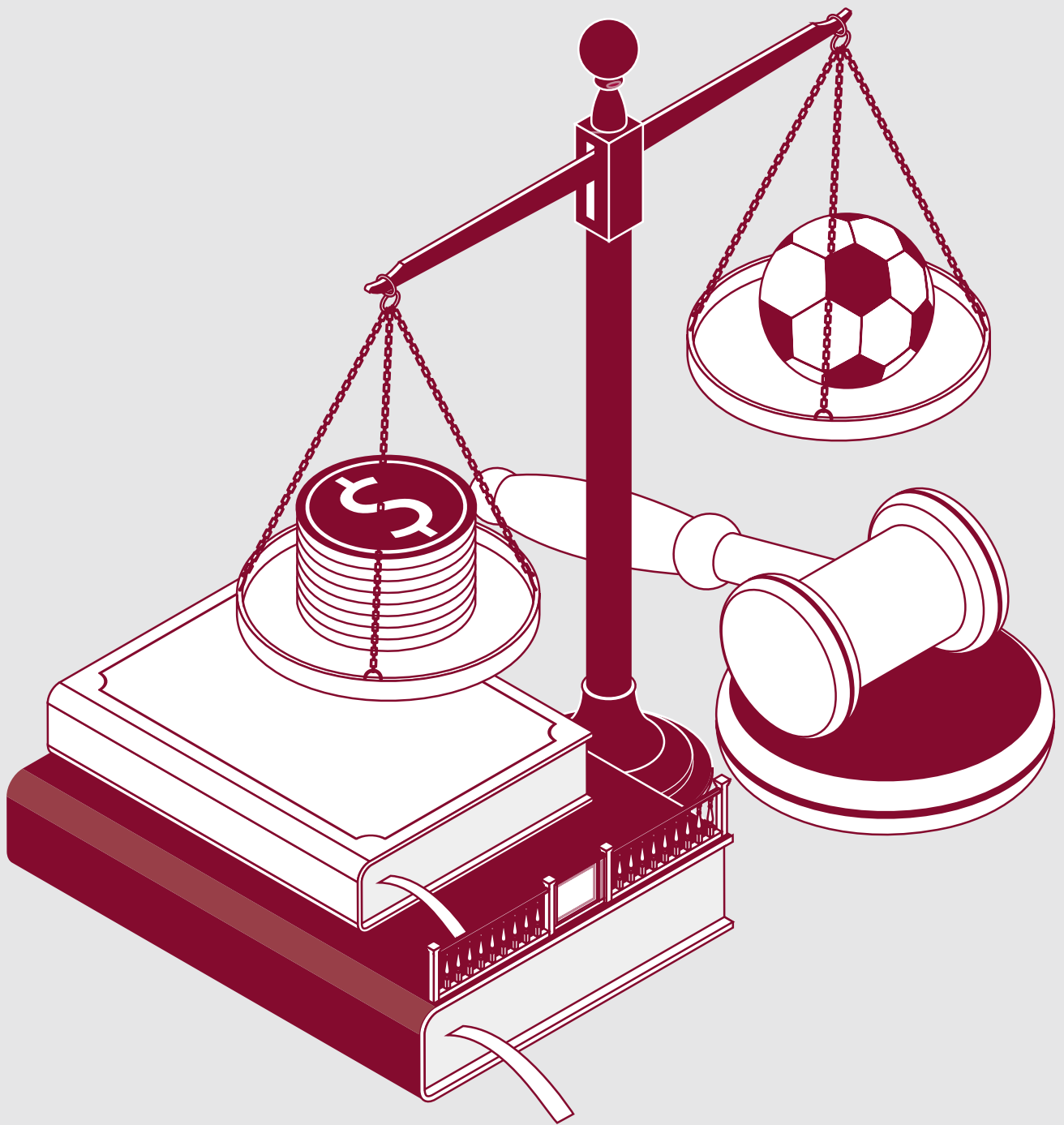
The global illegal betting industry impacts on a wide range of stakeholders at the jurisdictional level, including governments through the loss of taxation revenue and racing authorities who must act to safeguard the integrity of racing. Reducing the harms from the illegal betting market requires a global view but local solutions. These solutions, to be effective, must be based on well-developed insights and an understanding of the scale, nature and extent of the illegal betting ecosystem, and how it impacts on individual jurisdictions.

An effective and embedded intelligence capability can play a crucial role in developing this understanding, enabling tailored strategies to be devised. Long-term investment in an intelligence capability will allow agencies, and the executive officers of these agencies, to identify current and emerging threats to the integrity of racing emanating from illegal betting networks, thus enabling a proactive timely response to threats as they emerge. Intelligence when used properly can be a powerful tool.

## Endnotes

- 1 United Nations Office of Drugs and Crime, '*Criminal Intelligence: Manual for Analysts*', 2011 ([https://www.unodc.org/documents/organized-crime/Law-Enforcement/Criminal\\_Intelligence\\_for\\_Analysts.pdf](https://www.unodc.org/documents/organized-crime/Law-Enforcement/Criminal_Intelligence_for_Analysts.pdf) accessed 31 January 2020)
- 2 Australian Criminal Intelligence Commission, '*Australian Criminal Intelligence Management Strategy 2017-20*', 2017 (<https://www.afp.gov.au/sites/default/files/PDF/ACIM-strategy-2017-20.pdf> accessed 31 January 2020), p.4.
- 3 *ibid*
- 4 Australian Criminal Intelligence Commission, '*Australian Criminal Intelligence Management Strategy 2017-20*', 2017 (<https://www.afp.gov.au/sites/default/files/PDF/ACIM-strategy-2017-20.pdf> accessed 31 January 2020)
- 5 Search terms such as "establishing an intelligence unit" will return a large number of results. Many of the resources online are related to law enforcement intelligence capabilities; however, these resources are readily adaptable by racing authorities and sports and will provide a foundation upon which to develop an in-house intelligence capability
- 6 Network of National Platforms (Group of Copenhagen) (<https://www.coe.int/en/web/sport/network-of-national-platforms-group-of-copenhagen> accessed 6 March 2020)

**CHAPTER FIVE:  
ILLEGAL BETTING INVESTIGATIONS  
AND COLLABORATION WITH LAW  
ENFORCEMENT BODIES**





## CHAPTER FIVE: ILLEGAL BETTING INVESTIGATIONS AND COLLABORATION WITH LAW ENFORCEMENT BODIES

An investigation is an objective assessment in search of the truth conducted in accordance with the relevant laws, rules, regulations, policies or procedures. This chapter outlines some of the key principles and considerations that must be taken by investigators working in racing and sport, including the necessity that investigators should have a thorough understanding of the offences and rules that empower them to conduct investigations, prior to any investigation commencing.

### Primary objective of investigations

The primary objective of the investigation process in racing and sport is to establish whether or not an offence has actually been committed, and in doing so, compiling the facts relevant to an allegation or suspicion in order for the regulator (Principal Racing Authority or Sport Controlling Body) <sup>1</sup> to make an objective decision to prosecute, educate or employ strategies to prevent integrity-related matters from occurring.

Illegal betting investigations are similar to sports integrity investigations, although specialist skills are required to understand the intricacies and machinations of the betting environment to analyse the volumes of data often associated with such investigations.

The investigation process is a progression of activities or steps moving from evidence gathering to information analysis, theory development and validation, forming reasonable grounds for successful interventions in order to be able to progress matters through the relevant regulatory framework.

In order to achieve a successful investigation, it is imperative that investigators have a thorough knowledge of the rules and/or legislation that govern the regulatory framework of their sport and how these can be applied during the investigation process. For example, a thorough working knowledge of the powers that allow investigators to enter, search, seize and issue directions to persons under investigation will ensure the investigation process is undertaken impartially and procedural fairness is afforded to the relevant person. Adhering to the legislative framework during investigations will ensure the investigation is able to withstand legal challenges.

### GOOD PRACTICE 5.1

Regulators of racing and other sports should have highly-trained and experienced staff with relevant competency to undertake complex investigations.

## Guiding principles in investigations

It is the role of the investigator to determine the facts of the matter by collecting and analysing all of the available evidence. Before any investigation, a briefing between (at a minimum) the investigator, management and analysts (intelligence and/or wagering) should occur to determine the scope of the investigation, expected outcomes, resources required, reporting arrangements, communications plan and affected stakeholders.

Once the racing/sport regulator is satisfied that an investigation is warranted, the investigator, in consultation with management, should consider the following guiding principles<sup>2</sup> to maximise the prospects of success (these are outlined in greater detail in Annex C):

1. Define the objectives and scope of the investigation;
2. Identify/manage risks and prioritise accordingly;
3. Allocate resources based on priority;
4. Consider possible offences and investigation planning;
5. Gather evidence and sources of information;
6. Set timeframes / milestones;
7. Consider confidentiality / privacy;
8. Document the investigation;
9. Prepare findings / recommendations;
10. Analyse intelligence.

It is important that regulators maintain an intelligence and case management system so that investigations can be assessed and prioritised using a risk-based approach (i.e. identifying risks to the organisation or business, and having plans in place to mitigate those risks and allocate resources accordingly). This will ensure due consideration of operational priorities, resource allocation and expertise required to achieve successful investigation. A risk-based assessment of investigations will also assist in determining:

- risks to the industry;
- effect on public confidence;
- minimisation of harm;
- legislative obligations;
- strategic objectives of the organisation;
- capacity and capability of the investigation unit; and
- priority based on achieving the most important regulatory objectives.

A number of regulators have also adopted the concept of Tasking and Co-ordination (T&C) which is supported by an advisory committee for the assessment and management of investigations and integrity matters. The aim of T&C is to provide strategic direction on the management of investigations and intelligence in line with policy, and to ensure all matters are resolved in a timely and efficient manner.

The purpose of the T&C Committee is to provide operational advice, intelligence support and review of ongoing investigations. The T&C function is designed to consider various aspects of the investigation to determine next steps, including:

- resource availability and complexity;
- timeframe required for completion;
- health and safety issues;
- level of stakeholder interest and degree of stakeholder engagement;
- media and public interest;
- proposed investigative methodologies including the use of external (third party) resources.

## Licensing, rules and legislation

Participation in professional racing and other sports is a privilege, not a right, and participants' behaviour needs to reflect this. It is essential that participants comply with provisions that empower regulators to regulate the sport and conversely, non-compliance should be met with serious penalties. The three key areas that may be utilised during the investigative process to assist racing/sports regulators to maintain integrity are:

1. Licensing
2. Rules
3. Legislation

### *Licensing*

Regulators must ensure the licensing of individuals wishing to partake in the sport is robust. The licensing or registration process is generally the first step that individuals undertake if their intention is to participate in a sport in an official capacity. Therefore, an ability for the regulator to assess or vet a person's suitability to participate (often referred to as a 'fit and proper persons test') is critical. Likewise, if an individual transgresses the rules by which he or she is bound, the ability for racing/sports regulators to take action or to review the person's suitability to maintain that licence status must be robust, and able to be escalated to a point where a licence or registration can be withdrawn if the issue meets a certain threshold.

For example, Australian Rule of Racing (AR) 23 provides this ability for Australian thoroughbred racing regulators where a person has been charged with a breach of the rules or with the commission of an indictable criminal offence.<sup>3</sup> If the stewards are of the opinion that the continued participation of that person in racing might pose an unacceptable risk of prejudicing the image, interests, integrity or welfare of racing, the stewards may impose certain conditions including suspension of any licence, registration, right or privilege granted to that person.

The ability to review a person's licence status is often met with serious legal challenge including arguments relating to rights against self-incrimination and being innocent until proven guilty. Therefore, racing/sports regulators must have policies and procedures in place to demonstrate procedural fairness throughout this process.

### **GOOD PRACTICE 5.2**

Regulators of racing and other sports should have robust licensing and registration processes to ensure an individual's suitability to participate in the sport.

### ***Rules***

Racing/sports regulators do not have the legislative powers conferred on law enforcement agencies to conduct intrusive investigative techniques (for example covert search warrants) and nor should they. However, regulators need to ensure the rules and regulations available to them provide investigators with the ability to undertake certain tasks to thoroughly investigate a matter. The ability to inspect, search and seize, as well as the ability to require individuals to produce documents, devices or property, are fundamental elements of most investigations which the rules of the regulator must support to enable a thorough investigative process.

It follows that the investigators' knowledge, understanding and application of these rules must be of a standard that can be applied throughout the process, as well as being able to withstand legal challenge. It is also incumbent on the regulator to ensure that rules are communicated to participants and that explanation is provided during the investigative process. This ensures participants understand the application of the rules and how non-compliance may result in action or sanction by the regulator.

### **GOOD PRACTICE 5.3**

Regulators of racing and other sports should have robust rules or regulations that allow investigators the ability to inspect, search and seize, as well as the ability to request production of records, documents, devices or property.

### **Legislation**

Generally speaking, the jurisdiction to investigate individuals by a racing/sports regulator only applies to those individuals who are licensed or registered by the sport. However, there are examples of legislation that extends this jurisdiction to non-licensed individuals.

The Victorian *Racing Act* 1958 Section 5(f) defines a 'Relevant Person' as someone who is suspected to have contravened or been involved in or have knowledge of a contravention of the Rules of Racing.<sup>4</sup> Once regulators have established that a person is a Relevant Person (as per this Section) the individual is bound by the relevant Rules; and by extension, regulators may pursue a prosecution for non-compliance.

The *Racing Act* 1958 Section 33 is another provision that allows the Chief Commissioner of Police (CCP) to prohibit a person from entering or remaining at a specified racecourse.<sup>5</sup> While this provision is specifically for the CCP (and not the regulator), it demonstrates the importance of a collaborative relationship with law enforcement agencies (as discussed later in this section) as it restricts the capacity to participate in the sport of an individual who has been deemed by the CCP to warrant exclusion in the interests of the public.

Application of the above legislation by the relevant agency (regulator or law enforcement agency) demonstrates how legislation can be used by regulators to assist the investigation process and to ensure all relevant individuals are held accountable for their actions.

#### **GOOD PRACTICE 5.4**

Regulators of racing and other sports should consult lawmakers to adopt legislation that provides regulators with the ability to investigate individuals who are not licensed or registered with a sport.

## **Illegal betting / sports / racing integrity investigations**

These types of investigations present unique challenges to an investigator. The betting activity of persons of interest during an investigation is a critical element of the investigation process and is often a motive for such persons to transgress the rules given the potential for large financial gain. For this reason, the ability for investigators to be able to access and analyse betting data is essential.

Access to betting data by the racing/sports regulator from unregulated markets is not as robust as from the regulated market and thereby provides the ability for individuals to launder money through these markets for two main purposes, either:

1. To bet on racing or sports events to legitimise the proceeds of crime; or
2. Betting on racing or sports events knowing they have been corrupted by improper conduct, including competition manipulation or doping.

The limitations on data able to be gleaned from illegal betting markets requires investigators to establish as much information on individuals as possible during the investigation process to establish betting patterns, source of funds and associations. The racing/sports regulator must have well-resourced investigative and intelligence units to collect and develop this information including expert betting analysts, as well as powers within the regulator's rules and regulations to obtain information such as bank and phone records and, through utilisation of covert or overt techniques, to establish association networks.

It is critical that racing/sports regulators have powers within their rules to access data-rich sources such as telecommunications data, mobile or desktop applications, e-mail, and data stored in the cloud.

### ***Electronic data***

Technology advancements and the increasing usage and capability of smartphones, coupled with the development of betting applications, makes online betting the preferred method by bettors in illegal and legal markets alike, therefore access to electronic data is essential for investigators to analyse and identify relevant information.

This is a highly technical area requiring considerable expertise, as the information obtained from these devices, once analysed, can be vitally important in identifying suspicious activity (including illegal betting activity) and questionable associations.

Investigators must be aware of the relevant rules and policies regarding the search and seizure of electronic devices, as well as the rules permitting forensic imaging of devices such as mobile phones or computers, including a requirement to provide access to accounts, apps (including user names and passwords) and access to encrypted devices and platforms. It is imperative that any seized (imaged) material is treated in the strictest of confidence due to the likelihood that the device/s will contain personal and sensitive information. Racing/sports regulators must ensure these handling requirements are clearly explained to the individual subject to the investigation.

IT systems with appropriate security capabilities to manage investigations and intelligence are also a priority, in order to securely store and manage this type of data. If regulators do not have the in-house capability to forensically image devices, consideration should be given to utilising a third-party forensic electronics expert. Analysis of the data, however, should remain the responsibility of the regulator, as the intricacies and relevance of this data to the investigation remains with the expertise of the investigator.

#### **GOOD PRACTICE 5.5**

Regulators of racing and other sports must ensure their rules provide the ability to seize and image electronic devices from licensed persons for analysis during an investigation.

#### ***Human source management***

Cultivation of, and information gleaned from, human sources can be a rich source of information for the investigator. Human source management refers to the identification, cultivation and ongoing management of a person who provides privileged information about a person, persons or organisations to an agency or compliance body. Typical human source activities will consist of debriefs and conversations with persons who have access to such privileged information and can be covert or overt, depending on the nature and circumstances of the human source.

Human source cultivation and the handling of such relationships is a highly specialised area, but can provide invaluable information to investigators as these sources often possess intimate knowledge relating to illegal activity or serious misconduct. Human sources include:

- Industry participants;
- Associates of participants;
- Disgruntled employees;
- Members of the public/bettors;
- Other persons who derive an income from racing/sport.

Among participants there is often a distrust of authority or racing/sports regulators and therefore, a reluctance to provide information. Participants are often not willing to come forward as they fear it will compromise their ability to continue in the industry (be seen as an informant) or that their identity would not be protected. There are also concerns that a regulator may not have the expertise to deal with the information.

When individuals do provide information, there is generally an underlying motivation which can include one or more of the following:

- Honesty and a desire to do the right thing;
- Revenge or jealousy;
- To create a diversion for their own activity;
- To attempt to identify investigative methodology.

When acting on information provided by sources it is important to consider how these sources are aware of the activity and if they are involved themselves, even if on the periphery. Efforts should be made to corroborate the information from other sources or enquiries, and an evaluation of the information and enquiries should be considered in totality.

When acting on information provided by human sources, consideration should be given to:

1. Their motivation for providing such information;
2. What further enquiries must be made to assess legitimacy of the information;
3. Whether information should be referred to another agency;
4. Whether taking action could compromise the source's identity (and if taking no action is more prudent);
5. Treating the information as an intelligence-gathering exercise.

Regulators must ensure they have policies, procedures and systems with the appropriate security functions in place to cater for information received from human sources, so as to ensure confidentiality and safety of both the investigator and source. It is also imperative that all meetings and contacts with human sources are risk-assessed and recorded in a manner that does not disclose the source's identity. As management of sources will vary between jurisdictions, racing/sports regulators should develop their own policies to ensure appropriate security and management of this information.

If information is received from an industry participant, it is imperative the management of such a source is conducted in accordance with relevant privacy legislation and whistle-blower protections to ensure the safety of all personnel and maintain the integrity of the investigation.

Finally, it is important to conduct risk assessments before, during and after any meeting with human sources to ensure the safety of the source and investigator, understand the motivation of the source and benefits to the investigation, and ensure the positions of the source and investigator are not compromised as a result of the contact.

#### **GOOD PRACTICE 5.6**

Regulators should have policies and procedures in place to manage information received from human sources to ensure safety and confidentiality.



## Collaboration with law enforcement agencies

The opportunity created by unregulated betting markets, the obscurity of their operations and the individuals transacting through them is of paramount concern for racing and sports regulators. It is for these reasons that collaboration between regulators and law enforcement agencies is critical.

It is often difficult for regulators to identify and detect serious misconduct, especially when the individuals involved understand the limitations of regulation and employ covert techniques to circumvent them.

When embarking on an investigation that has the hallmarks of developing into a more serious matter that may involve criminal activity, investigators should engage with law enforcement agencies to formulate informed decisions on whether the investigation falls within their remit, or rests with the racing/sports regulator. It is imperative that regulators thoroughly document their investigation and intelligence holdings in order to support the engagement and collaboration with the law enforcement agencies.

In the event that regulators collaborate with law enforcement agencies during an investigation, it is critically important to establish leadership of the investigation from the outset and for both organisations to understand the potential benefits (and limitations) that may impact the investigation and/or reputation of each agency.

### Case Study:

A recent New Zealand sports integrity investigation highlighted the collaborative approach required to achieve a successful resolution. The sport concerned identified a problem which it then reported to police. Police handled the relationship with a human source, which in turn led to the identification of betting irregularities. Police sought the expertise and assistance of racing's betting analysts and their investigative resources, which confirmed the suspect was betting and identified persons of interest. All relevant evidence was collated and exchanged with police in accordance with exchange of information provisions, which resulted in a successful resolution.

While there may be legislative provisions that restrict exchange of information in relation to evidence seized by law enforcement agencies, there is often intelligence or information that may be relevant to racing/sports regulators to progress disciplinary matters within their jurisdiction. Therefore, having the appropriate exchange of information mechanisms in place (such as memorandums of understanding), as well as maintaining compliance with relevant privacy provisions, will provide the necessary framework to allow the exchange of information between agencies. Although there must be formal procedures in place to allow exchange of information, the goodwill of both agencies and the understanding of each party's objectives is just as important for realising a successful investigative outcome.

**GOOD PRACTICE 5.7**

Regulators of racing and other sports should engage with their relevant stakeholders, including law enforcement agencies, to establish exchange of information protocols such as Memorandums of Understanding.

Complexities relating to the exchange of information during criminal investigations can arise, for example, when law enforcement agencies utilise legislative provisions to obtain search warrants to assist with evidence collection. While evidence seized under warrant may be beneficial for the criminal investigation, law enforcement agencies are often unable because of legislative provisions to provide this evidence to racing/sports regulators until the matter has been heard and determined in public court.

Jurisdictions will vary in their interpretation of exchange of information in these circumstances, and there is little case law to prescribe definitive answers on this topic. This issue highlights the importance of a collaborative working relationship between law enforcement agencies and regulators so that each agency can thoroughly explore the options open to them. A recent Australian sports integrity example is likely to set an important precedent in this regard, by virtue of the extent to which Regulators and Law Enforcement can share information, the type of information that can be shared (e.g. evidence seized under the provisions of search warrants), and the point of the investigation at which it can be shared.

### **Case study: Victoria Police Sport Integrity Intelligence Unit**

In 2013, Victoria Police identified the risk of “infiltration by organised crime and money laundering via gambling markets” to the integrity of sports, including racing. Subsequently, the Sporting Integrity Intelligence Unit (SIIU) was established to mitigate this threat.<sup>6</sup>

Following the establishment of the SIIU, a law was enacted which includes specific criminal offences related to corrupting the betting outcome of an event.

In addition to threats identified by Victoria Police, recent examples of high-profile integrity issues in racing and sport have corroborated the need for the existence of units such as the SIIU and the importance of working collaboratively with regulators of racing and other sports to combat integrity threats.

Ongoing working relationships between regulators of racing and other sports and law enforcement agencies are vital in any serious illegal betting or integrity investigation. Different organisations have different capabilities, intelligence and resources, so having mechanisms in place to allow for the exchange of information assists in a successful prosecution.

Collaboration can only be accomplished with willingness, trust and confidence between the relevant agencies. Having a dedicated sports integrity unit shows that law enforcement is committed to protecting the integrity of sport.

Conversely, regulators of racing and other sports must invest in their own integrity frameworks to ensure illegal betting issues, and other integrity matters, are investigated appropriately and can withstand internal and external scrutiny. It is imperative that integrity departments have dedicated investigators/stewards, as well as an in-house intelligence function with the capability and expertise to analyse and interrogate betting markets.

### **Case study: The Hong Kong Jockey Club and the Independent Commission against Corruption (ICAC)**

The ICAC is the indispensable partner of The Hong Kong Jockey Club (HKJC)'s Security & Integrity Department in combatting organised criminal corruption to prevent it from undermining horse racing. The Security Department and the ICAC have worked together since around 1984, when both organisations realised that they were investigating the same targets, but the ICAC lacked any professional knowledge of racing and betting, while the Security Department had no powers to gather certain information. The result was a lack of impact against organised criminal corruption in horse racing.

The Security & Integrity Department had been monitoring the “Shanghai Syndicate” as well as other groups engaged in race manipulation since 1974, but was unable to find a means of fully stopping their actions and influence on racing and betting. It was necessary for the ICAC, with wide law enforcement powers, to complete the final stages of the investigations and take enforcement action against those involved, in order to completely interdict their activities.

The same mode of operation remains true today as there continue to be organised criminal threats to horse racing, largely from the operators of illegal betting and bookmaking who make such huge profits that they have an incentive to influence the outcome of certain races. The collaborative approach between the HKJC and the ICAC has proved very successful in the past several years as, although integrity threats remain, they are not endemic as they were in the 1970s and 1980s.

The Security & Integrity Department reports to the ICAC all cases involving employees or racing licensed persons who are suspected of involvement in bribery, and hence breach of the Prevention of Bribery Ordinance, after the completion of their own investigation. This commitment to report all suspected corruption is paramount to a successful deterrence strategy against corruptors of racing and other sports.

## Education

When engaging with law enforcement or other government agencies during an investigation, there may be a need to educate these agencies' personnel on the racing/sports regulator's rules and how they are applied to individuals under investigation. For example, the powers of stewards or other officials to conduct inquiries and to consider a person's suitability to hold an industry licence are often foreign to law enforcement agencies. However, it is often of utmost importance to a racing/sports regulator to maintain public confidence.

It is for this reason that racing/sports regulators and outside agencies should maintain good working knowledge of each other's regulatory frameworks and how they apply throughout the investigative process. There needs to be continual and constructive dialogue so that there is mutual understanding of each other's objectives. These may include:

- Commitment to educate personnel in the intricacies of the field including the language and vernacular used, which is often esoteric and foreign to law enforcement;
- Ensuring there is a commitment to provide ongoing staffing resources with specialised knowledge to undertake tasks such as complex betting analysis.

Regulators can suffer reputational damage, revenue leakage or loss of public confidence if the investigation process does not follow due process or is not communicated effectively or in a timely manner with relevant stakeholders. Likewise, law enforcement agencies can suffer negative consequences through unilateral action.

### GOOD PRACTICE 5.8

Regulators of racing and other sports should consider adopting proactive education programmes aimed at improving industry standards and professional development for industry participants.

## Standard of proof

It is the usual practice in sports disciplinary cases of a serious kind, namely those involving integrity issues such as doping or corruption, that the standard of proof is that of "comfortable satisfaction" (see, for example, CAS 2004/0/645 United States Anti-Doping Agency v Montgomery). This means that the onus is on the prosecution or sanctioning body to prove to the comfortable satisfaction of the disciplinary panel that the disciplinary infraction has occurred. Comfortable satisfaction is a standard that is higher than the civil standard of "balance of probabilities", but lower than the criminal standard of "proof beyond a reasonable doubt". In sports disciplinary cases, the comfortable satisfaction standard generally requires that the disciplinary process as a whole bears in mind not only the seriousness of the allegation – the more serious the allegation, the more cogent the supporting evidence must be in order for the allegation to be found – but also the gravity of the consequences flowing from a particular finding.

The comfortable satisfaction standard is sometimes described as a hybrid standard of proof and may be closer to the balance of probabilities standard if the matter is purely sport-specific in nature; in contrast, there may be a rare instance where the comfortable satisfaction standard is closer to proof beyond a reasonable doubt if the matter at hand is quasi-criminal in nature. The comfortable satisfaction approach in sport is similar to the hybrid civil standard of proof used on occasion in common law countries: for example, Australia, where it is known as the Briginshaw standard.

Sports bodies are not obliged to use the comfortable satisfaction standard in sports integrity matters – but when they do so, they should expressly provide for it in their disciplinary regulations. If the comfortable satisfaction standard is not expressly provided for, the default standard of proof in sports disciplinary cases will more likely than not be the balance of probabilities.

## **Communication**

Integrity investigations are often highly sensitive in nature and must be treated with the strictest of confidence. These types of investigation, including those that have escalated to joint investigations with law enforcement agencies, can only succeed if information is shared amongst stakeholders on a need-to-know basis, thereby reducing the likelihood of the investigation being compromised.

The question of who needs to know and when cannot be answered simply; these will be decisions made by senior management on a case-by-case basis. However, organisations must recognise the importance of maintaining confidence and trust in their teams to undertake these investigations independently, with the knowledge that matters will be communicated to people who need to know at the appropriate time.

Likewise, consideration and management is required to develop a communications strategy throughout the life cycle of the investigation. Again, utmost importance must be given to briefing relevant communications experts such as public relations or communications/media strategists on an as-needed basis. Communication timings, a designated spokesperson and key messaging are priorities to maintain the integrity and transparency of the investigation and ensuing court proceedings.

## Investigation debrief

It is important that once an investigation has been finalised, a thorough debrief is completed involving relevant personnel. This should include:

- Results or outcomes of the investigation:
  - Is the outcome consistent with objectives set at the outset of the investigation?
  - What lessons have been learned and what could have been done better?
  - Do the rules provide contemporary application?
- Education:
  - Do staff need to be educated on policies and procedures?
  - Do industry participants need to be educated on the rules and their obligations?
- Prevention: what strategies can we adopt to prevent these issues from reoccurring?
- Communications: was an effective communications strategy adopted throughout the investigation?

Key learnings identified from the debrief may be incorporated, where appropriate, into the organisational policies, procedures and compliance and risk frameworks. Also, learnings should be communicated to investigative teams to ensure they are adopted to mitigate emerging and future issues.

## Culture

Racing/sports regulators have been confronted with high-profile issues that threaten the integrity of their organisations. In New Zealand in 2018, a combined New Zealand Police and Racing Integrity Unit investigation was undertaken into allegations of race-fixing and drug-dealing involving high-profile individuals, which resulted in many arrests and reputational damage to the sport. Issues such as these strike at the heart of integrity and have the ability to cripple the organisation's ability to promote the sport and grow the industry as a whole. Therefore, ongoing investment in integrity initiatives must be a priority when considering commercial success.

Organisations must consider proactive initiatives to prevent breaches of integrity. Recent integrity breaches adversely impact the reputation of racing and other sports; despite successful detection and prosecution, punishment does not seem to deter or address root causes. Therefore, racing/sports regulators need to ensure that the integrity of racing and sports promotes a responsible culture of fairness and respect for all industry participants in line with community standards. To achieve this, proactive education programmes for industry participants should be considered, aimed at improving industry standards. These could include prevention and awareness programmes, licensing processes that incorporate professional development for industry participants, and participant protection initiatives. Together, these can shift attitudes to a model of integrity which recognises the positive value of a compliance culture.

### **Case study: INTERPOL Match Fixing Task Force**

The INTERPOL Match-Fixing Task Force (IMFTF) brings together law enforcement agencies from around the world to tackle match-fixing and corruption in sport. It supports member countries in match-fixing investigations and operations in all sports, and maintains a global network of match-fixing investigators so they can share information, intelligence and best practices.

The IMFTF currently includes 91 member units from jurisdictions in five continents, with more than 140 national points of contact worldwide. This network allows the IMFTF to act as a platform for cross-border investigations and international case coordination, with constant support through dedicated trainings and regular meetings.

INTERPOL offers a unique toolkit, ensuring the capacity to analyse match-fixing and corruption in sport from an inter-sectorial perspective. INTERPOL cooperates with relevant stakeholders through law enforcement officials based in the organisation's 194 member countries, offering a unique gateway to the exchange of information and data (with confidentiality restrictions). Combining stakeholders' in-depth knowledge of relevant sectors, this process leads to data collection and analysis of targeted criminals and organised crime groups with the possibility to focus also on asset recovery.

INTERPOL recommends that all stakeholders share information and intelligence that can assist and enable transnational investigations with operational prospects while also strengthening the intelligence picture about current trends, modus operandi, and the individuals or groups involved. Specific tools are available for data collection on sport corruption (project ETICA) and financial crimes analysis (FINCAF).

In addition, INTERPOL regularly engages with non-law enforcement stakeholders, national and international sports federations, government entities, betting regulators and operators, and academia in the context of competition manipulation and related corruption. As part of INTERPOL's wide range of activities in this field, the organisation is currently managing a capacity-building and training project together with the International Olympic Committee (IOC).

Details of the work and capabilities of the INTERPOL Match-Fixing Task Force can be found on the INTERPOL website: [www.interpol.int/en/Crimes/Corruption/Corruption-in-sport](http://www.interpol.int/en/Crimes/Corruption/Corruption-in-sport)



## Conclusion

Illegal betting investigations and collaboration with law enforcement agencies is a complex area that requires racing/sports regulators to invest heavily in people and infrastructure in order to achieve successful outcomes. The following are key factors to ensure ongoing success:

### Intelligence

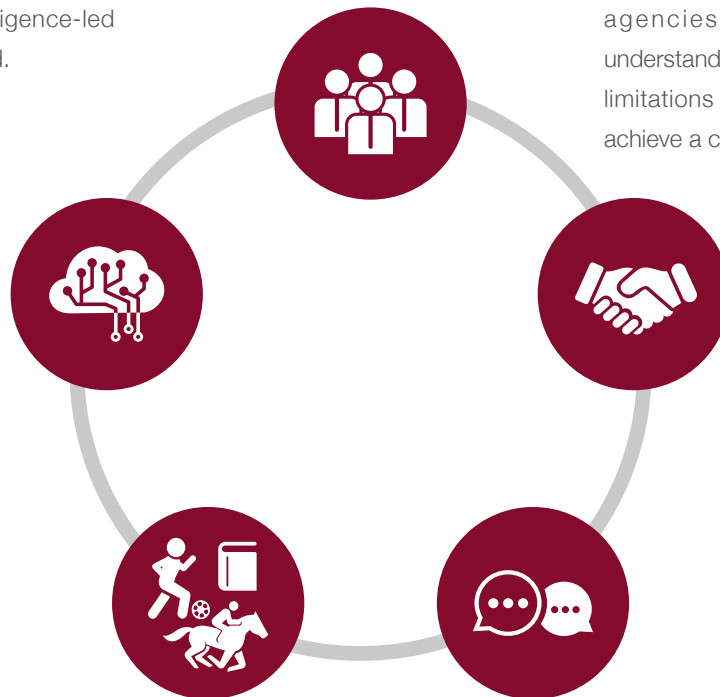
Regulators must integrate robust intelligence systems and processes that will provide organisations with information to allow intelligence-led strategies to be developed.

### People

It is imperative to have highly trained and experienced staff with diverse skillsets, including investigators, industry experts and analysts, to undertake complex matters such as betting investigations.

### Collaboration

Regulators need to establish and maintain relationships with external agencies including law enforcement agencies so that each agency understands the potential benefits and limitations from working together to achieve a common objective.



### Education / Cultural Change

Racing/sports regulators should consider adopting a proactive education programme for industry participants aimed at improving industry standards. This could include prevention and awareness programmes, a licensing process that incorporates professional development for industry participants, and participant protection initiatives to ensure the safety and well-being of staff.

### Communication

A clear and concise communications strategy is an important element in the investigation process. Need-to-know principles must apply. But investigation management must be aware of the need to communicate with internal and external stakeholders at the appropriate time.

## Annex: Guiding principles in investigations

This annex expands on the 10 key points mentioned in Chapter Five.

1. Define the objectives and scope of the investigation
  - Does the matter warrant investigation?
  - Is it in the interests of the public/industry?
  - What are the risks if an investigation is not undertaken?
  - Will the investigation withstand legal, public and industry scrutiny?
  
2. Identify/manage risks and prioritise accordingly
  - How serious is the allegation?
  - Who is allegedly involved in the matter?
    - Is the person an official?
    - Is the person an integrity staff member?
  - Has the issue been risk-assessed and/or prioritised by management?
  
3. Allocate resources based on priority
  - What resources are required to complete the investigation in a timely manner?
  - Is there a need for external service providers to assist the investigation i.e. forensic analysis, auditing, surveillance?
  - Does the investigators' experience and ability reflect the seriousness of the matter under investigation?
  - Do the investigators have sufficient impartiality and independence?
  
4. Consider possible offences and investigation planning.
  - Establish what offences (if any) have been breached?
  - Compile an investigation plan to consider avenues of inquiry and strategies to establish alleged offences;
  - Ensure witness interviews are conducted by appropriately experienced personnel;
  - Determine the likely impact of the investigation;
  - Decide whether a communications plan/strategy is required to manage perception / reputation.
  
5. Evidence gathering and source of information
  - Items located during an investigation, including physical, forensic, electronic and digital evidence, may assist in determining the investigation outcome; therefore these exhibits and subsequent handling, security and storage must always be documented to ensure continuity;
  - Exhibits should be videoed or photographed at the time of seizure (in situ) and recorded in an exhibit log with relevant details;

- When collecting exhibits, consideration should be given to;
    - health and safety of staff, participants, public and animals;
    - protecting forensic evidence (DNA, fingerprints and drug analysis)
6. Set timeframes / milestones
- Interview planning, preparation and timing are critical to understanding the issues involved in the investigation, addressing these questions:
    - Are there certain milestones that need to be achieved to reach a successful outcome?
    - Is the investigation at risk if not completed in a timely manner?
    - Have adequate resources been allocated to complete the investigation in the appropriate timeframe?
    - What are the reputational or cost risks of not completing the investigation in a timely manner?
7. Consider confidentiality / privacy
- Need-to-know principles apply throughout the duration of the investigation;
  - Appropriate systems and processes should be in place to ensure security of investigation and documentation
  - Investigators must adhere to privacy legislation/policy to protect the rights of all individuals involved.
8. Document the investigation
- All aspects of evidence/exhibit gathering must be documented using audio, video or photography to protect the integrity of the investigation;
  - It is recommended to use video/electronic recording equipment (i.e. body-worn cameras) when conducting planned or unplanned searches of properties, so as to maintain the integrity of the investigation and protect individuals from any allegations of impropriety or misconduct;
  - It is essential to document all activity in relation to an investigation including key milestones/decisions, interviews, contact with witnesses, meetings, obtaining documents and key status updates throughout the duration of the investigation;
  - Investigators should record all activity electronically (case management) or by keeping contemporaneous notes of events;
  - Briefing documents should be provided to senior management during the investigation to keep them appraised of the status so that they can allocate resources accordingly.

## 9. Prepare findings / recommendations

- Assess all relevant material to determine next steps, including:
  - Prosecution - What offence (if any) has been committed?
  - Written warning/reprimand;
  - Licence status/assessment of suitability;
  - Education, rehabilitation or other actions deemed appropriate in the circumstances
- Consider seeking legal advice to review and assess relevant material and provide guidance through the investigative process, including interpretation of law / rules / policies and offences;
- Thoroughly review the investigation, including debriefings with management, to identify learnings and future risks that can assist with the professional development of staff and evolution of the investigative process;
- This review process will also assist decision makers to maintain currently relevant laws, rules and policies to regulate their environment.

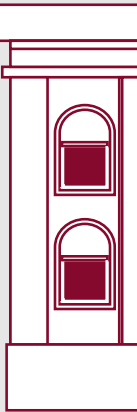
## 10. Analyse intelligence

- This is ongoing from the commencement of an investigation and directly supports the investigation process through analysis of data sets including betting records, phone and computer data, bank records and e-mail analysis;
- Intelligence products need to be developed to assist the relevant investigative units and decision-makers;
- Information technology systems and programmes are required to support this process to enable:
  - Visualisation/charting;
  - Association mapping;
  - Security control;
  - Document management.

## Endnotes

- 1 For the purpose of this section of the Handbook, a Regulator refers to a Principal Racing Authority or Sport Controlling Body.
- 2 Further explanation of the Guiding Principles can be found at Annex C.
- 3 Racing Victoria, *'The Rule of Racing Victoria'* (<https://cdn.racing.com/-/media/rv/2019-rv/the-sport/files/the-rules-of-racing-of-racing-victoria---4-december-2019> accessed 31 January 2020)
- 4 'RACING ACT 1958 - SECT 5F', *Victorian Current Acts*, ([http://classic.austlii.edu.au/au/legis/vic/consol\\_act/ra195867/s5f.html](http://classic.austlii.edu.au/au/legis/vic/consol_act/ra195867/s5f.html) accessed 31 January 2020)
- 5 'RACING ACT 1958 - SECT 33', *Victorian Current Acts*, ([http://classic.austlii.edu.au/au/legis/vic/consol\\_act/ra195867/s33.html](http://classic.austlii.edu.au/au/legis/vic/consol_act/ra195867/s33.html) accessed 31 January 2020)
- 6 Stacey Steele, Hayden Opie. *Match-Fixing in Sport: Comparative Studies from Australia, Japan, Korea and Beyond*, 2018.

CHAPTER SIX:  
STAKEHOLDER ENGAGEMENT  
TO COMBAT ILLEGAL BETTING





# CHAPTER SIX: STAKEHOLDER ENGAGEMENT TO COMBAT ILLEGAL BETTING

## Introduction

Illegal betting results in negative impacts which are global, cross multiple sectors, and are beyond the control of any single stakeholder. Engaging a wide spectrum of stakeholders is hence critical for success in combatting illegal betting.

The experience of those involved in combatting illegal betting in the past decade has led to the realisation that horse racing and sports organisations alone cannot stop the threat, nor can law enforcement organisations defeat illegal betting.

The scale of illegal betting is now so huge, and the operations so entrenched in many countries, that multiple stakeholders are required to be involved in the efforts to reduce the negative impact of illegal betting.

The key stakeholders involved in combatting illegal betting are as follows:

### 1. Government related organisations

- Legislatures and legislators
- Home affairs / security policy departments
- Health / sports policy departments
- Police / law enforcement agencies with responsibility for taking enforcement action against illegal betting
- Financial affairs / monetary policy departments

### 2. News media

- Internet channels, social media, news, TV, radio

### 3. Opinion shapers

- Non-Governmental Organisations (NGOs)
- Academics, universities
- Policy think tanks

### 4. Financial institutions

- Banking and financial services (e.g. credit card) firms
- Third party payment platforms

### 5. Telecommunications and internet-related companies

- Fixed and mobile telecommunications providers
- Internet Service Providers (ISPs)
- Internet search engine companies
- Major internet websites (especially sports and betting)

### 6. Local and international horse racing and sports governing bodies

This chapter outlines the benefits of engagement with these stakeholders and the impact they can have in combatting illegal betting. Specific reference is made to the experience of stakeholder engagement in Hong Kong as an example of why this strategy is important.

## Government-related organisations

Engagement with government agencies and related organisations is critical to success in combatting illegal betting. Systematic long-term impact in each society against illegal betting cannot be achieved without support from governments at a policy level and action at a departmental level. There are multiple levels of government to engage with, each requiring a distinct approach.

As governments have a diverse range of policy priorities to manage, illegal betting is usually low down the list of issues that require attention. It is essential that in engaging with governments, we show why illegal betting has a wide negative impact on society and causes many social problems.

Research has shown that customers who engage in illegal gambling experience far higher negative impact than those who engage in legal gambling. These negative events include going into debt, borrowing money from unofficial money lenders and obtaining money illegally to gamble, as well as causing emotional distress of partners or children, breakdown of relationships or divorce, loss of time from work or study, and loss of employment.<sup>1</sup> These points highlight a wider impact of illegal gambling than most governments understand, as it is common for legal and illegal gambling to be considered together for government policy-making purposes – or indeed for the issue of illegal gambling to be ignored, as the legal licensed operators are a more obvious target for legislation and regulation.

Illegal betting is not merely another issue of criminality that governments have to consider, but also a major factor in family and relationship problems. In the Hong Kong context, Oxford Economics notes that: “Given that relationship issues appear to be the largest single component of social cost associated with gambling, it may be that a disproportionate amount of such costs in Hong Kong may stem from illegal gamblers...amongst the population of excessive gamblers undergoing treatment in Hong Kong, illegal gamblers appear to be more susceptible to suicidal thoughts than their legal counterparts.”<sup>2</sup> It is important to show governments that illegal betting is a social problem, unlike regulated and well-managed legal betting.

Legislatures and legislators are responsible to their constituents who are usually most concerned with social issues that negatively affect the community, and especially the basic unit of communities, the family. Legislators are hence the primary key influencers who can enable legislation against both legal and illegal betting. Legislators have busy agendas in most countries, hence it must be shown to them why illegal betting is an important subject worthy of raising in the legislative process and/or with the executive arm of government.



The home affairs and/or security policy departments of governments are equally important stakeholders to engage in order that government strategy, policy and legislation can be influenced. In Hong Kong, the Home Affairs Bureau is responsible for government policy relating to gambling, and acknowledges the social problems that can be caused by unregulated gambling: “While we recognise that there is always a demand for gambling, the conduct of gambling activities should be authorised and regulated. This is because unregulated gambling activities can lead to a number of social problems – frauds, underage gambling, loan sharking, etc. – and become a potential source of income for triad and criminal activities.”<sup>3</sup>

Engagement with the policy-making level of government is important so that the implementation of legal and illegal betting-related policies can reflect the value of fostering a regulated gambling market, as well as the necessity for action by a range of government departments to combat illegal betting. The initiatives resulting from such policies are implemented by government line departments engaged in health, sports, and financial affairs / monetary policy.

A good example of government strategy addressing the issue of illegal betting, rather than only regulating legal betting, is the Black Economy Task Force formed by the Australian Government to report to the Treasury on “the harm that the black economy causes to honest businesses and the community, penalising honest taxpayers, undermining the integrity of Australia’s tax and welfare systems and creating an uneven playing field for the majority of small businesses.” The Black Economy Task Force final report included a full chapter regarding illegal gambling and made recommendations relating to the enforcement of existing laws against illegal gambling (including those concerning tax, anti-money laundering, multinational profit-sharing); implementing recommendations from prior reviews of offshore gambling; and separating illegal gambling from legitimate gambling and betting activities.

### **6.1. Good practices when engaging with government-related organisations:**

- Publicise that illegal betting is not a victimless crime;<sup>4</sup>
- Disseminate research to demonstrate the scale, mode of operation and negative impacts of illegal betting;
- Highlight the fact that illegal betting drains society’s financial resources and causes gambling disorders and other social issues at a higher rate than legal betting, including inequality and societal tension;<sup>5</sup>
- Emphasise that illegal operators are increasingly targeting the young, leading to gambling addiction at a young age;
- Create awareness that combatting illegal betting requires a strong and mutually-supporting combination of legislation, regulation and education;
- Underscore good practices in betting regulation, urge for policy changes and seek consensus to tackle the real drivers of illegal betting.

## Police and law enforcement

Police and other law enforcement agencies with responsibility for taking enforcement action against illegal betting are the most important government stakeholder to engage, in order to show the criminal nature of illegal betting and the resultant problems for society. However, police and law enforcement agencies have wide responsibilities, and illegal betting can be wrongly seen as a victimless crime that does not justify scarce policing resources.

If a police or law enforcement organisation has a dedicated sports anti-corruption unit, then efforts should be made to lobby them and demonstrate that illegal betting is a key driver of corruption in sports which merits their targeted attention.

### 6.2. Good practices when engaging with police and law enforcement:

- Show evidence that illegal betting is not a victimless crime. and lobby police to include illegal betting in operational priorities;
- Share knowledge and intelligence with police to facilitate investigations;
- Encourage, and fund if appropriate, the establishment of police-led information schemes to report intelligence on illegal betting.

## News media

News media interest in illegal betting is not usually high, as the subject is not attractive for readers unless related to other issues. Hence highlighting the role of illegal betting in corrupting sports is essential to gain media attention. The desired outcomes are to build public awareness of combatting illegal betting and shape public opinion regarding the highly negative impact of illegal betting. The news media industry is huge, hence the most important and influential news media outlets should be prioritised for engagement.

### 6.3. Good practices when engaging with news media:

- For building public awareness of illegal betting, the most influential television and news media outlets should be engaged, after identification by viewer figures and size of readership;
- For public opinion-shaping, news outlets that are considered the most credible should be identified and engaged, based on available local research relating to perceived bias;
- Television stations that broadcast the most popular sports tournaments and events should be identified and engaged, as they have viewers with a natural interest in racing and sports, and thus are more likely to take interest in illegal betting issues in relation to the protection of sports;
- Use should be made of “themed series” and embedded messages to build public awareness about illegal betting.

Messaging regarding the negative impacts of illegal betting can sometimes enter popular culture through news media. The Hong Kong movie “S Storm” is an example of how such messaging can be successful. In the opening scenes of the movie, a group of Independent Commission Against Corruption (ICAC) officers are discussing a new corruption case involving sports betting and the senior officer states:

“Illegal bookmaking and fixed matches are everywhere. Every year people in Hong Kong lose HKD12 billion to illegal bookmaking.”

The Hong Kong Jockey Club has informed news media since 2016 that the size of the huge and growing illegal betting market in Hong Kong was more than HKD12 billion. Fiction can reflect reality.

## Opinion shapers

Academics in universities, leaders of Non-Governmental Organisations (NGOs) and policy think tanks are influencers of governments and the public who should be engaged to independently propagate messaging regarding illegal betting. Whom to engage should be assessed with reference to “clout” (i.e. number of mentions in news media) and “relevance” (i.e. number of mentions in news media regarding illegal betting). After assessing which opinion-shapers are best qualified based on these factors, they should be asked if they would undertake further research into illegal betting.

### 6.4 Good practices when engaging with opinion shapers:

- Assess opinion shapers based on clout and relevance before deciding to engage, then lobby them to undertake research into illegal betting.

## Financial institutions

Banks, financial services (e.g. credit card) firms, and third-party payment platforms are critical to illegal betting as they may allow fund transfers to and from the illegal operators.

Illegal betting depends on convenient and often anonymous payment methods. Proceeds of illegal betting are channelled through financial institutions and payment platforms, thus potentially facilitating the laundering of crime proceeds. The technological advancement of e-payment methods further complicates detection of illegal money transfers. As a result, the financial sector is, even if inadvertently, enabling the vast illegal betting markets.

Engaging key financial institutions and payment providers to block bank transfers and credit card transactions to offshore betting operators is therefore critical to stopping financial flows to illegal betting sites.

Third-party payment platforms such as Skrill, Neteller, PayPal, WeChat Pay and Alipay are increasingly popular and a key means of payment for online betting, both legal and illegal. The operators of the platforms must be lobbied to show that they are processing payments from illegal betting operators in each jurisdiction.

### 6.5. Good practices when engaging with financial institutions:

- Lobby operators to block transactions to and from illegal betting merchants.

## Telecommunications and internet-related companies

Fixed and mobile telecommunications providers and Internet Service Providers (ISPs) provide access to illegal betting websites for customers to bet. The rapid proliferation of illegal online betting is concurrent with the growth of global internet connectivity. A targeted solution is for internet service providers to directly block access to illegal betting websites; however, unless there is pressure from government or the public to do so, this is unlikely. Hence both government regulators with responsibility for telecommunications and the operators themselves need to be lobbied to block access to illegal betting websites, which is a complex political issue.

Internet search engine companies facilitate searches for illegal betting operators and blocking this is difficult because of issues such as freedom of access to information. However, it is important to put these companies on notice that the betting operators who may be paying for search result placement are illegal.

Major sports websites are platforms for illegal betting operators to advertise for customers, which is eventually detrimental to the sports themselves. It is therefore necessary to lobby sports website operators as well as sports providers to put pressure on the major reputable websites to cease accepting advertising from illegal betting operators.

## 6.6 Good practices when engaging with telecommunications and internet-related companies

- Lobby operators to block access to illegal betting websites.

## Local and international horse racing / sports governing bodies

Horse racing, football, tennis, cricket and most other sports face the same problem of corruption in the sport being driven by illegal betting operators.

The horse racing industry is diverse and consists of operators and regulators that are structured differently in every country. The starting point for engagement is the major global horse racing federations, which are:

- The Asian Racing Federation  
(Member countries at: <http://asianracing.org/members>)
- The International Federation of Horseracing Authorities  
(Member countries at: <https://ifhaonline.org/Default.asp?section=About%20IFHA&area=5>)

Together, these geographical federations have members covering every country in which horse racing is conducted, with details available on the websites above.

Major sports governing bodies have been engaged in systematic sports integrity and anti-corruption efforts for the past decade and are now well aware of the dangers posed to sports by illegal betting. They are highly sensitive to integrity threats, especially around issues such as corruption, match-fixing and doping, and are natural partners in the fight against illegal betting.

## 6.7. Good practices when engaging with local and international horse racing / sports governing bodies

- Highlight the importance of supporting international standards;
- Highlight the threats of illegal betting to sports integrity;
- Highlight illegal betting links to criminality and negative impacts on society;
- Promote the importance of anti-illegal betting and sports integrity education to both players and coaches.

## Case Study: The Australian Sports Integrity Model and Stakeholder Engagement

The threat of criminal infiltration of sport has been recognised by stakeholders and dealt with in a variety of ways for many years. Given the acknowledgement that no single entity can effectively deal with all the existing and emerging integrity threats, the Australian Government has established a national policy approach and resourced the setting-up of dedicated resources to co-ordinate the effort. Key milestones were a nationally agreed National Policy on Match-Fixing in Sport (2011) and the subsequent formation of the National Integrity of Sport Unit (NISU) in 2012.

The engagement with relevant stakeholders is a long-term commitment and has included:

- Australian Sports Integrity Network – representatives of the integrity functions of several sporting organisations and gambling regulators
- Jurisdictional Sports Integrity Network – representatives of the sub-national government agencies that have operational responsibility for sports integrity
- The Committee of Sport and Recreation Officials – senior policy officials representing states, territories and the Commonwealth governments; and
- The Meeting of Sport and Recreation Ministers – relevant Australian Ministers responsible for sports policy.

The Australian Government through the NISU, in collaboration with the Australian Criminal Intelligence Commission, has established a ‘Sport Integrity Threat Assessment Methodology’. The threat overview identified from this has enabled the Government to partner with individual sports to develop a better understanding of their specific sport integrity circumstances. This platform has been key for the government to identify all key actors involved in the sports integrity landscape and develop a clear purpose of engagement in the early stages. The targeted use of criminal assessment methodology, in the sports context, has established the credibility and commitment of the Government to assist sports in managing the complex and evolving threat environment that faces them. Fostering effective relationships with stakeholders that already manage and enforce relevant elements of the integrity response remains a key priority in an effort to maintain focus on improved outcomes for stakeholders.

In 2018, an expert panel chaired by the Hon. James Wood AO QC delivered the *Report of the Review of Australia’s Sports Integrity Arrangements* (the Wood Review). The Wood Review was commissioned as part of the development of the National Sport Plan – Sport 2030.

The Wood Review recommended the establishment of a National Sports Integrity Commission to cohesively draw together and develop existing sports integrity capabilities, knowledge and expertise and to nationally co-ordinate all elements of the sports integrity threat response. The government agreed to establish Sport Integrity Australia to fulfil this mission.

From July 2020, Sport Integrity Australia will bring together the current functions of the Australian Sports Anti-Doping Authority (ASADA), the NISU and the national integrity functions of Sport Australia.

A thorough understanding of stakeholders' needs allows for the careful tailoring of messages for maximum impact when communicating its engagement agenda. At each stage of the development of policy approaches, there has been significant effort to actively seek engagement, opinions, ideas and solutions from all relevant stakeholders.

For example:

- The Wood Review publicly called for submissions from any interested party on the terms of reference and held over 40 stakeholder consultation meetings; moreover, the report of the Review was released by the Minister with a further commitment to consult on the response.
- The government response was released after a period of consideration with acknowledgement of each specific recommendation and policy direction to be adopted.
- The implementation of the government response was then resourced with a dedicated task force that is currently undertaking further engagement on the relevant legislation, organisations and tools for the future of sports integrity. These include:
  - Thematic advisory groups that have broad representation from impacted sectors to fully guide the policy-making process.
  - Working groups to manage the cross-stakeholder issues of jurisdiction, legislation, sporting rules and enforcement.

The Australian reform is also facilitated by the Government's continued contribution to international initiatives, such as by signing the Council of Europe Convention on the Manipulation of Sports Competitions (Macolin Convention). In addition, Australia is committed to the international obligations of the United Nations Convention against Corruption and evolving multi-stakeholder platforms such as the International Partnership Against Corruption (IPACS) and the Anti-Illegal Betting Task Force of the Asian Racing Federation. This strong commitment to international efforts has demonstrated the government's determination and is crucial in motivating local stakeholders to prioritise issues around sports integrity.

Two key takeaways from the Australian case study are:

- 1) Establish subject matter credibility and a commitment to engagement, which includes knowing your stakeholders' current pressures and interests, to ensure you deliver information that is valuable to them.
- 2) Be clear about the purpose of your engagement and provide as much guidance to stakeholders as possible ahead of time.



## Conclusion

In every country, stakeholder engagement is the crucial factor to success in combatting illegal betting. Of particular importance is engagement with government at policy-making as well as implementation levels. However, a broader stakeholder engagement strategy is also required in every country so that a full spectrum of stakeholders is engaged.

In Hong Kong a successful model has been developed for this stakeholder engagement, shown in the diagram below. This is the approach recommended for all countries in the fight against illegal betting.

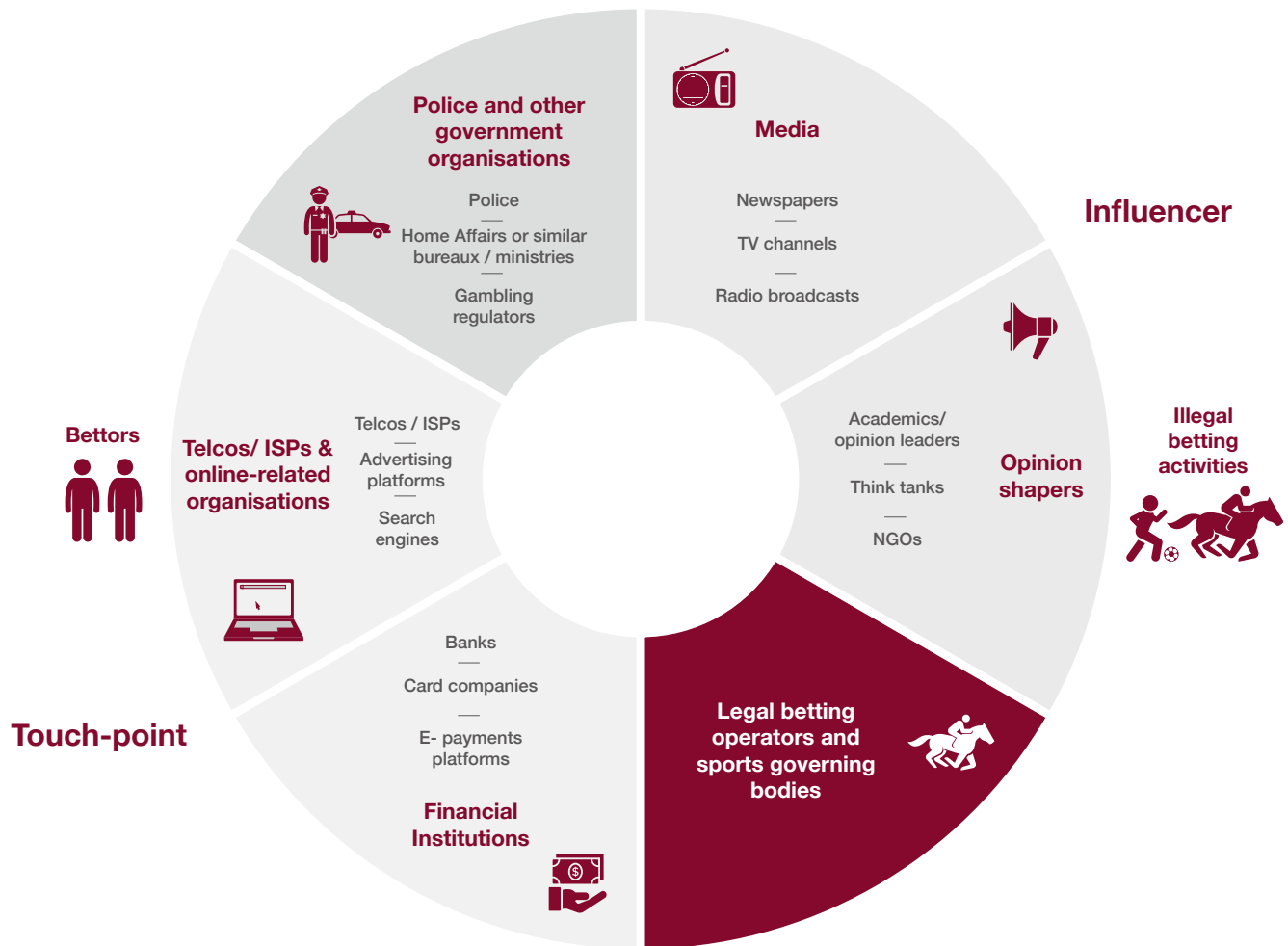


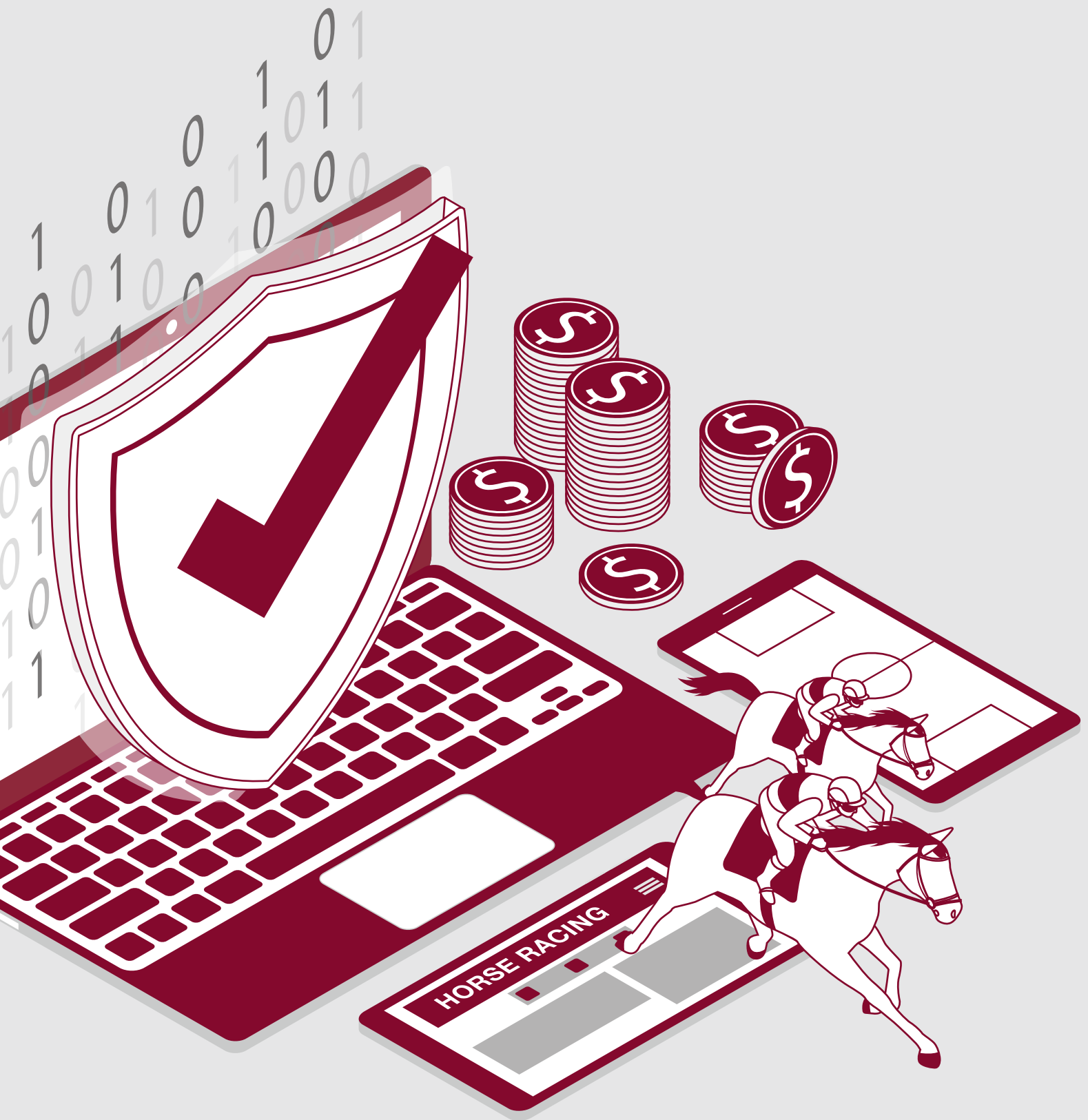
Figure 6. Stakeholder Model to Combat Illegal Betting

## Endnotes

- 1 Oxford Economics, *'Impact of Illegal Gambling in Hong Kong'*, April 2016, P.36 ( <https://www.oxfordeconomics.com/my-oxford/projects/343199> assessed 14 February 2020)
- 2 *ibid.*, p.37 and 39.
- 3 Home Affairs Bureau, *'District, Community, and Public Relations'* ([https://www.hab.gov.hk/en/policy\\_responsibilities/District\\_Community\\_and\\_Public\\_Relations/gambling.htm](https://www.hab.gov.hk/en/policy_responsibilities/District_Community_and_Public_Relations/gambling.htm) accessed 14 February 2020)
- 4 Black Economy Task Force, *'Final Report'*, 2017 ([https://static.treasury.gov.au/uploads/sites/1/2018/05/Black-Economy-Task\\_Force\\_Final-Report.pdf](https://static.treasury.gov.au/uploads/sites/1/2018/05/Black-Economy-Task_Force_Final-Report.pdf) accessed 2 September 2019 accessed 14 February 2020)
- 5 *ibid.*

CHAPTER SEVEN:  
FUTURE FINANCIAL CRIME  
THREATS TO HORSE RACING  
AND OTHER SPORTS





## CHAPTER SEVEN: FUTURE FINANCIAL CRIME THREATS TO HORSE RACING AND OTHER SPORTS

Financial crime risks have overtaken the banking industry in the past 20 years, resulting in public confidence in the banking system being shaken. This has led to the introduction of restrictive regulatory frameworks and the break-up of some large banks.

The horse racing, sports and betting industries have to ensure that financial crime does not impact on sports through the betting business to the extent that in similar fashion, it undermines public confidence in the sports concerned, which as a consequence could lead to government over-regulation that would block key growth and expansion activities.

### **What is financial crime?**

There is no broadly accepted single definition of “financial crime”, but the term has become widely accepted to describe a range of crime that affects multiple economic sectors. The International Monetary Fund (IMF) has a broad interpretation of financial crime as “Any non-violent crime resulting in a financial loss.”<sup>1</sup> The Australian Criminal Intelligence Commission (ACIC) explains that “Financial crimes include activities ranging from fraud through to the active manipulation of the stock market, or laundering the proceeds of crime.”<sup>2</sup>

Financial crime in betting on racing and sports not only affects the reputation of the betting business, but also impacts on the racing and sports involved. Betting on manipulated races and matches can cause volatile betting markets that are visible to the public and result in the perception that most of the races and games are manipulated. This creates a loss of public confidence, which can result in less investment in racing and sports, such as from business sponsors. In addition, the perception and reality of manipulated races and matches can encourage government agencies and regulators to intervene, which in turn leads to increased business costs to racing and sports for security and regulatory compliance. Therefore financial crime clearly has an impact on racing and sports if not prevented.

## Financial Crime in Horse Racing and Other Sports

The involvement of crime in racing and sports is not new, but the global expansion of racing and sports as businesses has attracted more criminal interest in them. The Financial Action Task Force commented in 2001 that “Sports that are regularly indicated as being vulnerable to criminal money are football, cricket, rugby, horse racing, motor racing, car racing, ice hockey, basketball and volleyball.”<sup>3</sup>

The reasons for the attraction of sports for criminal involvement are also well noted by the FATF: “Just like any other business, sport can be used by criminals to launder the proceeds of crime or to perpetrate illegal activities for financial gain. Unlike other businesses, it is not always the profitability as such that make sport attractive to criminals. Connections that criminals seek to make with sport are not only motivated by the desire to gain money. Social prestige is another important factor. Popular sport can be a route for criminals to become celebrities by associating with famous people and moving upwards to powerful circles within established society.”<sup>4</sup>

However, the risk of financial crime affecting racing and sports is not only from criminals becoming involved in these sports. There is also a range of opportunities for criminals to profit from racing and sports:

- The hosting of major sports events is susceptible to “bid rigging” and officials with responsibility for allocating venues being bribed to vote for a specific outcome.
- The construction of racing and sports stadiums is hugely costly and can be subject to bribery and corruption in tendering processes, in construction quality control, and in government oversight of the work.
- Major racing and sports events are hugely popular and as demand for tickets often exceeds supply, there is a risk of ticket counterfeiting.
- Events and teams attract huge audiences on TV, hence sponsors are eager to gain access to signage space at racecourses and stadiums, as well as on players’ shirts, which can lead to corruption in the sale of rights.
- Money laundering can be conducted through international betting on races and matches, as well as through purchase of expensive assets such as horses or sports clubs.
- Participants in racing and sports can be bribed, particularly to manipulate the outcomes of races and sports for the benefit of betting.
- Fraud and embezzlement can take place, for instance in racing with the purchase of costly thoroughbred horses for sale and export across the world to buyers whose knowledge of what they are buying may be limited.

Horse racing and sports are clearly open targets for transnational organised crime groups who can benefit from the relative lack of controls in these industries. These threats are growing as betting on racing and sports continues to grow internationally, leading to greater customer interest as well as financial crime opportunity due to large betting fund flows across borders. There are several future threats of which racing and sports administrators should be most aware.

## Fraud and money laundering in the bloodstock industry

A review of buying and selling practices of bloodstock and racehorses by the British Horseracing Authority (BHA) in July 2019 found that the most prevalent unethical and/or unlawful practices were:

- Secret Profiteering, being the collusion between two parties to make a secret profit through the sales process – usually, but not exclusively, the vendor on the one hand and the agent for the purchaser on the other.
- Dual Representation/Commission, where the agent acts for both the purchaser and the vendor in the same transaction and charges commission to both parties (without one or both parties' knowledge).
- Luck Money, an anachronistic practice whereby the agent for the purchaser demands and receives money (in some cases, a substantial sum calculated as a percentage of the sale price) from the vendor on the sale of a horse.
- Bidding Up, being the artificial increase in the sale price of a horse at auction through a series of pre-agreed bidding. This leads to the purchaser paying more for the horse than he/she would have done otherwise, such practice being of particular ethical concern where it leads to bidding up beyond the reserve price.<sup>5</sup>

The BHA review, conducted by a former senior police officer, noted that there was “a culture of unethical, and in some cases unlawful, business practices by a small number of unscrupulous individuals operating in the industry.”<sup>6</sup> That the review found the problems were caused by a small number of people is somewhat encouraging, but the dishonest practices when detailed in plain language by *The Spectator* are indefensible:

“An unscrupulous agent may learn that a potential owner is prepared to pay £150,000 for the right horse, agree with a trainer to pay £100,000 for it and then have it bid up to £140,000 at the sales, leaving the owner to think that he has a handy ‘saving’ of £10,000 while the dodgy agent and the trainer connive to split the difference of £40,000. All that on top of the agent’s legitimate fee of 5 per cent.”<sup>7</sup>

More worrying is that there is no effective industry-wide education relating to integrity, no related collaboration across the industry, and no regulation. If there were to be a major fraud causing loss of significant amounts of money to multiple horse buyers, then intrusive regulation into the industry could result.

An example of the financial crime risks to the bloodstock industry was shown in 2019 when a major international horse racing and bloodstock business was named in a criminal court trial in the USA as involved in money laundering related to a Ponzi scheme fraud. The Ponzi scheme resulted in billions of dollars being raised from investors who were buying a digital crypto-currency, One Coin, which was in fact non-existent and hence worthless. A witness in the trial stated that the owner of one of the largest bloodstock businesses in the world had been involved in money laundering in connection with One Coin and also taken out 100 million Euros to buy racehorses.

The extent of involvement of those from the bloodstock industry remains contested, but this case illustrates how the bloodstock business is a perfect target for criminals. Thoroughbred racing horses are valuable items that hold their value if they race well or if they are put to breeding. Horse racing and bloodstock is a prestigious sport which involves wealthy people including members of royal families from many countries. Both racing and bloodstock are international businesses that involve large amounts of money moving between jurisdictions for the sale and purchase of thoroughbreds, as well as prize money in international races.

The cryptocurrency fraud attracted international media attention, law enforcement action in multiple countries and a criminal court trial in the USA. As a result of comments linking the case to an entity engaged in racing and bloodstock, it also led racing regulators to investigate links between racing and criminality. This is a poor reflection on the reputation of the racing and bloodstock industries and is likely to bring further scrutiny as anti-money laundering regulators and law enforcement agencies become aware that equine-related industries can be used as a major means of laundering money.

Racing associations should act now before any deeper scrutiny to review the global bloodstock sales industry results. They should assess what anti-money laundering and compliance controls could be put in place to mitigate financial crime risks and ensure customer as well as governmental confidence in the future.



## **Cryptocurrencies in betting worsening the impact of corruption on sports integrity**

The number of online betting operators accepting cryptocurrency has grown dramatically in recent years, a growth that has brought with it increased threats to the integrity of sports.

The growth of cryptocurrency betting operators has outpaced gambling regulatory oversight. Such operators have set up in areas outside of robust regulatory jurisdictions, and in many cases are not licensed at all by a gambling regulator. A significant threat to the integrity of sports is the anonymity that cryptocurrency can provide.

The cryptocurrency-based betting market is well established and includes a significant number of US-facing operators. There are hundreds of betting operators which accept payment in cryptocurrencies. Some betting operators accept cryptocurrency alongside other payments and some will only accept cryptocurrency. The number of betting operators accepting multiple types of cryptocurrencies is increasing. Cryptocurrency-based horse racing products include exchange, fixed odds and totalisator betting.

The most significant integrity threat to racing and sports from cryptocurrencies is not knowing the customer betting on the competition. Many cryptocurrency betting operators accept bets that allow the customer complete anonymity, which is highly attractive to those placing corrupt bets on fixed sporting events.

A large number of cryptocurrency betting operators are unlicensed and unregulated and therefore provide similar challenges to illegal betting operators in not providing integrity-related information to sports regulators. To support integrity operations, sports and gambling regulators rely on information-sharing agreements with betting operators.

Betting operators' "Know Your Customer" (KYC) processes are highly varied, with some cryptocurrency-based bookmakers not requesting any KYC details or personal information at all and offering "instant" accounts. The use of blockchain technology means that no bank details are required by the betting operator. Account opening procedures can be limited to user name, password and e-mail address, while some operators do not even require these for a customer to place a bet

The unregulated cryptocurrency-exchange platforms where cryptocurrencies can be purchased further complicate investigation processes. Regulated exchange platforms have KYC processes while some unregulated exchanges will only request an e-mail address.

In addition to betting operators, "bet brokers", also known as "betting agents", accept cryptocurrency. Bets placed with betting operators via betting agents provide an additional layer between the customer and betting operator which further complicates the audit trail.

Cryptocurrencies provide convenience and opportunity for customers to deposit and withdraw funds. The movement of funds has in the past been problematic for US gamblers who were betting illegally offshore. This included processing and deposit fees, and the risk of funds being intercepted. Gamblers could wait weeks to receive payment. This has changed since the introduction of cryptocurrency, which allows payment in hours.

The lack of regulation and compliance, as well as an efficient payment process, reduces operating costs for betting operators. This allows many cryptocurrency betting operators to offer more competitive pricing (better odds) than the regulated betting industry.

Cryptocurrency betting operators also provide another betting option for major customers who have their bet sizes restricted by traditional betting operators. There has been a global trend of reduced bet limits (the size of bets operators are willing to accept) meaning that larger-staking or more successful gamblers have faced increased challenges in placing their bets. The cryptocurrency betting market has increased the number of new betting operators and betting opportunities for customers to bet.

The anonymity provided by cryptocurrency makes it a valuable asset for avoiding detection to those involved in criminal activity and match-fixing, and adds significant complexity to investigations. Cryptocurrency allows for simple, anonymous cross-border payment.

Criminals are attracted to the anonymity and are selectively using alternative secure currencies, also known as “privacy coins”, to avoid detection. Europol cybercrime analysis has pointed out “a quite obvious and distinct shift from bitcoin to cryptocurrencies that can provide a higher level of privacy.”<sup>8</sup> The currencies Monero, Zcash and Dash are all reportedly of high concern to law enforcement.<sup>9</sup> Criminals involved with match-fixing can use these coins to further protect their identities.

Licensed operators in regulated markets provide betting information to analysts in sports integrity units when suspicious betting takes place. The reporting of suspicious betting is far less likely to happen when operators use fewer KYC processes and are not required to provide information to the sports. The increased anonymity of gamblers and less reporting of suspicious betting activity is a growing integrity threat to sports.

The lack of consistent international gambling licensing standards is likely to mean that unlicensed operators could in future obtain a licence from a regime that provides light touch regulation and does not require operators to share information with sports.

Horse racing is not immune to these threats as there are cryptocurrency betting operators whose primary product is horse racing, and who stream races live.

## **Excessive scrutiny by regulators and law enforcement agencies of transnational horse racing business leading to blockages in key activities**

Thoroughbred horse racing is an international sport and an international business. It involves not only international races at major racecourses in Ascot, Dubai, Hong Kong, Melbourne and Paris, but also increasingly global betting markets, both legal and illegal, on races. The related bloodstock industry generates huge revenue and profits from sales and breeding. None of these activities are consistently regulated across jurisdictions, and much of the business is not well understood by regulators.

The risks of financial crime in the bloodstock industry have been covered earlier in this chapter. It is increasingly clear that accepted industry practices in the bloodstock business have long been tolerated by participants, but when abused amount to criminal acts. The practice of marking up prices on horses sold from traditional breeding countries to wealthy buyers, particularly in Asia, is simply fraud and corruption. The abuse of customers who do not know what they are buying could grow into a significant issue as they become increasingly aware of the deceit, or law enforcement agencies receive complaints from them. Scrutiny from law enforcement and then regulators will follow if the industry does not take steps to better self-regulate and clean out those who break the law.

While betting on racing and sports is increasingly globalised, it is not yet well understood by regulators. The traditional betting and gambling regulators have tightly regulated their domestic licensed operators, but struggled with “grey market” operators based offshore in structured tax havens (e.g. Malta, Gibraltar) or newer host countries with little or no regulation (e.g. The Philippines, Vietnam, Cambodia).

In more developed regulatory jurisdictions the regulators are catching up. In the UK, “tighter regulation, higher taxes and a barrage of negative media coverage exposing betting companies; exploitation of vulnerable customers, contributed to the UK gambling sector’s first ever decline last year”.<sup>10</sup> Betting and gambling have become political issues and the UK’s Gambling Commission has banned the use of credit cards for betting as part of efforts to reduce problem gambling.

While this may seem a problem for the betting industry only, there has long been a symbiotic relationship between betting and horse racing which arguably now extends to other sports. Not only do sports rely upon betting companies for sponsorship, but also they are a means of attracting customers in new markets to the sport and generating loyalty to teams, which equates to brand loyalty for sports marketing. In Australia a study described the relationship between sports and betting thus:

“Participants described the role of sponsorship deals between industry and sporting codes as creating a symbolic alignment between gambling and sports. In particular, participants described the reliance of two of Australia’s major sporting codes – the AFL and NRL – on gambling revenue via sponsorship relationships. Some commented that this made gambling “even more integrated” into matches, with sporting codes and teams playing an active role in the promotion of betting.”<sup>11</sup>

The study went on to describe the “gambification” of sports, which has created a new cultural meaning that betting is core to the sporting experience, similar to betting being core to the experience of horse racing. Many in the horse racing industry would argue that betting and racing can comfortably co-exist, and the integrity of the races be maintained, through an appropriate licensed and legal betting channel, which can also manage the negative impact of problem gambling. The operators of other sports should look to horse racing as an example of how they can structure the symbiotic relationship with betting so that they can co-exist and prosper.

This brings us back to the purpose of this Handbook, which is to explain strategies to combat illegal betting. It is hence key for those in the horse racing and sports industries to show that legal betting on these races and games can exist without undermining the integrity of the sport if well-structured and managed. Illegal betting, however, does not allow racing and sports to prosper – the integrity of the sports is undermined, criminality is more easily introduced to sports, and there is a far higher negative impact on society from a greater level of problem gambling.

It is thus essential that the racing and sports industries now better explain to governments and regulators what they are doing to self-regulate betting on their sports and why this is undermined by illegal betting. If they do not do so, then illegal betting will continue to undermine racing and sports and in doing so drive greater regulation of sports, which neither the operators or governments wish to do.

A key means of achieving this is through greater international cross-sports collaboration. This should include establishing strategic partnerships with key international agencies engaged in anti-corruption and integrity (e.g. Financial Action Task Force, International Olympic Committee, Interpol, OECD, Moneyval, and Transparency International).

We need to show government policy-makers and regulators that horse racing operators are not the cause of any of the financial crime problems relating to racing and sports, but are part of the solution.

## Endnotes

- 1 International Monetary Fund, *Financial System Abuse, Financial Crime and Money Laundering – Background Paper*, February 2001 (<https://www.imf.org/external/np/ml/2001/eng/021201.pdf> accessed 26 March 2020)
- 2 Australian Criminal Intelligence Commission, *Financial Crimes*, 2 May 2019 (<https://www.acic.gov.au/about-crime/crime-types/financial-crimes> accessed 26 March 2020)
- 3 Financial Action Task Force, *Money Laundering through the Football Sector*, July 2009 (<https://www.fatf-gafi.org/media/fatf/documents/reports/ML%20through%20the%20Football%20Sector.pdf> accessed 26 March 2020)
- 4 *ibid*
- 5 British Horseracing Authority, *Review of the Buying and Selling Practices of Bloodstock and Racehorses within British Racing*, July 2019([http://media.britishhorseracing.com/bha/publications/reviews/BHA\\_Bloodstock.pdf](http://media.britishhorseracing.com/bha/publications/reviews/BHA_Bloodstock.pdf) accessed 26 March 2020) p.7
- 6 *ibid*, p.12
- 7 Robin Oakley, ‘All is not well in the murky world of bloodstock sales’, *The Spectator*, 31 August 2019 (<https://www.spectator.co.uk/2019/08/all-is-not-well-in-the-murky-world-of-bloodstock-sales/> accessed 26 March 2020)
- 8 Kieran Corcoran, ‘Law enforcement has a massive problem with these 3 cryptocurrencies’, *Business Insider*, 27 February 2018 (<https://www.businessinsider.com/law-enforcement-problems-with-monero-zcash-dash-cryptocurrencies-2018-2> accessed 26 March 2020)
- 9 *ibid*
- 10 Financial Times, *UK gambling market comes under siege*, 9 February 2020 (<https://www.ft.com/content/7eed86fc-4354-11ea-a43a-c4b328d9061c> accessed 26 March 2020)
- 11 Emily Deans, Samantha Thomas, Jeffrey Derevensky and Mike Daube, ‘The influence of marketing on the sports betting attitudes and consumption behaviours of young men: Implications for harm reduction and prevention strategies’, *Harm Reduction Journal* (2017) 14:5 ([https://www.researchgate.net/publication/312575130\\_The\\_influence\\_of\\_marketing\\_on\\_the\\_sports\\_betting\\_attitudes\\_and\\_consumption\\_behaviours\\_of\\_young\\_men\\_Implications\\_for\\_harm\\_reduction\\_and\\_prevention\\_strategies](https://www.researchgate.net/publication/312575130_The_influence_of_marketing_on_the_sports_betting_attitudes_and_consumption_behaviours_of_young_men_Implications_for_harm_reduction_and_prevention_strategies) accessed 26 March 2020)

# APPENDIX AND GLOSSARY

## Appendix: Literature Review and Further Reading

Before 2010, match-fixing as a form of the manipulation of the outcome of a sporting event and its association with betting was not part of the contemporary sporting consciousness, race rigging in the horse racing industry apart. Even incidents such as the fixing of baseball's 1919 World Series or the prosecution of more than 30 people in a match-fixing conspiracy in English football in the early 1960s were largely forgotten as historical footnotes.

Since 2010, the literature on the phenomenon that is match-fixing as an integrity threat to sport has been voluminous. From the perspective of the general sporting public and media, this was likely engendered by incidents such as the prosecutions of three Pakistan cricketers for their part in a spot-fixing scandal during a Test against England at Lords, the launch of the so-called Parry Report on Sports Betting Integrity in the UK, the "Bochum trial" in what was then European soccer's largest match-fixing conspiracy, and the publication of Declan Hill's book *The Fix: Soccer and Organised Crime* (McClelland & Stewart, 2010).

A year earlier, a notable contribution to the literature in this area was a report undertaken by the Financial Action Task Force (an independent inter-governmental body that develops and promotes policies to protect the global financial system against money laundering and related financial crime) entitled *Money Laundering through the Football Sector* (2009).

The report's premise was that in their ongoing efforts to find new channels to launder the proceeds of their illegal activities, international criminal syndicates had identified sport, and in particular the football industry, as a possible and susceptible conduit for crime and money laundering.

The report identified various structural and regulatory weaknesses in the governance of football and also noted (at para 142) that, "betting in sport has reached new levels of sophistication with various operators involved across several countries and continents and new offshore betting companies being established. The use of the internet for online betting further also increases the risk of money laundering."

In this regard, the FATF report recommended that the increasing risks for sport associated with internet gambling needed further study, echoing a European Parliament resolution in the same year on the integrity of online gambling,.

Although no further specific study of the tripartite link between money laundering, illegal betting and match-fixing as a threat to the integrity of sport was carried out by the FATF, further investigation was undertaken by Par Pim Verschuuren and Christian Kalb for the Institut de relations Internationales et Stratégiques (IRIS) in 2013 in a report entitled *Money Laundering: the Latest Threat to Sports Betting?* and also in a Moneyval report for the Council of Europe (*The Use of Online Gambling for Money Laundering and the Financing of Terrorism Purposes*, 2013) which took a typological approach to money laundering in sport by way of illegal betting.

Since 2010, the literature has divided into two broad categories – that which attempts to understand and prevent match-fixing and illegal betting from an internal and sports-specific understanding; and that which attempts at a supranational level to develop policy and greater international co-operation to combat match-fixing, along with some discussion of illegal betting in sport in its wider context as an example of transnational economic crime.

Examples of the first (sports specific) category include a Sport Accord report in 2011 on *Integrity in Sport: Understanding and Preventing Match-fixing*; followed a year later by another IRIS report called *Sports betting and corruption: How to preserve the integrity of sport*; a Council of Europe recommendation to its member states in 2011 on promotion of the integrity of sport against manipulation of results; and, in 2012, the Bozkurt report to the European Parliament on *Match Fixing and Fraud in Sport*.

In these reports, the emphasis was on (internal) regulatory means of preventing match-fixing in sport, from greater player awareness and education programmes to specific anti-match-fixing rules and policies. This “policy guidance” approach continues, as exemplified by the IOC-Interpol (2016) *Handbook on Protecting Sport from Competition and Manipulation*; the Commonwealth Secretariat (2016) *Policy Guidance to Governments on Protecting the Integrity of Sport*; a report by Transparency International (2016) titled *Global Corruption Report: Sport*; and a document published by the United Nations Office on Drugs and Crime (UNODC) (2016) *Resource Guide on Good Practices in the Investigation of Match-Fixing*.

The link between illegal betting and sports corruption (particularly match-fixing) is alluded to in the above but solutions are seen in terms of criminal law and the greater involvement of law enforcement, governments and international agencies. Indeed, the initial, joint involvement of the UNODC and the IOC in this area largely reflects the “criminalisation” approach to match-fixing and including reports such as UNODC-IOC (2013) *Criminalization Approaches to Combat Match-Fixing and Illegal/Irregular Betting: A Global Perspective*; UNODC-IOC (2016) *Model Criminal Law Provisions for the Prosecution of Competition Manipulation Booklet*; and UNODC-IOC Study (2017) *Criminal Law Provisions for the Prosecution of Competition Manipulation*.

Initial commissioned research on this area by the European Union has had a similar focus, notably in the KEA Report for the EU Commission (2012) *Match-fixing in sport – A mapping of criminal law provisions in EU 27*, and the more recent EU Commission publication on the matter in 2019, *Mapping of Corruption in Sport in the EU*.

In academia, scholarly works have followed a similar pattern and have largely been policy-oriented, rarely addressing the extent to which illegal betting markets are a contributing source to sports corruption-related issues e.g. Kevin Carpenter (2012) *Match-fixing - the biggest threat to sport in the 21st century?* published by International Sports Law Review; the Interpol/FIFA supported collection by M R Habersfeld (Editor), Dale Sheehan (Editor) (2014) *Match-Fixing in International Sports: Existing Processes, Law Enforcement, and Prevention Strategies*, Springer; Fausto Martin De Sanctis (2014) *Football, Gambling, and Money Laundering: A Global Criminal Justice Perspective*, Springer; Lisa Kihl (Editor) (2017) *Corruption in Sport: Causes, Consequences, and Reform*, Routledge; Stacey Steele (Editor), Hayden Opie (Editor) (2017) *Match-Fixing in Sport: Comparative Studies from Australia, Japan, Korea and Beyond*; and Markus Breuer (Editor), David Forrest (Editor) (2018) *The Palgrave Handbook on the Economics of Manipulation in Sport*.

Illegal betting as part of the wider regulatory and legal matrix surrounding the manipulation of sporting events has been specifically addressed by both the Council of Europe and the United Nations.

The entry into force of the Council of Europe's Convention on the Manipulation of Sports Competitions (the Macolin Convention) in September 2019 was a significant milestone in global efforts to maintain and promote sports integrity. As mentioned in the introduction to this Handbook, Article 3 of the Convention defines "illegal sports betting" as "any sports betting activity whose type or operator is not allowed under the applicable law of the jurisdiction where the consumer is located".

Article 11 of the Convention is specifically dedicated to "The fight against illegal sports betting", asking signatory parties "to explore the most appropriate means to fight operators of illegal sports betting and...consider adopting measures, in accordance with the applicable law of the relevant jurisdiction".

This provision in the Macolin Convention gives examples of such "measures" as closure or direct and indirect restriction of access to illegal remote sports betting operators; blocking of financial flows between illegal sports betting operators and consumers; prohibition of advertising for illegal sports betting operators; and raising of consumers' awareness of the risks associated with illegal sports betting.

Furthermore, the need to comprehensively address the problem of illegal betting at the international level was recently recognised by governments through their adoption of Resolution 7/8 on Corruption in Sport at the Conference of States Parties to the United Nations Convention against Corruption at its seventh session, held in Vienna in November 2017. This resolution invites party states, when reviewing their national legislation, to "consider the problems and issues of illegal betting, competition manipulation and other offences related to sport when associated with corruption".

It is of interest that in the literature surrounding the implementation of the Macolin Convention and the UN Convention against Corruption, as well as in the various submissions and briefs made to at the US Supreme Court in *Murphy v NCAA* 138 S. Ct. 1461 (2018) and to the Law Commission of India in its report on the *Legal Framework surrounding Gambling and Sports Betting in India* (2018), estimates as to the size of the illegal betting market locally and globally vary considerably, as does the quality of analysis relating to the specific risks to sports emanating from illegal betting.

On the former (the size of the illegal betting market globally), the figures cited in the Sorbonne and ICSS (2014) *Protecting the Integrity of Sport Competition* report appear to be used frequently; on the latter, (illegal betting as a criminal risk to sport) reference can be made to another IRIS report for the European Commission, *Preventing Criminal Risks Linked to the Sports Betting Market* (2017).



## International Legal Framework and Other Studies

### United Nations

UNODC-IOC (2013) *Criminalization approaches to combat match-fixing and illegal/irregular betting: a global perspective*

UNODC-ICSS (2016) *Resource Guide on Good Practices in the Investigation of Match-Fixing*

UNODC-IOC (2016) *Model Criminal Law Provisions for the Prosecution of Competition Manipulation Booklet*

UNODC-IOC Study (2017) *Criminal Law Provisions for the Prosecution of Competition Manipulation*

The Kazan Action Plan was adopted on 15 July 2017 by UNESCO's Sixth International Conference of Ministers and Senior Officials Responsible for Physical Education and Sport, MINEPS VI. It links sports policy development to the 2030 Agenda of the United Nations in a number of specific areas, one of which is "Protecting the Integrity of Sport".

Adoption of Resolution 7/8 on Corruption in Sport, by the Conference of States Party to the United Nations Convention against Corruption at its seventh session, held in Vienna from 6 to 10 November 2017.

### Council of Europe

Council of Europe (1997) *Resolution: Twenty Guiding Principles for the fight against Corruption, 6 November*

Council of Europe (2011) Recommendation of the Committee of Ministers to member states on promotion of the integrity of sport against manipulation of results, notably match-fixing, 28 September, Strasbourg, CM/Rec(2011)10.

Council of Europe/Parliamentary Assembly (2012), Brasseur, A. *The need to combat match-fixing, 6 March, Strasbourg*

Council of Europe (2012) *European Committee on Crime Problems, Study on Criminal Law and Integrity of Sport against Manipulation of Result*

Council of Europe (2014) Convention on the Manipulation of Sports Competitions, Treaty Series - No. 215.

Council of Europe (2014) Explanatory Report to the Council of Europe Convention on the Manipulation of Sports Competitions (CETS215).

Council of Europe (2017) International Partnership Against Corruption in Sport: the central body of IPACS is its Steering Committee (originally called Working Group) which is limited in size and which involves government representatives (from Argentina, China, France, Germany, Japan, South Africa, Switzerland, the UK and US), international organisations (OECD, Council of Europe, UNODC, the Commonwealth) and international sports organisations (ANOC, ASOIF, IOC and GAISF).

## **European Union**

European Parliament (2009). Resolution on the integrity of online gambling, 10 March, Brussels, 2008/2215(INI).

European Parliament (2011), Resolution on online gambling in the Internal Market, 15 November, Brussels, 2011/2084(INI).

European Commission (2011), Communication: Developing the European Dimension in Sport, 18 January, Brussels, COM(2011) 12 final.

European Parliament (2011), Resolution on the European dimension in sport, 2 February, Brussels, 2011/2087(INI).

European Commission (2011), Green Paper on on-line gambling in the Internal Market, 24 March, Brussels, COM(2011) 128 final.

European Commission (2011). Workshop on on-line gambling and sports integrity, 13 July, Brussels, MARKT/E/1/Cho/jzD(2011)848151.

EU Council, Council Conclusions on combating match-fixing: Notices from European Union Institutions, Bodies, Offices and Agencies, 23 December, Brussels, 2011/C 378/01.

Bozkurt, E. (2012). Match Fixing and Fraud in Sport: Putting the Pieces Together, European Parliament, 17 September.

KEA Report for EU Commission (2012) *Match-fixing in sport – A mapping of criminal law provisions in EU 27*

Oxford Research Report for EU Commission (2014) *Study on the sharing of information and reporting of suspicious sports betting activity in the EU 28*

EU expert group on match-fixing (2014) *State of Play on the fight against match fixing*

EU Commission (2019) *Mapping of Corruption in Sport in the EU*

## **Commonwealth**

Commonwealth Secretariat (2016) *Policy Guidance to Governments on Protecting the Integrity of Sport*

## **Reports: International Agencies, Sports Bodies and NGOs**

The Financial Action Task Force (2009) *Money Laundering through the Football Sector*

Sport Accord (2011) *Integrity in Sport: Understanding and Preventing Match-fixing*

FIFPro (2012) *Black Book, Eastern Europe: The Problems Professional Footballers Encounter*

Institut de relations Internationales et Stratégiques (IRIS) (2012) *Sports betting and corruption: How to preserve the integrity of sport*

IRIS (2013) *Money Laundering: the Latest Threat to Sports Betting? By Par Pim Verschuuren, Christian Kalb*

Moneyval (2013) *The use of online gambling for money laundering and the financing of terrorism purposes*

Sorbonne and ICSS (2014) *Protecting the Integrity of Sport Competition, Sorbonne-ICSS Research Programme on Ethics and Sports*

Asser International Sports Law Centre (2014) *Study on risk assessment and management and prevention of conflicts of interest in the prevention and fight against betting-related match-fixing in the EU 28*

Asser International Sports Law Centre (2015) *The Odds of Match Fixing: Facts and Figures on the Integrity Risk of Certain Sports Bets*

IOC-Interpol (2016) *Handbook on Protecting Sport from Competition Manipulation*

Transparency International (2016). *Global Corruption Report: Sport*

Independent Review of Integrity in Tennis: Final Report (2018)

Play the Game (2018) *Sports Governance Observer 2018. An assessment of good governance in five international sports federations.*

World Anti-Doping Agency (2018) *Global Whistleblowing: Landscape for Reporting Doping in Sport; Report prepared for the World Anti-Doping Agency by Leeds Beckett University*

## **Reports: Countries**

### ***Australia***

The Gleeson Review (March 2011) *Review of Sports Betting Regulation*

NSW Law Reform Commission (August 2011) *Cheating at Gambling, Report 130*

**India**

Law Commission of India (2018) *Legal Framework: Gambling and Sports Betting Including in Cricket in India*

**United Kingdom**

The Parry Report (2010) *Report of the Sports Betting Integrity Panel*

UK Gambling Commission (2019) *Protecting betting integrity*

**Books (select)**

Graham Brooks, Azeem Aleem and Mark Button (2013). *Fraud, Corruption and Sport*, Palgrave Macmillan

Declan Hill (2010) *The Fix: Soccer and Organised Crime*, McClelland & Stewart

Declan Hill (2013) *The Insider's Guide to Match-Fixing in Football*, Anne McDermid

Fausto Martin De Sanctis (2014) *Football, Gambling, and Money Laundering: A Global Criminal Justice Perspective* Paperback, Springer

James Banks (2018) *Gambling, Crime and Society*, Palgrave MacMillan

Lisa Kihl (Editor) (2017) *Corruption in Sport: Causes, Consequences, and Reform*, Routledge

M R Haberfeld (Editor), Dale Sheehan (Editor) (2014) *Match-Fixing in International Sports: Existing Processes, Law Enforcement, and Prevention Strategies* Paperback, Springer

Markus Breuer (Editor), David Forrest (Editor) (2018) *The Palgrave Handbook on the Economics of Manipulation in Sport*

Paul M Anderson (Editor), Ian S Blackshaw (Editor), R C R Siekmann (Editor) (2011) *Sports Betting: Law and Policy*

Stacey Steele (Editor), Hayden Opie (Editor) (2017) *Match-Fixing in Sport: Comparative Studies from Australia, Japan, Korea and Beyond*

Villeneuve, Jean-Patrick (University della Svizzera italiana, Switzerland) (Editor), Pasquier, Martial (University of Lausanne, Switzerland) (Editor) (2018) *International Sports Betting: Integrity, Deviance, Governance and Policy*

## Glossary

<b>Offshore betting</b>	This term is generally used interchangeably in this document with grey-market operators – online betting operators that are not licensed by the jurisdiction in which they operate.
<b>Betting Exchange</b>	A form of betting where customers can both “back” and “lay” events. A betting exchange does not take bets itself, but matches backers (those who believe an event will happen) with layers (those who believe it won't) and takes a commission on every trade. It is comparable to a stock exchange, with bid / ask equal to back / lay.
<b>Back bet</b>	A ‘back’ bet on an exchange is betting a selection will win.
<b>Lay bet</b>	A ‘lay’ bet on an exchange is betting a selection will lose.
<b>Bid rigging (in sports)</b>	A form of collusive price-fixing behaviour by which businesses that would otherwise be expected to compete instead secretly conspire to raise prices, lower the quality or restrict supply of goods or services for the purchaser. <sup>1</sup>
<b>Cryptocurrency</b>	Cryptocurrency is a decentralised medium of exchange, created and stored electronically in a blockchain, using encryption to secure transactions. <sup>2</sup> It utilises cryptography, a technique that protects information by transforming it (i.e. encrypting it) into an unreadable format that can only be deciphered (or decrypted) by someone who possesses a secret key. <sup>3</sup>
<b>Fixed-odds</b>	Betting odds that are fixed at the time the betting transaction is accepted. Odds can change depending on news, but the customer will be paid at the price the odds were when he made his bet.
<b>Junket</b>	A person, group or entity which runs VIP rooms in casinos and seeks to attract wealthy customers, often from Mainland China, to bet there. Triads are heavily involved.
<b>Know Your Customer</b>	A process which businesses put in place to verify the identity of customers and prevent from being used, intentionally or unintentionally, by criminal elements. <sup>4</sup> KYC involves conducting due diligence, including researching company data; checking sanctions, politically exposed persons (PEPs) and watch lists; and investigating senior executives and directors. <sup>5</sup>

<b>Match-fixing</b>	Commonly used term for the manipulation of sports competitions, defined as: “An intentional arrangement, act or omission aimed at an improper alteration of the result or the course of a sports competition in order to remove all or part of the unpredictable nature of the aforementioned sports competition with a view to obtaining an undue advantage for oneself or for others.” <sup>6</sup>
<b>Spot-fixing</b>	A subset of match-fixing where specific parts of a sports match are fixed. For example, a tennis player may lose specific games during a match. The wide variety of bet types on offer at grey-market and illegal bookmakers enables this type of fixing.
<b>Money laundering</b>	According to the Financial Action Task Force (FATF): “Money laundering is the processing of criminal proceeds to disguise their illegal origin. This process is of critical importance, as it enables the criminal to enjoy these profits without jeopardising their source. “When a criminal activity generates substantial profits, the individual or group involved must find a way to control the funds without attracting attention to the underlying activity or the persons involved. Criminals do this by disguising the sources, changing the form, or moving the funds to a place where they are less likely to attract attention.” <sup>7</sup>
<b>Offshore tax havens</b>	Tax havens are general offshore countries that offer lower tax rates, less stringent regulations and enforcement, and promises of strict secrecy to individuals and corporations. <sup>8</sup> These lax regulatory regimes aid and abet unprincipled betting operators to obtain licence from a ‘betting haven’ with ease and at low cost to illegally target customers in countries where they are not licensed.
<b>Organised crime</b>	Definitions of what exactly constitutes organised crime vary widely. The United Nations Convention against Transnational Organized Crime (2000) provided an internationally-shared definition of an organised criminal group as “a group of three or more persons existing over a period of time acting in concert with the aim of committing crimes for financial or material benefit.” <sup>9</sup>
<b>Transnational organised crime</b>	Many institutions such as the European Commission, the United Nations, Europol and others feel the above definition no longer adequately describes the increasingly complex nature of organised crime in a globalised economy. They note that organised criminals operate increasingly in dynamic, loose international networks rather than strict local hierarchies. Transnational organised crime is thus offences carried out by organised criminal groups that are committed in more than one state and/or committed in one state but planned or controlled in another. Also included are crimes in one state committed by groups that operate in more than one state, and crimes committed in one state that impact on other states. <sup>10</sup>

<b>Ponzi scheme</b>	A Ponzi scheme is a financial scam where the operator pays dividends to initial investors using the funds of subsequent investors. The scheme falls apart when the operator flees with all of the proceeds or when the number of new investors is not sufficient to allow the continued payment of dividends. <sup>11</sup>
<b>Problem gambling</b>	There is no universal definition of problem gambling, but most concur that it is an urge to gamble compulsively despite harmful consequences or a desire to stop. Of the jurisdictions examined in this paper, Australia has a nationally agreed-upon definition as follows: “Problem gambling is characterised by difficulties in limiting money and/or time spent on gambling which leads to adverse consequences for the gambler, others, or for the community.” This paper follows this definition when discussing problem gambling or gambling disorder. Where relevant, clinical distinctions using the PGSI and DSM-IV (explained below) are noted.
<b>PGSI and DSM-IV</b>	Two internationally-recognised and commonly used problem gambling assessments are the Problem Gambling Severity Index (PGSI) and the American Psychiatric Association’s Diagnostic and Statistical Manual of Mental Disorders (DSM). The PGSI has nine questions with a maximum score of 27. Zero is non-problem gambling, 1-2 is low-risk, 3-7 is moderate risk, 8 or more is problem gambling. The DSM-IV has 10 criteria with a maximum score of 10. Fitting three or more criteria classifies a respondent as a problem gambler, five or more as pathological. The most recent edition (2013) of the DSM, DSM-V, reclassified the condition and removed one of the 10 criteria (relating to committing illegal acts). This classification was not used by any of the national surveys and research drawn upon for this document.
<b>Responsible gambling</b>	A broad concept that comprises initiatives and policies to prevent and reduce harm associated with gambling in general and excessive gambling behaviours in particular. <sup>12</sup>
<b>Sports-washing</b>	A term that stemmed from the “Sports for Right” campaign in 2015 which called out a country’s attempt “to distract from its human rights record with prestigious sponsorship and hosting of events”. <sup>13</sup> It is now widely used to describe the practice of exploiting sports events or investments as a public relations tool to clean up dubious human rights or criminal records in order to escape international opprobrium. <sup>14 15</sup>
<b>Spread betting</b>	A form of betting where winning and losses are not fixed but based on the accuracy of a prediction. A spread refers to a set of outcomes predicted by the betting operators. The customers will bet on whether the outcome of the sport event will be higher or lower than the spread, with profits determined by how much above or below the spread the final outcome finishes at. In horse racing, winning margin, distance between horses and performance of jockey are among the most common spread betting markets.

<b>Third party payment provider</b>	Third party payment providers allow consumers to make online payments without the need for a credit card by establishing a link between the payer and the online merchant via the payer's online banking module. <sup>16</sup>
<b>Totalisator betting</b>	Also known as 'tote betting' or 'pari-mutuel betting', this is a type of betting where all the bets are combined in a pool, the bookmaker takes a cut, then the odds are calculated based on the proportions wagered on each outcome. Totalisator odds are different from fixed odds in that they are not set until the race begins, no more bets are accepted and the total amount in the pool is finalised.
<b>Underground banking</b>	Underground banking is a generic term used to describe any informal banking arrangements which run parallel to, but generally independent of, the formal banking system. <sup>17</sup> The confidentiality and anonymity of underground banking appears to be a significant incentive for drug traffickers and other serious offenders to use these channels, as the conventional banking avenues become more supervised and monitored. <sup>18</sup>



Notes on Glossary Definitions

- 1 'Mitigating Corruption Risks in the Procurement of Sporting Events', *Organisation for Economic Co-operation and Development and International Partnership Against Corruption in Sports*, 2019 (<https://www.oecd.org/gov/public-procurement/mitigating-corruption-risks-procurement-sporting-events-IPACS.pdf> accessed 26 March 2020), p.12
- 2 'Making sense of bitcoin, cryptocurrency and blockchain' *PwC* (<https://www.pwc.com/us/en/industries/financial-services/fintech/bitcoin-blockchain-cryptocurrency.html> accessed 26 March 2020)
- 3 Robby Houben and Alexander Snyers, 'Cryptocurrencies and blockchain Legal context and implications for financial crime, money laundering and tax evasion', *European Parliament Policy Department for Economic, Scientific and Quality of Life Policies*, July 2018 (<https://www.europarl.europa.eu/cmsdata/150761/TAX3%20Study%20on%20cryptocurrencies%20and%20blockchain.pdf> accessed 26 March 2020), p.22
- 4 'Customer due diligence for banks', *Banks for International Settlements*, October 2001 (<https://www.bis.org/publ/bcb85.pdf> accessed 26 March 2020), p.18
- 5 'What is Know Your Customer (KYC)?', *LexisNexis*, (<https://bis.lexisnexis.co.uk/due-diligence-and-compliance/glossary/kyc> accessed 26 March 2020)
- 6 Council of Europe, *ibid*
- 7 Financial Action Task Force, '*What is Money Laundering*' (<http://www.fatf-gafi.org/faq/moneylaundering/> accessed 31 August 2018)
- 8 Ronen Palan, Richard Murphy and Christian Chavagneux, *Tax havens: How globalization really works* (2010)
- 9 United Nations Office of Drugs and Crime, *United Nations Convention Against Transnational Organized Crime And The Protocols Thereto 2000*, (<http://www.unodc.org/documents/treaties/UNTOC/Publications/TOC%20Convention/TOCebook-e.pdf> accessed 21 August 2018)
- 10 United Nations Office of Drugs and Crime, *The Threat of Transnational Organized Crime* (<https://www.unodc.org/documents/data-and-analysis/tocta/1.The-threat-transnational-organized-crime.pdf> accessed 21 August 2018)
- 11 'Ponzi Schemes', *Federal Bureau of Investigation*, <https://www.fbi.gov/scams-and-safety/common-scams-and-crimes/ponzi-schemes> accessed 26 March 2020)
- 12 Alex Blaszczynski, Robert Ladouceur and Howard Shaffer, 'A Science-Based Framework for Responsible Gambling: The Reno Model', *Journal of Gambling Studies* vol. 49 (2004): p301-317 ([https://www.gaming.ny.gov/gaming/20140409forum/Nelson%20\(Harvard%20Medical%20School\)/Applicant%20Provided%20Material/Blaszczynski%20et%20al,%20Science-Based%20Framework%20for%20Responsible%20Gambling%20-%20The%20Reno%20Model,%20Journal%20of%20Gambling%20Studies,%2020\(3\),%20301-317%20\(2004\).pdf](https://www.gaming.ny.gov/gaming/20140409forum/Nelson%20(Harvard%20Medical%20School)/Applicant%20Provided%20Material/Blaszczynski%20et%20al,%20Science-Based%20Framework%20for%20Responsible%20Gambling%20-%20The%20Reno%20Model,%20Journal%20of%20Gambling%20Studies,%2020(3),%20301-317%20(2004).pdf) accessed 4 March 2020)
- 13 Laura Slattery, 'Sportswashing is the grim game of our times', *The Irish Times*, Oct 30, 2018 (<https://www.irishtimes.com/business/media-and-marketing/sportswashing-is-the-grim-game-of-our-times-1.3679671> accessed 4 March 2020)
- 14 Amnesty International, 'Saudi Arabia: Launch of women's football league should not distract from abysmal human rights situation', 26 February 2020 (<https://www.amnesty.org/en/latest/news/2020/02/saudi-arabia-launch-of-womens-football-league-should-not-distract-from-abysmal-human-rights-situation/> accessed 4 March 2020)
- 15 Alex Webb, 'English Football Has a Saudi Arabia Problem', *Bloomberg*, February 10 2020, (<https://www.bloomberg.com/opinion/articles/2020-02-10/england-s-premier-league-should-say-no-to-tv-piracy-in-saudi> accessed 4 March 2020)
- 16 Peggy Valcke, Niels Vandezande and Nathan Van de Velde, 'The Evolution of Third Party Payment Providers and Cryptocurrencies Under the EU's Upcoming PSD2 and AMLD4', *SWIFT Institute Working Paper No. 2015-001*, 26 September 2015 ([https://papers.ssrn.com/sol3/Delivery.cfm/SSRN\\_ID2665973\\_code1914406.pdf?abstractid=2665973&mirid=1](https://papers.ssrn.com/sol3/Delivery.cfm/SSRN_ID2665973_code1914406.pdf?abstractid=2665973&mirid=1) accessed 26 March 2020)
- 17 Rob McCusker, 'Underground Banking: Legitimate Remittance Network or Money Laundering System?', *Trends & Issues in Crime and Criminal Justice* vol. 300 (2005) (<https://apo.org.au/sites/default/files/resource-files/2005/08/apo-nid4249-1095366.pdf> accessed 4 March 2020)
- 18 Nikos Passas, '*Informal Value Transfer Systems and Criminal Organizations; a study into so-called underground banking networks*', 14 January 2009 (<http://ssrn.com/abstract=1327756> accessed 4 March 2020)



ASIAN RACING FEDERATION