sports betting: commercial and integrity issues
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Chapter 1: EXECUTIVE SUMMARY

1.1 This report aims to identify and examine the core commercial and integrity matters surrounding the availability of betting on sporting events. It updates the topics covered in a similar report published in 2010 and explores a number of new issues that have since gained attention.

1.2 Regulated betting accounted for $58 billion (or around 14%) of $430 billion in total global gross gambling yield in 2012 and is forecast to reach $70 billion in 2016. It has seen 5.4% compound average growth rates in the period 2001-13, driven by new technologies and product platforms.

1.3 However, the unregulated global betting sector, notably in Asia, is understood to be many times larger than the regulated sector, although no verifiable or precise financial reporting is available. It is believed that, excluding horse racing, 70-85% of the bets placed are on football.

1.4 Europe, in particular, continues to see the creation of an increasing number of new regimes that permit licensed and regulated betting, notably through interactive platforms, and which is gradually removing the once dominant monopolistic approach favouring the lottery sector.

1.5 There is no substantive evidence to show that this activity has led to a meaningful reduction in lottery revenues and thereby money allocated to good causes, including sport. Indeed, the global lottery sector has continued to show steady growth in otherwise difficult economic circumstances.

1.6 This is expected to continue as the sector increasingly cultivates interactive gambling platforms - where it has been relatively slow to innovate - and where lotteries will grow at the fastest rate increasing their share of interactive gross win growing from 2.3% in 2013 to 4% by 2018.

1.7 The global sports sector has also continued to show significant growth and was estimated to be worth around $130 billion in 2012 with forecasts that it will reach over $146 billion in 2014, driven by growth in broadcast rights. However, large-scale debt is also becoming an increasing issue.

1.8 The sports sector has long argued that it should receive a specific payment for the use of basic data, such as fixture lists, used by betting operators. However, EU court judgments have stated that fixtures lists do not attract database protection and associated payments cannot be enforced.

1.9 Sports bodies are nevertheless achieving payments from licensing specialised data companies which are then selling real-time data, sports information and statistics to regulated betting operators to inform and drive the growing market in live (in-play) betting on sporting events.

1.10 Regulated betting operators also continue to invest significantly in sports broadcasts both in land-based facilities and through new interactive streaming channels as a means to support new betting product innovations and to create greater interaction and engagement with their customers.

1.11 The mutually beneficial commercial association between betting and sporting events has continued to grow with sponsorship and advertising revenues from regulated gambling companies, particularly in Europe, reported to have become a significant source of funding for sports bodies.
1.12 However, the scale of the impact on the integrity of sport continues to be a key focus of the debate surrounding the availability of betting on sporting events, heightened in recent times by a perceived increase in incidents of match-fixing relating to enhanced access to new betting products.

1.13 Whilst match-fixing involves both betting and non-betting (or sporting) related incidents, it is the issue of betting that appears to dominate deliberations with a payment to sport from regulated betting companies and/or control of regulated betting markets principal matters of debate.

1.14 Many sports bodies and other stakeholders, such as the lottery sector and the European Parliament, have pressed for many of the new types of bets being offered, in particular by regulated European private betting operators, to be universally prohibited on sporting integrity grounds.

1.15 An increasing amount of independent research has stated that corrupters primarily seek to defraud unregulated operators (notably in Asia) and utilise mainstream betting products with high levels of market liquidity to try and mask their illicit activities, rather than new betting products.

1.16 Whereas defrauding European regulated betting operators is fraught with significant difficulties; sophisticated detection and consumer identification systems, restricted stakes, markets closed and bets voided in suspicious cases, mean that there is limited scope for large-scale profit.

1.17 The proposal that new markets, such as in-play (or live) betting, offered by regulated betting operators should be restricted or prohibited on sporting integrity grounds does not, given the weight of independent data, appear to be a policy generated from any firm evidence base at this time.

1.18 As such, placing restrictions on the new betting markets offered by regulated operators, albeit not immune from the focus of corrupt activity, does not appear to represent a proportionate or effective policy response with potentially significant adverse trade and consumer impacts.

1.19 Entwined with the issue of restrictions on betting markets is the assertion that sports bodies should have control over the availability of betting markets offered by regulated operators and which would involve a payment to those sports for their agreement to allow betting on their events.

1.20 A report by the Asser Institute for the European Commission has widely criticised this “right to consent to bets” approach, detailing numerous clear practical and operational flaws in the effectiveness of this system, along with a number of important legal obstacles within the EU.

1.21 The establishment and proper enforcement of rules and regulations by sports governing bodies with their participants regarding betting is a key match-fixing deterrent and one which has been highlighted in a number of national and transnational communications and policy documents.

1.22 However, significant governance issues remain concerning the enforcement of sporting rules and sanctions, corruption within sport itself, along with a widespread lack of player salary payments in some areas which is allowing organised crime to exploit the financial vulnerabilities of players.

1.23 Player education programmes along with the establishment of anti-corruption units, early warning systems and information sharing arrangements between sporting bodies, regulated betting companies and gambling regulatory authorities remain important integrity protection measures.
Chapter 2:
INTRODUCTION

2.1 The continuing growth of professional sport and associated betting markets on a global scale, as a direct result of consumer demand driven by technological advances, has provided both business sectors with clear fiscal benefits and further strengthened their symbiotic relationship.

2.2 This has manifested itself in a range of mutually beneficial commercial ventures through direct sponsorship of sporting events, sportspeople and clubs, along with numerous indirect benefits to both products from media advertising deals around sport (where legislative frameworks permit).

2.3 However, it has also been attributed by some parties to a rise in a number of negative impacts on the integrity of sporting events. Those parties have pressed for the recognition of a sports organisers’ right on both commercial and integrity grounds, restrictions on regulated betting products and limitations on market access for private operators to safeguard sport and its income.

2.4 As such, policymakers within national and transnational institutions have been increasingly drawn into this debate, along with law enforcement bodies and other stakeholders, seeking solutions to these global commercial betting and sporting integrity issues.

2.5 This report has therefore been produced using an evidence-based and analytical approach to assess the validity of, and reasoning behind, the various arguments surrounding the key commercial and integrity issues facing sporting bodies, regulated betting operators and others.

2.6 It has been completed for the Remote Gambling Association (RGA), European Gaming and Betting Association (EGBA), Association of British Bookmakers (ABB) and the European Sports Security Association (ESSA) to assist them in their associated on-going policy considerations.

2.7 It is also designed to act as a practical and informative text for policymakers with a view to providing a constructive and verifiable commentary on, and analysis of, important transnational and cross-sector matters surrounding the availability of betting products on sporting events.

2.8 The report covers many of the key issues considered in an earlier report entitled “Sports Betting: Legal, Commercial and Integrity issues” completed for the RGA and published in January 2010 (see http://www.rga.eu.com/data/files/Pressrelease/sports_betting_web.pdf) and has been produced to act both as an update to that document and as a standalone evidence-based text.

2.9 Throughout this document references to forms of “regulated” gambling refer to products regulated in any jurisdiction and not necessarily in every national instance where those operators offer gambling products, noting that many states do not license remote gambling.

2.10 References to “unregulated” gambling relate to instances where no licence has been attained to operate in any market for that form of gambling.

2.11 All figures are in US Dollars ($) unless otherwise stated. In the various charts and tables within this document, e = estimated and f = forecast figures.
Chapter 3:
COMMERCIAL ISSUES

3.1 Commercial issues relating to betting on sporting events have been increasingly evident since the turn of the century and have become a significant part of the lobbying activities of elements of the global professional sports sector, and European football bodies in particular.

3.2 In essence, those sporting bodies are seeking both commercial controls over any sports-related products offered by regulated betting operators and to derive direct payments for the use of any sports-related data utilised by those regulated betting companies in the course of their business.

3.3 As part of the examination of the commercial issues surrounding betting on sport events in more detail, some relevant statistical data on both sectors and the issues of most importance in this debate have been provided to highlight and inform that associated analysis and discussion.

The global sports betting market

i. Regulated global betting market

3.4 The gross gambling yield (GGY) of the licensed and regulated global betting market was $58 billion in 2012, an increase of 19% from the 2007 market level of $48.7 billion. The regulated betting market is forecast to reach $70 billion in 2016, representing a 20% increase from the 2012 figure.¹

3.5 Betting accounted for nearly 14% of $430 billion in total global gross gambling yield in 2012, with the latter forecast to reach over $470 billion in 2014. Betting similarly accounted for 14% of the $337.1 billion global market in 2007; the latter has grown by 27.5% to reach the 2012 figure.²

3.6 The global licensed and regulated gambling market (all products including: betting, poker, casino, bingo, gaming machines and lotteries) is forecast to reach $533 billion in 2017. That would represent a 47% increase from the $363 billion market figure a decade earlier in 2007.³

Product share of the global gambling market 2013 (by %)

Source: Global Betting and Gaming Consultants (GBGC) and Morss Analysis⁴

¹ Gross gambling yield (GGY) equates to stakes minus prizes and is also commonly referred to as gross gambling revenue (GGR). http://www.gbgc.com/2013/06/global-sports-betting-the-state-of-play/ & http://www.morssglobalfinance.com/the-global-economics-of-gambling/
3.7 Since 2007, betting has remained relatively static in terms of its global gambling product share (14% to 13.9%), with most other sectors performing similarly or falling slightly to 2013 levels - lotteries (29% to 28.4%), gaming machines (21% to 20%), and other gambling e.g. bingo (3% to 2.7%). Only casinos have shown a rise, significantly up from 32% in 2007 to 35.1% in 2013.\(^5\)

3.8 It should be remembered that the global gambling market has increased since 2007 and so all main product revenues have increased. In addition, there has been an increasing diversity of product platform being offered by operators and in particular through remote services. For example, some lottery bodies are now offering online casino games and fixed odds betting (see later sections).

![Global compound average growth rates by product 2001-13](image)

Source: Global Betting and Gaming Consultants (GBGC) and Morss Analysis\(^6\)

3.9 Whilst betting has seen 5.4% compound average growth rates in the period 2001-13 (just behind lotteries with 5.8%), the casino sector has registered 8% globally, principally driven by Macau which has shown a growth rate of 28.4% as opposed to the US casino sector with 4.1%.

![Regional share of the global betting market 2012 (by %)](image)

Source: Global Betting and Gaming Consultants (GBGC)\(^7\)

3.10 Europe had the largest betting GGY with 41% of global market share, just ahead of Asia with 39%. Japan had the largest national betting market - twice the size of the UK in second place - as a result of betting permitted on horse racing, cycling, motorbike and boat racing.\(^8\)

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\(^5\) http://seekingalpha.com/article/2143343-gambling-asia-and-the-u-s-are-2-different-worlds
\(^7\) http://seekingalpha.com/article/2143343-gambling-asia-and-the-u-s-are-2-different-worlds
\(^8\) http://www.gbgc.com/2013/06/global-sports-betting-the-state-of-play/
3.11 Land-based retail betting continues to be the most common form of betting medium used by consumers with alternative online betting platforms presently representing just over 30% of the total global position, a situation which is forecast to remain relatively stable to 2016.9

3.12 Asia is expected to lead the way when it comes to growth in overall land-based gambling, with Macau’s casino market seeing a near 19% year-on-year increase to $45 billion in 2013 and mainland China’s state lotteries’ sales rising 18.3% to a record $51.1 billion in that year from 2012.10

3.13 The Chinese Sports Lottery took around 42% of national licensed lottery sales in 2013, equating to nearly $18 billion, with online facilitating around 6% of all lottery sales in the country.11

3.14 From a global perspective, experts state that “while land-based lottery and casinos still dominate the gambling scene, online real-money gambling and betting are growing rapidly."12

3.15 Global online gambling equated to $40 billion in GGY in 2013 (up 4.4% from $38.32 billion in 2012) and is forecast to reach $50 billion in 2017. Online sports betting accounted for nearly 50% of the overall global online gambling market figure for 2013, equating to around $19.3 billion.13

### Product share of global interactive gambling GGY in 2013 (by %)

![Product share of global interactive gambling GGY in 2013](image-url)

Source: Global Betting and Gaming Consultants (GBGC)14

3.16 Gross win from the global mobile device gambling market is expected to generate an increasing share of all interactive gambling reaching nearly 44% by 2018 (up from 18% in 2012) and representing around 5% of total gambling.15

3.17 This trend is driven by growth in smartphone and tablet penetration, increased device capability and the confidence of users. Average mobile gambling spend per adult in the European Union (EU) is expected to grow from just over €1 in 2010 to over €17 by 2018.16

3.18 Betting still accounts for the vast majority of mobile gambling gross win at over 75%, although this is expected to change as both gaming and lottery products are increasingly developed specifically for new remote devices with enhanced capabilities during the period to 2018.17

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9 Ibid
10 Ibid. & http://www.reuters.com/article/2014/01/02/macau-revenues-idUSL3N0KNC020140102
17 Ibid.
3.19 It is believed that, excluding betting on horse racing, around 70-85% of the bets placed either through land-based or interactive platforms worldwide are on football.\(^{18}\)

\[ii. \quad \text{Regulated European betting market}\]

3.20 The regulated European gambling market’s revenues were forecast to have grown by 1.7% in 2013 to €90.0 billion ($120.3 billion) in GGY having fallen by around 3.5% in 2012. Betting was estimated to have grown by nearly 7% during 2013 with the World Cup boosting revenues in 2014.\(^{19}\)

![European gambling market 2007-2013 (in € billions)](image)

Source: Global Betting and Gaming Consultants (GBGC)\(^{20}\)

3.21 The region’s betting market is estimated at around 20% of the overall figure (higher than the 14% global market share for betting products), thereby equating to around €18 billion GGY in 2012.\(^{21}\)

![European gambling product market share in 2012 (by %)](image)

Source: Global Betting and Gaming Consultants (GBGC)\(^{22}\)

3.22 The European interactive gambling market’s GGY was estimated to be worth €10 billion in 2012 (up 23.5% from €8.1 billion in 2010) and is forecast to rise by 15% to €11.5 billion in 2014.\(^{23}\)

3.23 Some European countries do not currently have regulated online gambling regimes in place and also restrict retail and/or online betting to monopoly operations and national markets.

\(^{17}\) Ibid.
\(^{21}\) Ibid.
3.24 As with each global region, the size and consumer product focus of retail and remote betting markets can therefore vary greatly between European countries depending on legislative positions and because, unlike the retail market, remote operations may have an international consumer base.

3.25 Nevertheless, as the later section on regional product differentiation states, there remains a focus by operators on their local regional market and in this case the core European betting market.

3.26 The British remote gambling framework is one of the larger and more established regulated sectors both in Europe and worldwide; its national regulatory authority stated in 2013 that “remote GGY for operators licensed in Great Britain accounts for approximately 4% of the global total.”

3.27 A sizeable part of remote betting has been relocated outside of the British licensing system, but where such operations have been able to continue to offer services to British consumers if they either have a licence from another EEA country or their licensing jurisdiction fulfils certain regulatory measures leading it to be deemed comparable to the UK framework and placed on a White List.

3.28 This has reduced the British licensed remote figure which will rise accordingly if a planned new licensing approach is adopted; legislation was passed in May 2014 to amend the framework to a wholly national licensing regime to be implemented from October 2014 (subject to legal action).

3.29 However, turnover figures for the British licensed betting environment remain a useful barometer of consumer activity involving an established retail market, notably through some 9,000 betting shops (albeit increasingly driven by gaming machines) and remote betting operations.

3.30 Within that legislative framework, horse racing continues to be the dominant retail (including track-based) betting product, whilst football is some way ahead for remote operations.

3.31 It should be noted however that football has shown the largest relative increase in retail fixed odds betting turnover, up from around £0.94 billion in 2009/10 to £1.16 billion in 2012/13, equating to a 23% increase, whilst horse racing has seen an 11.5% fall in turnover to £5.1 billion.

3.32 GGY has similarly been impacted during 2009/10 to 2012/13, with retail betting showing a 30% increase for football to £293 million and horse racing showing a 17% fall to £697 million.

3.33 Football pool betting has also fallen significantly during the same period, with turnover down more than 29% to £42.1 million and GGY down 24.5% to £37.2 million in 2012/13, with consumers appearing to migrate to alternative fixed odds betting products (retail and remote).

3.34 For the British remote betting market, overall turnover (excluding betting exchanges) has increased considerably from £10.3 billion in 2008/9 to £19.6 billion in 2012/13, a rise of 90%.

3.35 The British licensed remote market is dominated by football which, as with its retail betting outlets, has shown the greatest relative increase in turnover up from around £4.1 billion in 2009/10 to £7.8 billion in 2012/13 (+90%), whilst horse racing has fallen by over 20% to £1.9 billion.

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25 Section 331 Gambling Act 2005.
27 Ibid.
28 Ibid.
29 Ibid.
30 Ibid.
31 Ibid.
32 Ibid.
3.36 As a result, the GGY from remote football betting platforms has more than doubled reaching £377 million (+119%) during the period 2008/09 to 2012/13, whilst horse racing has fallen significantly to £112.8 million in 2011/13 from £201.3 million in 2008/09, a near 45% reduction.33

3.37 Remote betting on tennis via British licensed operators has also shown a significant rise in consumer interest with turnover displaying an annual increase of 90% to £3.95 billion in 2012/13 (from 2011/12), with GGY likewise reaching a high of £121.6 million, representing a 77% rise.34

3.38 That sport accounted for around 20% of the British licensed remote betting market turnover in 2012/13, with football (40%), horse racing (10%) and other sports and financials the remainder.

3.39 Monopolies still control land-based betting and horse racing in France, where operator PMU saw gross gaming revenues (GGR) in 2013 rise by 0.6 per cent to €2.5bn, from turnover of €10.4bn.35

3.40 Outside of horse racing, France’s relatively new online betting market (operational since 2010) was also dominated by football (60% of wagers), followed by tennis (15%), basketball (12%), rugby and hockey (3% each), volleyball and handball (2% each) and other sports (3%) during 2013.36

3.41 Betting represents an important share of many European markets, notably the UK (39.1%) and France (30%) and where it is also important to note that compound average growth rates during 2001-13 are notably above the 5.4% global average for betting at 18% (France) and 10.4% (UK).37

3.42 It is also important to note national differences in the betting product split. In France, betting’s 30% share of the overall gambling market is broken down as 25.4% horse racing and 4.6% other sports. Whilst the UK, betting’s 39.1% market share is 10.7% racing and 28.4% other sports.38

3.43 Compound average growth rates in 2001-13 for betting have however been significant in both of these countries and where betting on sports, excluding horse racing, shows 29.2% (France) and 16.1% (UK). Whilst in comparison horse racing represents only 6.8% (France) and 4.8% (UK).39

3.44 The Italian online gambling market also shows betting as a significant product representing 23.9% of the overall national market’s gross gambling revenues (GGR) in 2012 and where horse racing accounts for only 1.6% of this figure as opposed to other sports betting at 22.3%.40

iii. Unregulated global betting market

3.45 The global unregulated betting sector is believed to be many times larger than the regulated sector, although without clear and verifiable financial reporting or official oversight it is of course difficult to provide any precise or directly comparable data with the regulated market.

3.46 What can be stated is that INTERPOL, using data from its various operational activities, estimates that the unregulated Asia betting market alone is worth round $500 billion per annum

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30 ibid.
31 ibid.
32 ibid.
34 http://calvinayre.com/2014/04/15/business/sports-betting-perks-up-french-online-gambling-market/
35 http://seekingalpha.com/article/2143343-gambling-asia-and-the-u-s-are-2-different-worlds
36 ibid.
37 ibid.
38 Page 7 The regulated internet gambling industry in Italy: business models compared European Scientific Journal August 2013 edition vol.9, No.22
with the worldwide unregulated market at upwards of $1 trillion (turnover shouldn’t be taken as an indicator of profitability, better demonstrated by GGY, but which is unavailable for this sector).41

3.47 These unregulated betting operators, as with regulated businesses in other parts of the world, offer products to in-country consumers through land-based facilities and internationally through interactive channels, most notably online platforms, on sporting events around the globe.

3.48 The Chinese, Indian and Southeast Asian markets, where betting is largely illegal, have been identified as the principal operational jurisdictions for unregulated bookmakers. In China, “the ratio of legal bets (i.e. sports betting operated by the state lottery organisations) to illegal bets is 1:10.”42

3.49 With the Chinese Sports Lottery having sales of nearly $18 billion in 2013, that would equate to an unregulated sports betting market of around $180 billion per annum in China alone. Whilst unregulated betting in India is estimated at around $60 billion annually, predominantly on cricket. 43

3.50 In Hong Kong, unregulated sports betting account for an estimated $64 billion in turnover in 2013, which represents more than four times the legal turnover at the Hong Kong Jockey Club and exceeds nearby Macau’s world leading regulated casino gaming revenues of $45 billion that year.44

3.51 The proper regulation and enforcement of betting within those jurisdictions would clearly place the Asian region as the preeminent licensed betting market in the world.

3.52 Outside of Asia, the unregulated sports betting market in America (sports betting is only currently permitted in four states, but in practice is principally limited to Nevada) is believed to be somewhere in the region of $380 billion per annum; Nevada’s regulated betting is $3.45 billion.45

3.53 Whilst over $9 billion (C$10 billion) is wagered through unregulated bookmaking operations within Canada each year with another $3.5 billion (C$4 billion) through offshore online operators; it is unclear to what extent the latter are unregulated or regulated in other jurisdictions.46

iv. Regional product differentiation

3.54 Whilst betting is a global activity, it should nevertheless be noted that there are important regional, cultural and historical market factors that determine the exact kind of betting products, be it provided by regulated or unregulated operators, which best meet regional consumer demands.

3.55 Product platforms and the types of bets offered therefore vary depending on regional identities and the products offered by Asia-based operators (regulated or unregulated) may not always fully meet the demands and expectations of European consumers, for example.

### Notes

41 There is no clear financial reporting for the unregulated sector to verify these figures, levels of profitability within the sector, or what these figures exactly constitute, but it is more likely that these figures equate to turnover rather than GGY. Page 4 - Ronald K. Noble, INTERPOL Secretary General speech to the 1st MEETING ON COMBATING IRREGULAR & ILLEGAL SPORTS BETTING 1 March 2011, http://declinewill.com/blog/issue/fix-on-in & http://www.bbc.co.uk/sport/0/football/24354124
45 http://www.americangaming.org/industry-resources/research/fact-sheets/sports-wagering
This is highlighted by the approach adopted by Dafabet, shirt sponsor of English Premier League football club Aston Villa from the start of the 2013/14 season, having been the international betting partner of two clubs in the previous season to help promote its brand around the globe.47

The operator, which states that it is “one of the premier sports betting sites in Asia,” has also obtained an operating licence from the Isle of Man to cater for the European market and set up a separate European specific arm and website (Dafabet Sportsbook Euro) for European consumers.48

Explaining the reasoning behind this move, the Asian-based betting operator states that: “Differentiating the European and Asian styles of online betting on sports, [Dafabet] Sportsbook Euro’s aim is to cater to the European punters’ need not found on Asian Dafabet Sportsbook.”49

The system of bookmaking in Asia is also different from the European approach and where “Money is collected from the street, betting shops, online and telephone betting and is passed up through the agent system” creating a complex network of potentially anonymous transactions.50

Whilst remote betting businesses operate in a global market, and noting increasing evidence of expansion through brand acquisitions in new regions, there nevertheless remains a reliance on a specific core regional consumer base and associated products for many companies at this time.

For example, William Hill increased its international business to 15% of its overall revenues in 2013 (9% in 2012) through acquisitions in the US and Australia and a growing online business (50% growth in betting in 2012 and 30% in 2013), but the UK continues to be its core market (at 85%).51

Likewise for bwin.party, another major European-based operator which focuses on interactive forms of gambling (again sports betting forms a core part of its business) and where the European market still accounts for 85% of its revenues, led by Germany (23%) and the UK (10%).52

This regional product differentiation and operational focus is an important issue which is often overlooked and which will be explored further in the following section on sporting integrity issues and the impact of new types of bets offer by European-based and regulated bookmakers.

v. Market access

Many land-based gambling markets either continue to be the preserve of monopolies or require expenditure on in-country acquisitions of existing operations to make significant in-roads.

However, there are opportunities within the global land-based sector to grow that side of the business and which also facilitates the promotion of operators’ other platforms, notably remote.

Remote gambling has a potentially far greater reach across borders and companies’ growth strategies have a significant focus on access to new markets through interactive platforms; again operators have acquired local licensed brand identities as a means to market growth and entry.

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47 http://www.avfc.co.uk/page/NewsDetail/0,,10265~3206310,00.html
48 http://sportsbook.dafabet.com/uk
49 http://sportsbook.dafabet.com/uk
3.67 Much focus, particularly within the EU, has been around the issue of market access through remote gambling services and whether a local licence is required for each national market against a single licence facilitating multi-jurisdictional entry and the provision and movement of services.

3.68 The principal justifications for local licensing revolve around social (the protection of consumers) and fiscal (to derive direct taxation from licensed gambling services) issues.

3.69 Whilst this matter continues to be considered by national and transnational policymakers and legal authorities, experts have determined that: “Regulated internet gambling markets with local licences are continuing to take an ever increasing share of the world’s e-gaming revenues.”

3.70 Excluding lotteries, 40.4% of global revenues for internet sport betting, casino, poker and bingo came from e-gaming firms operating under a local licence in 2012, up from 38% in 2011.

3.71 There are, however, notably regional and product differences with 50% of global sports betting revenues earned under a local e-gaming licence in 2012 compared with 18% for casinos.

3.72 Whilst in “Western Europe local licences accounted for 65% of e-gaming revenues in 2012, whereas the figure was just 35% in Eastern Europe in the same year.”

3.73 Forecasts predict that by 2017 almost 44% of global gambling revenues will fall under a local e-gaming licence as new legislative regimes are development.

3.74 Europe in particular continues to see the creation of an increasing number of new regimes that permit licensed and regulated gambling to be offered by private operators and which is gradually removing the once dominant monopolistic approach favouring the lottery sector.

3.75 European states such as France, Spain, Belgium and Denmark have all adopted national licensing systems in recent years allowing private operators market entry, notably for sports betting.

3.76 Private operators have generally welcomed the opening of markets to competition and the ability to obtain a licence to operate in that jurisdiction, with the systems employed in Spain and Denmark notable positive examples, and where there has been a relatively high take-up of licences.

3.77 However, not all new gambling laws have been well-received, particularly where they entail relatively high tax levels, restrictions on the number of licences or that a land-based licence is required to conduct an online business, thereby potentially favouring existing in-country operations.

3.78 For example, Belgium’s Gaming Act 2009 (operational from January 2011) stipulates that you must have a land-based licence or be in partnership with a land-based company to offer online services. Whilst Serbia’s law to allow internet gambling by private operators, agreed in 2011 and operational from late 2013, requires players to deposit and withdraw funds at land-based outlets.

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54 Ibid.
55 Ibid.
56 Ibid.
57 Ibid.
58 http://www.uspoker.com/belgium/
3.79  Such requirements add additional operational costs and barriers to market entry, and which have resulted in a number of court cases, principally within the framework of the EU, surrounding the justification for these restrictive trade measures and the ability to provide services.

3.80  They also serve to drive consumers towards more attractive offers in other regulated and unregulated markets, which are not impacted by such business restrictions, and which appears to be contrary to the principal aim of establishing national legislation to cater for in-country demand.

3.81  It is estimated that 57% of European e-gaming revenues came from locally licensed operations in 2013, up from 55% in 2012, representing around $7.7 billion in gross gambling yield (GGY). This is forecast to reach $9.4 billion in 2017, equating to a 57% increase in GGY since 2011.59

Locally licensed e-gaming GGY in Europe (in $ billions)

<table>
<thead>
<tr>
<th>Year</th>
<th>GGY (in $ billions)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2011</td>
<td>6</td>
</tr>
<tr>
<td>2012</td>
<td>7</td>
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<tr>
<td>2013f</td>
<td>7.7</td>
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<td>2014f</td>
<td>8.4</td>
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<tr>
<td>2015f</td>
<td>8.8</td>
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<tr>
<td>2016f</td>
<td>9.1</td>
</tr>
<tr>
<td>2017f</td>
<td>9.4</td>
</tr>
</tbody>
</table>

Source: Global Betting and Gaming Consultants (GBGC)60

3.82  It is however argued by market analysts that “the fact that 43% of revenues [in 2013] are still coming from offshore jurisdictions suggests that the new regulatory models have not worked.”61

3.83  Nevertheless, by 2014 the majority of European countries have “now either issued national licences for online gambling or are looking at such a model, compared with just five countries which had one in place five years ago” in Italy, Malta, Czech Republic, Estonia and Latvia.62

3.84  In total, more than a dozen European countries are set to adopt or consider new online gambling reforms in 2014 with the sizeable UK and German markets to the forefront of that group.63

3.85  Great Britain was one of the earliest remote gambling licensing regimes (operational from September 2007), but which allowed operators regulated in comparable markets or other EEA states to operate without the need for a national licence from the British Gambling Commission.

3.86  That is intended to change with new legislation set to introduce a wholly national licensing regime from October 2014 for those wishing to transact with or advertise to UK consumers, albeit this modified policy approach may be the subject of a legal challenge by gambling operators.64

3.87  Portugal, Switzerland, Bosnia, Hungary, Romania, Lithuania, Sweden, Ireland, Norway and the Netherlands are also considering new regulatory regimes for online gambling.65

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61 Ibid.
62 http://www.gamblingcompliance.com/node/53112
63 Ibid.
3.88 This activity is set against the European Commission’s infringement action - that national gambling systems must respect EU law on the supply of cross-border services - announced in late 2013, involving: Sweden, Belgium, Cyprus, Czech Republic, Lithuania, Poland and Romania.66

3.89 Elsewhere in Europe, in mid-2014 the Russian government approved an amendment to its legislation (sent to the State Duma for consideration) which will potentially legalise online betting.67

3.90 Whilst outside of Europe, in late 2011 the American Department of Justice stated that the Federal Wire Act 1961, which was previously argued banned all forms of online gambling, only applied to sports betting and which thereby opened the way for state licensing of online gaming.68

3.91 In 2014, New Jersey continued its ongoing challenge of the federal prohibition on sports betting in any American state outside of Nevada, Delaware, Oregon and Montana, as unconstitutional and pressing the courts for a state-by-state approach to be permitted.69

3.92 India is also considering regulating its considerable and largely unlicensed sports betting market (outside of horse race betting at race tracks and betting in the states of Goa and Sikkim).70

3.93 From mid-April 2014, licensed private operators offering the Chinese Sports Lottery, through land-based and remote platforms, will be able to offer ten new sports bets, including tennis and handball, having previously been limited to accepting wagers only on football and basketball.71

Impact on the lottery sector and revenues to sport

3.94 As described in the previous section, increasing numbers of jurisdictions, European in particular, have and are considering opening their gambling markets with the direct licensing and taxation of private companies, most notably to offer regulated interactive gambling platforms.

3.95 There have been accompanying assertions, primarily from European lottery bodies, that the opening of gambling markets to competition, and where sports betting is a key product, will lead to a reduction in lottery revenues and thereby money allocated to good causes, including sport.72

3.96 It should be noted from the outset that the revenue for sport derived from the various forms of gambling e.g. state lotteries and private betting companies, and through differing mechanisms e.g. tax, statutory levies, commercial sponsorship and advertising, was shown by a report completed for the European Commission in 2011 to be a relatively small amount of the sector’s overall income.

3.97 The study estimated that the total revenue going to EU sport was €153.8 billion in 2008, of which €2.3 billion (or 1.5%) was provided from state lotteries, betting and gambling operators either
direct through commercial deals or channelled via governmental budgets as a result of taxation on those operations. Around 70% (£1.6 billion) of those funds were allocated to grassroots sport.73

3.98 Lottery bodies, in line with their key reason for existing and often with a monopoly over certain gambling products, play an important role in the provision of this income to sport; whilst their mandatory payments to other “good causes” amounted to €21.4 billion in the EU in 2008.74

3.99 This has further fuelled concerns within the wider lottery sector about the impact of increasing access to gambling markets by private companies and their associated revenue streams.

3.100 The global lottery sector has nevertheless continued to show steady growth in otherwise difficult economic circumstances with annual sales improving by 4.9% in 2013, following relatively strong growth during 2010-12 and which has continually outstripped global economic rates.75

Global lottery sector and economic growth rates 2010-2013

Source: World Lottery Association (WLA), International Monetary Fund (IMF) and Eurostat76

3.101 The various lottery organisations within EU jurisdictions, a region particularly hit by the global financial crisis and where austerity policies prevail (the EU showed a -0.4% economic growth rate in 2012 compared to a global rate of +3.2%), showed a -1.5% fall in GGR to €34 billion in 2012.77

3.102 The EU lottery sector nonetheless performed relatively well given that the overall European gambling market fell by 3.5% in 2012. Indeed, during the period 2007 to 2012, the EU lottery sector’s GGR increased from €31.9 billion to €34.1 billion (up 6.8%), an annual average rise of 1.3%, whereas the European gambling market was relatively flat at €89.9 billion (2007) and €90 billion (2012).78

3.103 Mandatory payments (taxes, the funding of sport and good causes) from the 53 reporting EU state lotteries during 2012 came to a total of €20.9bn, down 11.3% compared with 2011.79

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73 This figure excludes horse racing (e.g. levies etc). Pages 67 & 68 http://ec.europa.eu/internal_market/top_layer/docs/FinalReportVol1_en.pdf
3.104 However, this fall is “primarily accounted for by the decreases in Greece, Italy and Spain; if you exclude these 3 countries, then the 2012 change on 2011 is +2.9%.”

3.105 Indeed, analysts have commented that the “Eurozone crisis’s legacy will be felt for many years to come in economies across Europe and will continue to have an impact upon the region’s gambling markets” and is “really hurting the gambling sector in the likes of Greece and Spain.”

3.106 It should be noted that this hasn’t just impacted lotteries; in Spain, for example, the “data shows a strong link between falling GDP and a fall in revenues in different gambling sectors” and many private gambling operators have also been affected by a challenging trading environment.

3.107 Unlike regulated betting companies (and indeed unregulated) the lottery sector as a whole does not appear to have been as innovative in product category or platform development, which may have added to some lotteries’ difficulties during a challenging economic and operational period.

3.108 This is particularly the case with regard to the introduction of interactive product channels which have shown the largest recent year-on-year growth rates; although it should be remembered that land-based facilities still dominate the overall gambling market, including lotteries.

3.109 Private operators have been increasingly cultivating interactive betting and gaming platforms since the late 1990s. Whilst many lotteries, through legislative restrictions and/or lack of innovation and competition, have been relatively slow to react to consumer demand in this area.

3.110 However, market analysts state that this situation is changing as state lotteries “beginning to take a greater share of the internet gambling market as more lotteries launch more of their games online and through mobile devices. State lotteries are also expanding the range of games they offer and getting into new areas such as online poker and casino games.”

3.111 As a result, whilst all global interactive gambling products are set to grow strongly over the coming years, state lotteries “will grow at the fastest rate with a number of operators yet to launch a digital offering”, increasing their share of interactive gross win from 2.3% in 2013 to 4% by 2018.

3.112 Belgium’s Loterie Nationale is a case in point having reported record annual sales of €1.257 billion in 2012 following year-on-year growth of 8.7% and 4.9% in 2011 and 2012, a result of upturns in the popularity of Euro Millions draws and significant growth in online products.

3.113 This was achieved in a market that also licences private gambling operators (excluding lottery products) via land-based and, since 2011, online platforms and where Belgium’s Loterie Nationale has permission to compete in other product areas such as betting.

3.114 The national operator’s “e-lotto.be portal registered 50 percent growth in total sales to just over €65m in 2012” with growth in online sales of lottery draw games accelerating “to 36.9 percent...
3.115 The business also announced a number of “product expansions via the introduction of more advanced e-games, sports betting via the internet, subscription sales of Euro Millions, online gaming via mobile and lottery games sold via interactive digital TV.”

3.116 The “launch of sports betting was the main project of 2012” the national operator advised, with Loterie Nationale entering the country’s sports betting market following a “sharp increase in competition from private operators” due to the amendment to Belgium’s gambling law in 2010.

3.117 Whilst 2013 saw a 3.8% fall in sales, it nevertheless ranked as its second best year ever (after 2012) with the strongest performance coming from its online operation where the number of registered players increased 29% year-on-year to 362,000 and online sales rose 24.4% to €81m.

3.118 This product modernisation is being replicated across much of the European market where “39 state licensed lotteries in 21 EU member states offered games on the Internet in 2012; this is 14 more than 2011 (25), as almost all German lotteries have started with Internet sales in 2012.”

3.119 In 2012, these EU lotteries consequently contributed to “a total GGR through the Internet of €1.9bn – slightly more from the €1.6bn recorded in 2011. The annual compound growth of GGR through the Internet has averaged 19% over the past five years.”

3.120 For EU state lotteries that have had an interactive distribution channel since at least 2010, “this group has achieved a significant increase in Interactive channel sales (2012/10 CAGR 38.5%) and in 2012, the Interactive channel contributed by 85.6% to the Lotteries’ growth.”

3.121 Industry analysts state that for those “European lotteries which are permitted to sell casino-type games, poker and sports betting, it is typical for online sales to represent between 20% to 30% of total lottery sales” and that Lotto and sports betting are the most popular online products.

3.122 For example, “Austrian Lotteries began selling its products via the internet in 1998. Today, 41% of its total sales are derived online”, whilst for Sweden’s Svenska Spel sports betting represented 50% of total online sales in 2013, with lottery games at 27%.

3.123 Operating in conjunction with private gambling company bwin.party, Denmark’s land-based and former online monopoly Danske Spil has continued to thrive since legislation permitted private companies to compete against it online through gaming and betting products at the start 2012.
3.124 The operator posted a 13.8% rise in profits to DKK1.854 billion ($313.8 million) in 2012, with online gambling up nearly 60% to DDK1.21 billion GGR; online GGR increased to DKK1.3 billion in 2013 (up 8.2%). Reports suggest that it holds approximately 60-75% of the Danish online market.95

3.125 Danske Spil’s overall business GGR also increased from DKK3.904 billion pre-online market liberalisation in 2011 to DKK4.117 billion (up 5.4%) in 2012, and DKK4.469 billion (up 8.5%) in 2013.96

3.126 However, European lotteries still “widely differ in whether they offer a multi-faceted online casino program or simply sell their traditional games via the internet. For the latter, it is not usual for online sales to represent only 1% to 5% of total lottery sales”97 and growth potential is evident.

3.127 Whilst many lotteries have, albeit belatedly in some cases, increasingly modernised their product platforms in the face of a heightened competition, as a sector they have nevertheless continued to offer a poor return overall to consumers relative to private gambling operators.

3.128 Official EU lottery operator data shows that the sector increased pay-outs to consumers from 53% in 2004 to 56% in 2011, against private gambling operators who offered 91% and 94.5% in those years. Representatives of the regulated private online gambling sector broadly corroborate those figures, stating in 2012 that the average private sector online pay-out ratio was around 93%.98

3.129 It is unsurprising, therefore, if value orientated consumers might wish to seek out the products offered by the private sector, most notably via interactive channels, and lottery bodies have expressed concern about the impact of new operators on their revenues and market share.

3.130 In considering that, it should be recognised that lottery operators still hold the monopoly over their well-performing core lottery games and have an extensive and well-established land-based distribution network which is of significant economic advantage over other market operators.

3.131 To such an extent that the anti-competitiveness resulting from the cross-subsidisation of online operations by the land-based monopoly business of lottery bodies is being challenged.

3.132 In 2011, the French Competition Authority (FCA) expressed its concerns about the “risks for competition” in the online market from the benefits of brand identities and cross-subsidisation of the PMU (horse racing) and Française des Jeux (other sports betting) land-based monopolies.99

3.133 The FCA later determined that the advantages obtained from combining PMU’s land-based monopoly and online pools “is not competition through merit but through taking advantage, in a market open to competition, of the resources of a legal monopoly” and that they be separated.100

3.134 Belgium’s Competition Authority raided the offices of the Loterie Nationale in July 2013 as part of an on-going investigation into whether the operator abuses its land-based monopoly, and related distribution agreements, to cross-subsidise its online sports betting service.101
3.135 Denmark’s Gambling Authority is also investigating whether Danske Spil should be allowed to share a website and customer databases for its online and land-based companies; the operator has a land-based monopoly for lottery and gambling, but is in competition online.102

3.136 When assessing the impact on the lottery sector from what are primarily online market focused changes, it should be noted there is increasing evidence that “online customers tend to be different from existing land-based gambling customers” and that cannibalisation is relatively low.103

3.137 Recent research into the impact of interactive gambling products on land-based lotteries notes that “the emergence of Interactive Gaming has resulted in the broadening of the player base and created opportunities for operators to access, previously untapped demographic profiles.”104

3.138 It determines that: “data supports the notion that the distribution channels [land-based and online] fundamentally appeal to different demographic profiles of the player base and while there are areas they overlap, they function complementary to each other rather than in competition.”105

3.139 That further supports conclusions that online and land-based gambling have broadly distinct consumer bases and occupy different markets, thereby considerably reducing any direct impact by private gambling operators on the core lottery product revenues of national monopolies.

3.140 Direct competition is therefore likely to be focused on products such as casino games and sports betting, if offered by lotteries, and predominantly online as land-based markets and brand identities are likely to be well-established (or restricted monopolies) in the majority of jurisdictions.

3.141 There has however been a significant move away from pari-mutuel, which has been the principal lottery betting product, with consumers migrating to fixed odds betting platforms as those have become more widely accessible; the latter long being the mainstay of private operators.

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### EU lottery product gross gambling revenue 2010-2012 (in €millions)

<table>
<thead>
<tr>
<th>Game Category</th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Draw based games</td>
<td>22,440</td>
<td>23,00</td>
<td>22,405</td>
</tr>
<tr>
<td>Instant games</td>
<td>6,177</td>
<td>6,613</td>
<td>6,598</td>
</tr>
<tr>
<td>Sports betting (pari-mutuel)</td>
<td>639</td>
<td>577</td>
<td>552</td>
</tr>
<tr>
<td>Sports betting (fixed odds)</td>
<td>1,396</td>
<td>1,343</td>
<td>1,398</td>
</tr>
<tr>
<td>Gaming machines</td>
<td>2,171</td>
<td>2,754</td>
<td>2,847</td>
</tr>
<tr>
<td>Other</td>
<td>346</td>
<td>366</td>
<td>331</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>33,169</td>
<td>34,652</td>
<td>34,131</td>
</tr>
</tbody>
</table>

Source: European Lotteries

3.142 For EU lottery operators in 2012, the “two sports games categories, pari-mutuel and fixed-odds wagering, totalled a GGR in the EU of €1.9bn (6% of the total GGR). However, sports wagering pari-mutuel continued its decline and GGR dropped 4% from 2011.”

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105 [http://aqueriainternational.com/lottery-insights/lottery-interactive-channel-vs-online-channel/](http://aqueriainternational.com/lottery-insights/lottery-interactive-channel-vs-online-channel/)

106 Ibid.

107 [http://www.european-lotteries.org/list/elise](http://www.european-lotteries.org/list/elise)
3.143 The average annual decrease in pari-mutuel betting since 2007 has been 11.2%, whilst "Fixed-odds betting saw an increase of 4% compared with 2011 and showed a total GGR of €1.4bn in 2012. National lotteries in 16 EU member states offered fixed odds betting in 2012."\(^\text{107}\)

3.144 It should however be noted that the betting GGR of European lottery bodies represents a small part of their overall GGR - indeed not all lotteries offer these products - and core lottery products remain relatively strong in the face of increased market access for private operators.

3.145 Given that many EU lotteries do not offer betting products (available in less than 60% of EU countries in 2012) or have not fully exploited this product through online channels, there remains the potential for significant product evolution, market gain and positive fiscal returns in this area.

3.146 Globally, lotteries maintain a monopoly over their well-performing core business product (which represents over 28% of the global gambling market) and their overall business has continued to show healthy upward progress, outstripping worldwide economic growth rates.

3.147 At the time of writing, the most recent data points to a continued upturn on a global and European stage for the lottery sector, with the first quarter results for 2014 showing 8.9% growth globally and 4.2% growth across Europe compared to the same period in 2013.\(^\text{108}\)

3.148 The increase in sales in Europe was particularly notable as it was “set against the backdrop of the continuing stagnation of the European economy, where seasonally adjusted GDP rose by only 0.2% in the euro area (EA18) for the quarter and by only 0.3% in the wider EU28.”\(^\text{109}\)

3.149 Whilst some EU lotteries have been significantly impacted by the economic downturn, others have shown relatively strong business activity, with new innovations and increased utilisation of interactive product channels forecast to further improve revenues and market share.

3.150 Such growth, even in a difficult wider economic period and where markets are opening, could be seen to challenge arguments by the European Lottery sector which, in 2007, stated that “Liberalisation of the gaming sector will reduce the revenues generated by State lotteries.”\(^\text{110}\)

3.151 Indeed, general assertions that the opening of gambling markets to competition involving regulated private operators will lead to a reduction in lottery revenues and thereby money allocated to good causes, including sport, does not appear to be corroborated by the evidence since that time.

3.152 However, if lottery bodies are slow to offer modern and competitive products then revenues for areas such as sport may fall as a result of consumer migration. That does not justify market or product restrictions on more innovative private companies; they are not the underlying issue.

3.153 Wider fiscal benefits such as increased taxation from licensed private gambling operators, which can then be used for sport and other good causes, and greater competition for sport’s core business attributes, including sponsorship and advertising, also needs to be assessed more fully.

\(^{107}\) Page 3 ELISE Summary 2012 https://www.european-lotteries.org/search/apachesolr_search?filters=tid%3A14&sort=tds_cck_field_date%20desc
\(^{109}\) Ibid.
\(^{110}\) Page 19 http://londoneconomics.co.uk/l/e/publications/pdf/Gaming%20in%20the%20EU.pdf
The global sports industry: overview of revenues

3.154 The global sports sector was estimated to be worth around $130 billion in 2012 and is forecast to reach over $146 billion in 2014 (representing a 12.3% increase).\(^{111}\)

3.155 In terms of product share, media rights and sponsorship combined are estimated to have made up about 55% of total global sports sector revenues in 2012, with the remainder from gate receipts (the largest individual sector at around 31%) and then merchandising (14%).

![Global sports sector revenues 2010-14 (by $ billions) chart]

Source: PwC\(^{112}\)

3.156 From a regional perspective, North America and the EMEA (Europe, the Middle East and Africa) were estimated to have dominated the global sports market with 40.8% and 36.4% respectively in 2012. That market share is anticipated to remain relatively static in 2014.

![Media rights share by region 2010-14 (in $ billions) chart]

Source: PwC\(^{113}\)

3.157 Media rights and sponsorship revenues are predicted to show the greatest growth rates between 2010 and 2014, each accounting for increases of around 30%, significantly outstripping growth in gate receipts (10%) and merchandising (11%).

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\(^{112}\) Ibid.

\(^{113}\) Ibid.
3.158 As a result, they are forecast to represent a combined impact of 57% of global sports revenues in 2014 (up from 53% in 2010) and to equate to around $83.4 billion (up from $64.2 billion in 2010). The EMEA and North America have led the way in these two key growth markets.

3.159 FIFA estimates that it will see revenue of around $4 billion from the World Cup in Brazil (the previous event in South Africa generated $3.7 billion), with between 60% and 65% of that revenue coming from the sale of broadcast rights and another 35-40% in marketing, including sponsorship.\(^{115}\)

3.160 Whilst the International Olympic Committee (IOC) expects the sum raised from broadcasting rights for the Olympic cycle encompassing the Sochi 2014 and Rio 2016 Games to top $4.1 billion. This compares with a total of $3.85 billion for the Vancouver 2010 to London 2012 Olympic cycle.\(^{116}\)

3.161 Broadcast revenues have been a key driver across sport with research predicting that the value of global premium sports broadcast rights will increase by 14% in 2014, reaching $24.2 billion. This compares with an average growth of 5% in this area between 2009 and 2013.\(^{117}\)

3.162 This is all the more impressive as the definition of premium sports broadcast rights is based only on recurring annual sports competitions; it therefore does not include major quadrennial events such as the FIFA World Cup or Summer and Winter Olympic Games.\(^{118}\)

3.163 Around 75% of the total value of these premium broadcast rights fees are generated by just ten competitions: the top-tier domestic football leagues in England, France, Germany, Italy and Spain, the UEFA Champions League and the four major North American professional leagues.\(^{119}\)

3.164 The continuing financial power of sport is acutely demonstrated by the fiscal position of European football leagues which equated to €19.4 billion in 2011/12, with the big five leagues (England, Germany, Italy, France and Spain) accounting for €9.3 billion (nearly 50%) of this figure.\(^{120}\)

\(^{114}\) Ibid.


\(^{118}\) Ibid.

\(^{119}\) Ibid.

3.165 Indeed, the robust fiscal position of European football has been shown by its ability to increase its revenue streams in an otherwise difficult economic period, especially in Europe; from 2007/07 to 2011/12, the total European football market has increased by over 42%.

3.166 This shows no sign of decreasing as, for example, already agreed deals will see the Premier League receive a 71% increase in the value of its domestic live match rights from 2013/14, whilst the amount paid for UK rights to UEFA’s top club competitions will double in value from 2015/16.122

3.167 The English Premier League is one of the most successful global sports leagues and sold its latest three-year domestic broadcast rights (from 2013/14 to 2015/16) for just over £3 billion (or €3.7 billion), with at least another £2.2 billion (£2.7 billion) in international sales expected.123

3.168 The Premier League’s international media rights have grown by more than 1000% in a little over a decade and demonstrate the increasing globalisation of the business of sport.124

3.169 It has also, however, coincided with increasing levels of debt with, for example, Spain’s Ministry of Education, Culture and Sport advising that in 2011/12 combined debts in the Primera Liga stood at €3.3 billion, whilst Premier League clubs had a debt of around €3 billion (£2.4bn).125

The global sports industry: gambling related revenues

i. Database rights and revenues

3.170 The sports sector has long argued that it should receive a direct payment for the use of basic sports-related data, such as the names of clubs and players, used by regulated betting operators when framing sports betting markets and determining the odds surrounding specific events.

3.171 This is generally referred to as a sports organisers’ right and is what the sports sector has determined represents a fair financial return. Sports have thus pressed governments to establish a legal framework that creates a new commercial data revenue channel for sporting bodies to exploit.

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sports betting: commercial and integrity issues

3.172 The European Parliament has consistently supported this approach, most recently in its Resolution on Online Gambling agreed in September 2013, and in which it “reaffirms its position that sports bets are a form of commercial use of sporting competitions”\(^\text{126}\).

3.173 As such, the Parliament states that: “sporting competitions should be protected from any unauthorised commercial use, notably by recognising the property rights of sports event organisers,” and in doing so securing a “fair financial return” for those sporting bodies from related betting.\(^\text{127}\)

3.174 It is a model which is specifically directed towards the regulated betting sector, or discriminating against it, akin to a levy (see later section); if this approach were to be imposed consistently then it would also impact other profit making businesses that use exactly same data, such as the print media, but which sports do not appear to wish to seek a similar payment from.

3.175 Sports bodies have promoted the French online legislation, which forces betting operators licensed in that country to make integrity payments to national sports bodies for the use of their events for betting, and the Australian State of Victoria which enforces commercial and integrity payments, as models to be employed in other jurisdictions, notably within the EU or EU-wide.

3.176 It is important to note that the sports sector’s justification for this approach was initially principally predicated on a commercial argument, and that this was also the focus of the French law until questioned by the European Commission as potentially infringing EU Treaty provisions.\(^\text{128}\)

3.177 In particular, the Commission highlighted restrictions to the freedom to provide services and also noted that sports-related data could not qualify for sui generis database right protection.\(^\text{129}\)

3.178 As a result, and as the issue of match-fixing and sporting corruption has gained momentum in recent years, sports have instead increasingly focused on this model as an integrity payment (this issue is covered in detail the following chapter, but in short the approach has been shown to have numerous legal and practical obstacles as well as being a predominantly inefficient mechanism).\(^\text{130}\)

3.179 The European Commission contracted the Asser Institute and the University of Amsterdam to look into the issue of sports organisers’ rights in general, and specifically related to betting.

3.180 Their report was published in April 2014 and is predominately critical of the sports’ betting right approach. Whilst much of the Asser report is focused on the justification of the model from an integrity standpoint (see following chapter), there are some important commercially related aspects.

3.181 Firstly, it should be noted that this matter, from a commercial perspective, principally relates to the use of data concerning sporting events e.g. fixture lists, and has been the subject of judicial action resulting in some pivotal judgments from the Court of Justice of the European Union (CJEU).

3.182 As the Asser study notes, the reproduction of fixtures and sporting schedules by betting operators both in print and online has raised questions as to whether this data qualified for protection under the law of intellectual property, in particular copyright and/or database right.\(^\text{131}\)
3.183 The EU Database Directive, adopted in 1996 and implemented by Member States during the period 1996-2000, has harmonised the copyright protection for databases in the region and has also introduced a *sui generis* protection for databases.  

3.184 The Asser report thus explains that that the: “Directive establishes a two-tier protection regime. First, Member States are to protect databases by copyright as intellectual creations. Second, Member States must provide for a *sui generis* database right to protect the contents of a database in which the producer has substantially invested.” Both rights can apply cumulatively.  

3.185 The scope of the Directive, in relation to sporting data used by betting operators within the EU, has as stated been addressed in a number of legal cases covering both *sui generis* and copyright.  

3.186 In particular, on the issue of *sui generis* protection for fixtures and sporting schedules under the Database Directive, in the *BHB v. William Hill Ltd and Fixtures Marketing* cases in 2004 the CJEU determined that the data used by betting operators does not form a substantial part of the database and that the data taken is not the subject of relevant investment to justify payment.  

3.187 The *sui generis* database right is a special intellectual property right that protects the investment of the database producer, i.e. the skill, labour and financial means invested in the database.” To qualify the investment must be “substantial”, either in a “qualitative” and/or a “quantitative” sense. The CJEU held that this was not the case with fixtures and sports schedules.  

3.188 The Asser report notes, however, that in the *Football Dataco Ltd v. Stan James and Sportradar* (2013), which concerned a database collecting and reporting live statistics of football matches, the English Court of Appeals determined that there is a *sui generis* right in this database as the investment in obtaining such “live” football statistics is “substantial”. An appeal is expected.  

3.189 On the issue of copyright, a database receives protection only if “by reason of the selection or arrangement of their contents, [they] constitute the author’s own intellectual creation”.  

3.190 The sports data issue was considered in the CJEU Opinion of Advocate General Mengozzi in December 2011 where he concluded that fixture lists do not give rise to a copyright and that “the very idea of using copyright to protect football fixture lists seems peculiar, to say the least.”  

3.191 The plaintiffs in *Football Dataco Ltd. and the English and Scottish football leagues v Yahoo, Stan James and others* had argued that fixtures lists were protected under UK copyright law based on the intellectual effort and skill in creating both the fixture data and the complete fixtures lists.  

3.192 However, following a similar line of argument as the previous *sui generis* decisions, it was deemed by the CJEU that that in a fixture list “the determination of all the elements relating to each single match is a data creation activity” and not “an original intellectual creation of its author.”

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3.193 This “clearly rules out copyright protection for fixtures lists and sports events schedules.”\(^{139}\)

3.194 As a result of a number of adverse legal rulings the sports sector has advocated that the Database Directive be amended to allow for the protection of fixture lists and sporting schedules.

3.195 The European Commission considered the impact of the Directive and the CJEU rulings on sport in 2005 but noted that it “put to rest any fear of abuse of a dominant position that this entity would have on data and information it ‘created’ itself (so-called ‘single-source’ databases).”\(^{140}\)

3.196 “In other words, amending the Directive to meet the demands of the sports organisers would bear the risk of creating undesirable information monopolies” as the Asser report put it; the European Commission wished to avoid establishing such single-source information monopolies.\(^{141}\)

3.197 Whilst withdrawing the entire Directive is noted as being “highly unlikely, not only because this would require the consent of a majority of Member States by now well attuned to the Directive and its national implementations, but also because the Directive has become part of the Community acquis imposed on the EU’s trade partners by way of an assortment of trade agreements.”\(^{142}\)

3.198 The compatibility of the French right to bet system with EU law is therefore open to question; whilst professing to be an integrity provision it was clearly borne out of commercial considerations (sports-related data which could not qualify for database right protection) and amended when the justification for this premise was challenged by the European Commission.\(^{143}\)

3.199 The underlining reasoning, whilst subsequently amended when concerns were raised, was therefore commercial and the requirement for betting operators to obtain the consent (for a payment) from sporting bodies for offering betting on their events could be deemed to impede or render less attractive the free provision of gambling services in contradiction of EU law.

3.200 It is important to note that whilst the French sports right system has subsequently been presented as an integrity provision, the application of the model is not predicated on sports demonstrating they have put in place integrity measures, merely that they “intend” to do so.\(^{144}\)

3.201 Furthermore, French regulator ARJEL has advised: “Excluding football, tennis and rugby, the amounts paid by operators to organisers remain small. For some of them, it does not cover the costs incurred for risk prevention.” This questions the fundamental integrity basis of the model.\(^{145}\)

3.202 Sports bodies argue that the current commercial deals (sponsorship, advertising etc.) with regulated betting operators predominantly benefit already wealthy clubs rather than leagues or federations who redistribute the income among all of their members, and that a new model that guarantees that all sports are funded in a fair and proportionate way is therefore required.\(^{146}\)


3.203 It is stated that a right to bet would “secure a fair financial return to sports bodies and their members, providing funding to further protect the integrity of the game, but also finance other areas such as youth, amateur and female sport to develop the economic and social role of sport.”

3.204 Sports bodies are continually linking a “fair financial return” for the supposed commercial exploitation of sporting events with the protection of the integrity of sporting events.

3.205 However, it is important to recognise that, as the Asser report for the European Commission states: “the two sets of arguments are distinct and can be accommodated by diverse regulatory responses without recourse to an express recognition of a sports organisers’ right that would cover all types of commercial exploitation of sports events, including the organisation of bets.”

3.206 The Asser report also further concludes that the evidence from the application of the right to bet approach in both Australia and France confirms that only the most commercially attractive sports are capable of generating a substantial financial return, thereby contradicting the supposed aim of the sports sector in arguing for this approach to redistribute income more widely.

3.207 With regard to the redistribution of income to grassroots sport etc., again the experiences in Australia and France indicate that for most sports the financial return would be insufficient to cover their integrity costs. It “is therefore unclear how (additional) revenue generated by the right consent to bets could filter down to the members of the leagues and federations” for other areas.

3.208 Moreover, it should be noted that grassroots sport is already a major recipient of state lottery income, and where that product is often provided under a monopoly licence with a clear mandate to benefit good causes, such as sport. An alternate system is therefore already in place.

3.209 The right to bet model also brings with it anti-competition concerns regarding the imposition of a power that enables a sport to effectively control the organisation of bets on its events within a Member State. This grants a legal monopoly to sports organisers and could be considered as leading to the creation of a dominant position within the meaning of Article 102 TFEU.

3.210 This could involve sports imposing excessive prices on betting operators for the consent to bet or the refusal to allow betting. The mitigating measures required to oversee and address these issues potentially adds additional administrative and cost burdens on regulatory authorities.

3.211 Indeed, the right to bet model involves particularly high transaction costs associated with lengthy administrative and procedure requirements placing further burdens on the regulator to oversee such arrangements and to focus resources here instead of wider social gambling concerns.

3.212 It is also widely held that the introduction of a new fiscal benefit for sport constitutes a State aid within the framework of the EU and it is difficult to conclude that a new commercially focused sports organisers’ right would be compatible with EU law and it would undoubtedly be challenged.

3.213 It is, therefore, understandable that only a handful of jurisdictions have adopted this approach from an integrity and/or commercial perspective. Several EU Member States that have


28
recently proceeded to the opening of their betting markets to suitably licensed operators have instead opted for alternative mechanisms to collect and allocate revenue derived from gambling to sport.  

3.214 However, whilst sports bodies have been limited from commercially exploiting the use of sporting data by Court of Justice of the European Union decisions in particular, payments are being made, albeit to specialised data companies licensed by sporting bodies rather than direct to sport.

3.215 UK football is a useful example in this area and where the English Premier League, along with the English and Scottish Football Leagues, has licensed the Preform Group as its “official and exclusive supplier of live data to the betting sector” for three years from July 2013.  

3.216 Through a “range of real-time data, sports information and statistics” the organisation states that it provides “integrated solutions that drive engagement and propensity to bet” involving the delivery of “up to 880 data points per match to bookmaker clients”, covering over 62,000 events in 1,700 leagues and competitions for eight of the most popular betting sports.

Perform’s content distribution revenue 2010-13 (in £ millions)

Source: Perform

3.217 Perform’s content distribution revenues, of which the data services provided to betting operators forms a significant part, more than trebled between 2010 to 2013 reaching £132.9 million, highlighting the value of such arrangements with both sporting bodies and betting operators.

ii. Picture right revenues

3.218 The availability of sports broadcasts has for many decades been a basic part of the service offered to consumers by retail betting premises, primarily surrounding horse and greyhound racing.

3.219 This has been significantly enhanced in recent times by the increasing availability of dedicated sports channels with operators progressively providing betting markets associated with those events and which is a key driver of the revenues generated from those products.

3.220 In February 2013, regulated betting operator Ladbrokes announced that it had entered a multi-year agreement with BSkyB (Sky) for that broadcaster’s dedicated sports channels to be distributed to its entire retail estate covering 2,488 betting shops across the UK and Ireland.
3.221 It made this investment in acquiring sports broadcasts on the basis that “there is significant potential to increase ‘Bet in Play’ in retail” and that the provision of this service would serve to “drive new product innovation to create greater interaction and engagement with customers.”\(^\text{157}\)

3.222 Online betting platforms also offer this service by “streaming” picture content to their customers; again this is to help drive the revenues generated by associated betting products.

3.223 The Perform Group, in addition to the provision of in-play data (see section above), also offers these streaming facilities for bookmakers’ digital services to help “monetise audiences”.\(^\text{158}\)

3.224 Under licence from the various sports rights holders, the organisation states that it provides “video which covers over 16,000 live events per year with a range of real-time data, sports information and statistics” which “drive engagement and propensity to bet.”\(^\text{159}\)

![Perform’s betting operator streaming service: live events 2013](image)

Source: Perform\(^\text{160}\)

3.225 This has been area of significant growth and expenditure by regulated online betting operators with Perform’s Watch & Bet platform alone:

- Being used by 40 of the biggest global bookmakers;
- Formatted for online and mobile distribution; and
- Providing 24/7 coverage to stimulate betting activity.\(^\text{161}\)

3.226 Such commercial activity serves to significantly increase the value of sports’ picture rights and associated licensing by a range of sporting bodies.

### iii. Sponsorship spend

3.227 Further highlighting this mutually beneficial relationship, commercial sponsorship of the sport sector by gambling companies was reported by the European Sponsorship Association (ESA) in 2013 to have “become a significant source of sponsorship funding for sports organisations”.\(^\text{162}\)

3.228 Gambling sponsors were “ranked joint 7th of all business sectors for worldwide reported deals in 2011, with 73 gambling sponsorship deals reported in 2011 compared to 21 in 2007”.\(^\text{163}\)

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\(^{157}\) Ibid.

\(^{158}\) http://www.performbettingsolutions.com/

\(^{159}\) Ibid.

\(^{160}\) Consumer Solutions http://www.performbettingsolutions.com/

\(^{161}\) Ibid.

\(^{162}\) http://www.sponsorship.org/content/policy_papers/ESA_Gambling_Bill_submission_Jan13.pdf

\(^{163}\) Ibid.
This sponsorship has remained steady with 74 deals reported in 2012, predominantly led by regulated private gambling companies operating in an international consumer market place.164

![Number of global gambling sponsorship deals in sport 2007-2012](image)

Source: European Sponsorship Association and the World Sponsorship Monitor165

As a result, the World Sponsorship Monitor noted that the sector as “one of the fastest risers” with “almost 350% growth in five years” and that “the value of gambling sponsorship deals reported since 2007 runs into the hundreds of millions and the upward trend is continuing.”166

From a European perspective, “the number of gambling operators becoming leading shirt sponsors in the top 5 markets in Europe grew from 1 in 2002/3 to 26 in 2010/11.”167

This is in line with increased access for operators into new gambling markets, notably in the European region. It should, however, be noted that significant restrictions on gambling sponsorship remain at both global and European levels limiting investment opportunities.

The evidence from existing markets suggests that further growth in gambling sector sports sponsorship investment will be forthcoming with associated national legislative change.168

In line with its position as the leading global sport and betting product, football is a main focus of regulated gambling operators’ global sponsorship strategies. With the major European leagues in particular being broadcast around the world, such sponsorship channels are highly sought after by gambling operators and other sectors, recouping associated high-level values.

For the English Premier League football clubs, for example, shirt sponsorship from gambling companies has become a constant and significant form of revenue averaging 5 English Premier League club sponsorships per year for the last 5 seasons (2009/10 to 2013/14).169

That figure represents 25% of the league and only the global financial sector can boost more club sponsorships during that period, averaging just over 6 per season (or around 30%).170

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164 Ibid.
165 Ibid.
166 Ibid.
167 Ibid.
168 Ibid.
169 Ibid.
170 Ibid.
163 Ibid. It has been reported that “the lifting of regulations banning beer sponsorship in US, has led to substantial sponsorship deals for the NFL, NHL and MLS, and triggered a sharp jump in sponsorship spending by alcohol companies.” See Page 21 http://www.pwc.com/en_us/gx/hospitality-leisure/pdf/changing-the-game-outlook-for-the-global-sports-market-to-2015.pdf
3.237 The total investment by regulated gambling companies in English Premier League club sponsorship deals during this 5-year period is valued at around £60.3m.

3.238 The importance of shirt sponsorships “varies from club to club in terms of ratio of total income, from two to 10 per cent of club’s annual revenues” according to industry analysts.172

3.239 Lower division English football league clubs have also benefited via shirt sponsorship deals with gambling operators and, in addition, event and competition sponsorship has also been evident.

3.240 This has notably included Skybet’s (gambling subsidiary of global sports broadcaster BskyB (Sky)) sponsorship of the three English professional leagues below the Premiership (Championship, League 1 and 2) in a deal worth a reported £30 million over 5 years from 2013/14.173

3.241 There has been similar activity in other European and global sponsorship markets, where legislative frameworks permit, and many other sports leagues and clubs have been the recipients of significant related commercial investment from the regulated gambling sector.

3.242 Secondary tier sponsorship channels for gambling, often termed as official betting partner, are also being increasingly established by the sports sector with regional specific applications to generate yet further gambling related fiscal benefits for the sector.

3.243 To highlight the potential value of these second tier sponsorships, the two-year deal between Asian-based sports betting operator Mansion and English Premier League football club Manchester City, announced in 2011, was reportedly worth around £3 million.174

3.244 That deal followed a £34 million four-year investment by Mansion as the main shirt sponsor of Premier League football club Tottenham Hotspur from 2006/7 to 2009/10.175

3.245 In addition to second tier sponsorships with Paddy Power (UK) and 188BET (international), Liverpool football club also agreed a deal covering the Turkish market with local sports betting operator Misli in 2012 which the club described as part of its “geo-targeted betting strategy”.176
English Premier League clubs’ regional betting partner deals 2013/14

<table>
<thead>
<tr>
<th>Premier League Football Club</th>
<th>Betting Partner: UK</th>
<th>Betting Partner: Global or Asian</th>
</tr>
</thead>
<tbody>
<tr>
<td>Arsenal</td>
<td>Paddy Power</td>
<td>Bodog</td>
</tr>
<tr>
<td>Aston Villa</td>
<td>Dafabet</td>
<td>-</td>
</tr>
<tr>
<td>Cardiff City</td>
<td>BetButler</td>
<td>-</td>
</tr>
<tr>
<td>Chelsea</td>
<td>Coral</td>
<td>188BET</td>
</tr>
<tr>
<td>Crystal Palace</td>
<td>12Bet</td>
<td>-</td>
</tr>
<tr>
<td>Everton</td>
<td>Paddy Power</td>
<td>Dafabet</td>
</tr>
<tr>
<td>Fulham</td>
<td>BetButler</td>
<td>-</td>
</tr>
<tr>
<td>Hull City</td>
<td>-</td>
<td>SBOBet</td>
</tr>
<tr>
<td>Liverpool</td>
<td>Paddy Power</td>
<td>188BET</td>
</tr>
<tr>
<td>Manchester City</td>
<td>Paddy Power</td>
<td>188BET</td>
</tr>
<tr>
<td>Manchester United</td>
<td>bwin</td>
<td>-</td>
</tr>
<tr>
<td>Newcastle United</td>
<td>BetButler</td>
<td>138.com</td>
</tr>
<tr>
<td>Norwich City</td>
<td>-</td>
<td>SBOBet</td>
</tr>
<tr>
<td>Southampton</td>
<td>-</td>
<td>SBOBet</td>
</tr>
<tr>
<td>Stoke City</td>
<td>bet365</td>
<td>-</td>
</tr>
<tr>
<td>Sunderland</td>
<td>BetButler</td>
<td>TLC88.com</td>
</tr>
<tr>
<td>Swansea City</td>
<td>-</td>
<td>SBOBet</td>
</tr>
<tr>
<td>Tottenham Hotspur</td>
<td>Betfred</td>
<td>Fun88 (as Hotspur88)</td>
</tr>
<tr>
<td>West Bromwich Albion</td>
<td>BetButler</td>
<td>TLC88.com</td>
</tr>
<tr>
<td>West Ham United</td>
<td>bet365</td>
<td>SBOBet</td>
</tr>
</tbody>
</table>

Source: Various media reports

3.246 Betting operators have followed a similar approach, with bwin.party establishing second tier sponsorships with Manchester United (England), Marseilles (France), Real Madrid (Spain), Bayern Munich (Germany), Juventus (Italy) and Anderlecht (Belgium) in the 2013/14 season.\(^{178}\)

3.247 Whilst the deals established by betting operator Paddy Power with English Premier League football clubs enables it to exploit this commercial arrangement in its UK, Irish and Italian markets.

iv. Advertising spend

3.248 The other principal approach to promoting gambling products, where legislative frameworks allow, is to utilise media advertising channels via print, radio, interactive and broadcast platforms.

3.249 The UK provides such opportunities, within certain advertising code restrictions and as a result of the introduction of the Gambling Act in late 2007, and where such commercial opportunities have created increased competition and enhanced the value of sports media rights.

3.250 In early 2013, the UK Advertising Association stated that: “The advertising sector has benefited considerably from the liberalisation of this market with annual advertising spend currently around £200 million,” up from around £150 million, as advised by the association in mid-2011.\(^{179}\)


3.251 UK advertising research has found that “TV advertising creates an average return of £1.70 for every £1 invested. This compares with £1.48 for radio advertising, £1.40 for press, £1.06 for online static display, and 45p for outdoor marketing.”\textsuperscript{180}

3.252 The study also found that “TV advertising is 2.5 times more effective at creating sales uplift per equivalent exposure than the next best performing medium, which was press at 37%.”\textsuperscript{181}

3.253 Other than direct sponsorship, the principal and most effective form of promoting products using sport is therefore to obtain television advertising space around live sporting events.

3.254 The “total number of gambling advertisement spots shown on television increased from 152,000 in 2006 to 537,000 in 2008 after the market was liberalised, reaching 1.39 million in 2012” advised Ofcom, the UK regulatory and competition authority for the communications industries.\textsuperscript{182}

3.255 Gambling sector commercials accounted for 4.1% of all television advertising spots in 2012, up from 1.7% in 2008 and 0.7% in 2006, representing a near 600% increase since 2006, whilst the total number of advertising slots only increased by 60% (from 21m in 2006 to 32.8m in 2012).\textsuperscript{183}

\begin{figure}[h]
\centering
\includegraphics[width=0.5\textwidth]{product_share_uk_tv_gambling_commercials_2012.png}
\caption{Product share of UK television gambling commercials in 2012}
\end{figure}

\begin{tabular}{c|c|c}
\hline
Product & Share of UK TV Gambling Commercials in 2012 & Source: Ofcom\textsuperscript{184} \\
\hline
Bingo & 38.3\% & \\
Online casino and poker & 25.6\% & \\
Lotteries and scratch cards & 29.6\% & \\
Sports betting & 6.6\% & \\
\hline
\end{tabular}

3.256 Although only accounting for 6.6\% of all gambling adverts, television commercials for sports betting have nevertheless increased rapidly from 3,000 in 2006 to around 91,000 in 2012.\textsuperscript{185}

3.257 That represents growth of over 3000\% during that 7-year period, and nearly 2000\% since 2008 and the introduction of new UK gambling and advertising laws.\textsuperscript{186}

3.258 Dedicated sports broadcast channels have been the major beneficiary of this uplift receiving an average of around 50\% of all sports betting commercials per annum since 2006.\textsuperscript{187}

3.259 In line with significant investment in sports sponsorship and the increasing amount of sport broadcast around the world, gambling companies have also increasingly sought advertising opportunities at sporting events to promote their services and to reach out to a global audience.

\textsuperscript{180} http://www.thinkbox.tv/server/show/nav.1818 and http://www.digitalspy.co.uk/media/news/a345390/television-advertising-creates-most-profit.html
\textsuperscript{181} Ibid.
\textsuperscript{182} Page 69 & 71 http://media.ofcom.org.uk/2013/11/ofcom-publishes-research-on-tv-gambling-adverts/
\textsuperscript{183} Ibid.
\textsuperscript{184} Ibid.
\textsuperscript{185} Ibid.
\textsuperscript{186} Ibid.
\textsuperscript{187} Ibid. Note: The UK Gambling Act 2005 came into force on 1 September 2007.
3.260 These often involve perimeter boards and banners around sports grounds, but other opportunities have also been exploited such as advertising on club websites (in addition to lower tier sponsorship – see above) and seeking to build on the growing link between betting and sport.

v. **Levies and other gambling related sports revenues**

3.261 Legislative provisions to ensure fiscal benefits flow from betting to the horse racing sector are commonplace around the world and recognise a close historical association between the two.

3.262 Such arrangements can be in the form of a track-based or wider monopoly provision of betting, or through a levy (or deduction) on the associated betting revenues of operators licensed in that jurisdiction as a statutory way of ensuring a dedicated funding stream for the sector.

3.263 For example, Ireland has a betting levy for horse and greyhound racing, whilst in New Zealand and parts of Australia similar levies are place for horse and dog racing, but also other sports.

3.264 British horse racing currently benefits from a statutory betting levy, although successive governments have expressed a desire to repeal this process in favour of fully commercial arrangements between the two sectors, as exists with broadcast picture rights for example.

3.265 Repealing the British racing levy has however become more complicated following a number of legal judgments (see section on data revenues above) which have prevented the enforcement of a sports data payment on regulated betting operators (public and private) within the EU.

3.266 As such, and noting the increasing amount of global betting activity on European sporting events in particular, there have been corresponding calls by sports and others within the EU for levies to be expanded to cover all sports and/or new betting products such as remote betting.

3.267 Levies, such as those in racing, were in place prior to the formation of the EU and have not therefore been subject to scrutiny as pre-existing arrangements, but any significant change to those processes or any new levy would need to be notified and assessed by the European Commission. 188

3.268 The introduction of what would be a new commercial platform benefiting the wider sports sector either by extending the existing racing levy to other sports, or a sports’ betting right, would very likely represent a State aid and one which is also unlikely to be compatible with EU law. 189

3.269 In addition, and as already highlighted, EU sports have increasingly benefited from a range of commercial arrangements around betting and, at grassroots level in particular, many sports continue to receive significant assistance from lottery revenues, which has further weaken the levy argument.

3.270 Some British sports clubs have in recent years also started to offer their own lottery products, in association with licensed software and operating partners, as a means to increasing associated revenues in addition to the many other commercial platforms around gambling.

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189 Ibid.
Chapter 4: INTEGRITY ISSUES

4.1 The scale of the impact on the integrity of sport continues to be a key focus of the debate surrounding the availability of betting on sporting events, heightened in recent times by a perceived increase in incidents of match-fixing relating to enhanced access to new betting products.

4.2 A number of independent and informed parties, such as international law enforcement bodies, have identified criminal elements colluding with corrupt sportspeople and utilising unregulated betting markets as the main factor behind these attacks on sporting integrity.

4.3 Nevertheless, this discussion has often been characterised by a promotion of restrictions on the betting products offered by regulated betting operators, notably by aspects of the sports sector and its supporters, as a means to securing and safeguarding the integrity of sporting events.

4.4 In addition, comparisons have and continue to be made with the issue of doping with representatives of certain sporting bodies citing match-fixing, and in particular the betting-related side of this issue, as an equivalent or greater threat to the future of sport around the world.

4.5 International governmental policymaking institutions, notably the European Commission and Council of Europe, have also been drawn into this debate and are actively seeking cross-sector transnational solutions. The United Nations and Commonwealth have also instigated discussions.

4.6 A number of studies have been conducted in this area by independent policy bodies and, to varying degrees, help to form an evidence base from which to examine and consider the merits of the various arguments put forward, and which are outlined in the following paragraphs.

The scope of match-fixing

4.7 International law enforcement body, INTERPOL, advises that match-fixing was “reported in over 70 countries across six continents” during the 12 months from 1 June 2012 to 31 May 2013 alone and the issue quite rightly forms a central part of policymakers’ discussions around sport. 190

4.8 In those discussions, match-fixing is often characterized as a betting issue. However, detailed studies and analysis show that there is a significant proportion of match-fixing which has no betting element and is instead focused on the unfair advancement of sporting-related matters.

4.9 Underlining this position, a report on global match-fixing by Coventry University’s International Centre for the Business of Sport (CIBS) published in November 2011 found that “there was nearly as much non-betting related match-fixing as betting-related.” 191

4.10 The study, covering known and proven incidents of match-fixing during 2000 and 2010, found that around 58% of cases were examples of matches fixed to defraud betting operators (both licensed and unlicensed) with non-betting related match-fixing occurring in 42% of cases. 192

190 Page 11 INTERPOL Match-fixing in Football Training Needs Assessment 2013
4.11 A more recent national level study, published in September 2013, was conducted for the Dutch government by the Universities of Universities of Tilburg and Amsterdam along with accountancy firm Ernst and Young.

4.12 It found that, within that jurisdiction’s sporting sector, 4% of those surveyed admitted to having been contacted to participate in corrupt activities, with the most common reason to cheat being sporting related (occurring in 30% of cases) rather than betting (at 20%).

4.13 The European Parliament’s resolution on online gambling, agreed in September 2013, also “highlights that match fixing is not always related to betting, and that this non-betting side to match fixing, which also poses a problem to the integrity of sports, needs to be addressed as well.”

4.14 It is therefore important to recognise from the outset that there are two main types of match-fixing: betting and non-betting (or sporting) related, and also that incidents can involve one or both forms, which in some studies have been relatively equally as prevalent on known evidence.

4.15 It is, however, the issue of betting that appears to dominate the deliberations of many sporting bodies and other stakeholders, with a payment to sport from regulated betting companies and/or control of regulated betting markets principal matters of debate (see related sections).

i. Betting corruption

4.16 In January 2013, FIFA stated that it believed that “about 50 national leagues outside of Europe are being targeted by organised crime figures in the betting market.”

4.17 From a betting perspective, the corrupt manipulation of sport has been shown to have been, on the whole, the product of one or a combination of the following:

- Corrupt sportspeople (this includes senior officials and administrators);
- Criminal elements colluding with corrupt sportspeople; and
- Criminal elements forcing innocent sportspeople into corrupt activities.

4.18 What all of the above have in common is that those involved are seeking to manipulate sporting events to financially defraud betting operators and corrupt the markets used by consumers.

4.19 Cases of betting-related match-fixing have occurred on across the globe and there are examples in each continental region across a variety of sporting events, but in particular football.

4.20 Notable successful criminal prosecutions have taken place in the UK, Germany, Italy, Australia and Finland as well as numerous non-judicial sporting adjudications, sanctions and bans.

4.21 European law enforcement body, Europol, has also conducted an investigation in this area, run between July 2011 and January 2013. However, the findings relating to this should be treated with some caution as in many cases they relate to suspected rather than proven corruption.
4.22 Indeed, there is an important wider issue concerning the validity of some of the assertions and statistics which are being presented on supposed suspicious activity, often with little detail or supporting evidence, and where there may be no follow-up criminal or sporting sanctions imposed.

4.23 In May 2014, UEFA was fined by a Croatian court for a false allegation of match-fixing against referee Bruno Maric, relating to the domestic cup final between Dinamo Zagreb and Hajduk Split in 2009. The organisation was ordered to pay the referee 750,000 kuna ($134,900) in compensation.\(^{198}\)

4.24 The Europol investigation has nevertheless gone some way to corroborating intelligence from other match-fixing cases that the “organised criminal group behind most of these activities has been betting primarily on the Asian market”, large parts of which are unregulated.\(^{199}\)

4.25 The German Bochum case, which resulted in two defendants each jailed for 5 years having confessed to fixing more than 20 football matches, is reported to have earned them more than $3.28 million each through betting on those fixed games primarily with Asian betting operators.\(^{200}\)

4.26 Such prosecutions and investigations have given rise to heightened concerns about the impact of betting on the integrity of sport and that sector and its supports have as a result put further pressure on policymakers to take action on a national and international basis.

4.27 In that debate, there has been an increasing focus on the new markets offered by regulated European betting operators in particular, referred to as ‘in-play’ betting or ‘spot bets’, such as predicting when a ‘no-ball’ will take place in cricket, as the supposed drivers behind this corruption.

4.28 As such, there have been calls to prohibit these relatively new types of bets as they have been identified by some stakeholders as presenting an increased danger to the integrity of sport, the validity of which will be addressed in detail in a later section in this report on betting restrictions.

ii. Non-betting corruption

4.29 Non-betting (or sporting related) match-fixing appears to primarily focus on promotion and relegation or manipulating the result of an event to affect the form of the next opponent.

4.30 The latter can be seen in the badminton incident at the London 2012 Olympic Games where eight players from four teams in the women’s doubles competition were expelled for purposely trying to lose to fix the identity of their next round opponent and obtain a more favourable draw.\(^{201}\)

4.31 The Turkish football match-fixing scandal, also in 2012, is another example and where the owner and chairman of Fenerbahce was convicted of “forming and leading a criminal gang” that rigged four games and offered payments to players or rival club officials to fix three others.\(^{202}\)

4.32 It is asserted that he took this illicit action to ensure that Fenerbahce qualified for the UEFA Champions League competition the following season and which would have consequently benefited the club by an estimated $58.5 million (considerably higher than the Bochum betting profits).

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\(^{199}\) https://www.europol.europa.eu/content/results


\(^{201}\) http://www.telegraph.co.uk/sport/olympics/badminton/9443922/Badminton-scandal.html

4.33 The match-fixing study led by the French Institute of International and Strategic Relations (IRIS), published in January 2012, called this the “traditional” type of match-fixing, adding that “Corruption can in fact be decided upon and organised at sports administration level, i.e. a club or federation. In football for example, the most frequent cases of match-fixing involve the clubs.”

4.34 Non-betting related incidents can also potentially be more clandestine than betting related as there is no clear information trail to access as provided by betting operators and their markets.

4.35 At present there is, understandably, a particular focus on betting, but there is a danger that stakeholders neglect to properly address a significant part of match-fixing which has no betting element but which equally impacts on the integrity of sport and involves large sums of money.

   iii. Notable recent incidents of match-fixing

4.36 The list of examples below is not an exhaustive one and is merely designed to give a flavour of the breadth and type of recent match-fixing across different sports and geographical locations.

Recent proven cases of match-fixing (betting and sporting/non-betting)

<table>
<thead>
<tr>
<th>Event Type</th>
<th>Details</th>
</tr>
</thead>
<tbody>
<tr>
<td>Betting – two businessmen and a footballer convicted of plotting to fix the results of UK football matches.</td>
<td>Businessmen Chann Sankaran (from Singapore) and Krishna Ganeshan (a British national originally from Sri Lanka) were convicted of conspiracy to commit bribery and sentenced to five years, whilst former Whitehawk FC defender Michael Boateng was sentenced to 16 months. Sankaran and Ganeshan came to the UK in November 2013 to find players they could corrupt and had targeted lower division clubs because it was cheaper to bribe players on “modest wages”. A National Crime Agency (NCA) investigation began when the Daily Telegraph newspaper presented it with evidence from an undercover investigation. The NCA’s subsequent surveillance of the men provided enough evidence to secure their convictions, despite the failure of their plot to fix a match between AFC Wimbledon and Dagenham Redbridge.</td>
</tr>
<tr>
<td>Betting – three cricket players and an owner of a Bangladesh T20 cricket team are found guilty of fixing.</td>
<td>Former Bangladesh captain Mohammad Ashraful and ex-New Zealand batsman Lou Vincent were handed lengthy bans from all forms of cricket for their roles in a Twenty20 match-fixing scandal. Ashraful was banned for eight years for match-fixing, whilst Vincent was banned for three years for failing to report approaches to fix matches. A third former international, Sri Lanka’s Kausal Lokumarachchi, received an 18-month ban for the same offence. Shihab Jishan Chowdhury, an owner of the league’s reigning champions Dhaka Gladiators which employed Ashraful, was banned for 10 years and fined two million taka for being party to an effort to fix a match.</td>
</tr>
<tr>
<td>Betting - Russian tennis player banned from the sport for life after being found guilty of multiple fixing offenses.</td>
<td>Russian tennis player Andrey Kumantsov was banned from the sport for life after being found guilty of 12 charges under the sport’s betting and match-fixing regulations following a Tennis Integrity Unit investigation. The violations occurred between 2010 and 2013.</td>
</tr>
<tr>
<td>Betting – Danish ice hockey player banned for fixing, and attempting to fix, matches to bet on.</td>
<td>Denmark’s ruling sports federation banned hockey player Dennis Jensen (a backup goaltender) and fined him 12,550 kroner for match-fixing. In early January he succeeded in fixing a game but was caught when a player he later approached</td>
</tr>
</tbody>
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205 http://www.bbc.co.uk/news/uk-england-27935919
207 http://www.tennisintegrityunit.com/media/21/Andrey-Kumantsov-found-guilty-of-corruption-offenses/

39
to assist him refused and reported him. Two other players were fined and banned for betting on their own games.

Two English footballers admitted fixing games in Australian football for a betting syndicate - a coach and two other Southern Stars players are awaiting trial. The case relates to four games in which the team, which plays in Australia’s second-tier, conceded 13 goals without scoring. Players Reiss Noel and Joe Woolley were fined ($2,000 and $1,200) after pleading guilty to conduct that corrupts a betting outcome at Melbourne Magistrates’ Court. Malaysian ringleader Segaran Gsubramaniam also pleaded guilty.

Nearly 100 agents, players and club officials were arrested, qualification for European football competitions.

Players sentenced in December 2013 for corrupt activities in August and September 2013. FIFA imposed worldwide lifetime bans on Noel and Woolley in March 2014.  

Betting - “the provision of inside information to enable persons to win money by betting” on snooker matches.

Snooker player Stephen Lee (former world no. 5) was found guilty by an independent sporting tribunal of seven charges of match-fixing - three in the Malta Cup in 2008, two in the UK Championship in the same year, one in the 2009 China Open and one in the 2009 World Championship. He was banned for 12 years and ordered to pay £40k in costs.

Eight badminton players were disqualified from the London 2012 Olympic Games women’s doubles competition (involving two pairs from South Korea and one each from China and Indonesia) for “not using one’s best efforts to win” with each player also accused of “conducting oneself in a manner that is clearly abusive or detrimental to the sport” when blatantly attempting to lose to manipulate a more favourable draw and opponent identity for the following knockout stage.

Players banned in August 2012; a South Korean appeal was rejected by the Badminton World Federation, while Indonesia withdrew an appeal.

A newspaper sting showed three Pakistan international cricketers offering to deliberately bowl no-balls at specified points for payment (£140,000) which could then be profited by betting during their Test match against England in August 2010. No betting was known to have taken place but the players were charged with conspiracy to accept corrupt payment and to cheat at gambling under UK law. In February 2011, the ICC had banned all players – Salman Butt for 10 years, Mohammad Asif for 8 years and Mohammad Amir for 5 years. In November 2011, Mazhar Majeed (players’ agent) was jailed for 2 years and 8 months, with Butt sentenced to 2 years and 6 months, Asif for 1 year and Amir for 6 months.

Sporting/non-betting – purposely trying to lose to fix the identity of the next opponent in Olympic badminton tournament.

Players banned in August 2012; a South Korean appeal was rejected by the Badminton World Federation, while Indonesia withdrew an appeal.

A newspaper sting showed three Pakistan international cricketers offering to deliberately bowl no-balls at specified points for payment (£140,000) which could then be profited by betting during their Test match against England in August 2010. No betting was known to have taken place but the players were charged with conspiracy to accept corrupt payment and to cheat at gambling under UK law. In February 2011, the ICC had banned all players – Salman Butt for 10 years, Mohammad Asif for 8 years and Mohammad Amir for 5 years. In November 2011, Mazhar Majeed (players’ agent) was jailed for 2 years and 8 months, with Butt sentenced to 2 years and 6 months, Asif for 1 year and Amir for 6 months.

Betting - footballers admit fixing Australian league matches for a betting syndicate.

Sporting/non-betting – deliberately underperform for betting-related purposes during a Test match in 2010.

Sport governing body (ICC) bans handed down in February 2011, with criminal sentences in November 2011, for corrupt activities in August 2010. In April 2013, players Butt and Asif lost their appeals to the Court of Arbitration for Sport (CAS) over the governing body bans.

An investigation by Turkish police in 2011 resulted in dozens of players, officials and agents being indicted for match-fixing, resulting in convictions and bans for 13 of those in July 2012. Fenerbahce President Aziz Yildirim lost his appeal against his prison sentence in January 2013. However, the High Court ruled for a retrial in June 2014.

Nearly 100 agents, players and club officials were arrested, with Fenerbahce President Aziz Yildirim being the highest-
profile figure. He was charged with match-fixing and accused of trying to get favourable referees assigned to his team’s games. Prosecutors also said that the transfer fees he paid to some rival clubs and players were actually payoffs for fixing games. Yıldırım was subsequently convicted of “forming and leading a criminal gang” that rigged four games and offered payments to players or rival club officials to fix three others - all so Fenerbahçe could stay in the Champions League, a benefit the club estimated to be worth $58.5 million a year. He was sentenced to 6 years and 3 months in prison and fined €330,000. UEFA banned Fenerbahçe and Besiktas from UEFA competitions for 1 year. In June 2014, UEFA banned Eskişehirspor and Sivasspor from the 2014/15 Europa League for their involvement in this case. The Supreme Court of Appeals upheld Fenerbahçe Chairman Aziz Yıldırım’s conviction in 2014. However, in June 2014, the Istanbul High Court subsequently ruled for a retrial of Yıldırım and other key figures.218

Betting and sporting/non-betting – Italian football was engulfed in widespread match-fixing covering multiple investigations.

This scandal involved a number of investigations between June and 2013 March 2012 with numerous football figures arrested by Italian police, including former Italian international players. This began after a member of Serie B side Cremonese suffered a serious car crash with tests showing that he and other members of the team had been drugged with sleeping pills. The culprit was one of their own teammates, Marco Paolini, who had been attempting to pay off mounting gambling debts by arranging a series of defeats for gamblers to bet on. The investigation widened showing evidence of many others wanting to throw games, or procure others to fix results, for at least two international betting syndicates. In April 2012, Bari defender Andrea Masiello confessed to receiving payment for scoring an own goal to ensure Bari lost and Cremonese suffered a serious car crash with tests showing that he and other members of the team had been drugged with sleeping pills. The culprit was one of their own teammates, Marco Paolini, who had been attempting to pay off mounting gambling debts by arranging a series of defeats for gamblers to bet on. The investigation widened showing evidence of many others wanting to throw games, or procure others to fix results, for at least two international betting syndicates. In April 2012, Bari defender Andrea Masiello confessed to receiving payment for scoring an own goal to ensure Bari lost and

Emerged in June 2011 with dozens of arrests; possible prison sentences may result when the cases come to court. The Italian Football Federation (FIGC) has imposed numerous fines, bans and points deductions.

Betting – a plan to manipulate the first score of a rugby league game and place bets on that to win $113,245 from Australian betting operator Tabcorp.

Australian National Rugby League player Ryan Tandy was fined $4,000 and placed on a 12-month good behaviour bond for his role in an NRL match-fixing scam designed to manipulate the first scoring of the game between the Canterbury Bulldogs and the North Queensland Cowboys.

Sentenced in court in October 2011 for an incident in August 2010.

Sporting/non-betting – more than 20 sumo wrestlers traded victories and defeats in order to win promotion or avoid demotion.221

The Japan Sumo Association (JSA) concluded that two stable masters and 23 wrestlers were involved in match-fixing following mobile phone evidence of collusion. Although all were banned from sumo and forced to retire, three refused were dismissed; one of those later won a court case clearing him.223

Announced in February 2011, with a governing body judgment in April of that year, and relating to activities pre-summer 2010.222

Betting – multiple Greek football club players, owners, officials and referees are implicated in widespread match-fixing resulting in prison sentences.224

Nearly 70 people, including league club presidents, owners, players, referees faced a multitude of charges: illegal betting, fraud, extortion and money laundering, among others, after UEFA provided evidence of 41 matches in 2009/10 which they viewed as suspicious. Court documents showed recorded phone communications, which included threats from corrupt team officials who fixed match results. Various people placed bets either online or with betting agencies across Europe and Asia.225

219 http://www.theguardian.com/football/2012/jun/06/tandy-found-guilty-of-fixing/331752
222 http://www.thesundaytimes.co.uk/sundaytimes/article/behind_news/social_affairs/AZ201303260079
223 http://www.btimes.com/match-fixing-scam-strikes-greek-football-293891
As this report is being completed there are also outstanding betting and non-betting match-fixing accusations and investigations in a number of sports including: Olympic figure skating (sporting/non-betting), French handball (betting), South Korean taekwondo (sporting/non-betting), Indian Premier League cricket (betting) and Hong Kong football (betting), amongst others.229

Restrictions on regulated betting

i. Prohibiting certain types of bets

In recent years, following continuing advances in technology and global access to broadcast and digital information, betting markets have correspondingly expanded in both the availability and complexity of the service offered, although many regional consumer product preferences remain.

As a result, and unlike a decade ago, betting markets now existing not just for the final result but for an array of specific aspects of sporting events such as live betting and betting on red cards, and also through a number of different operational platforms such as exchange and spread betting.
4.40 Many sports bodies and other stakeholders, such as the lottery sector and the European Parliament, have pressed for many of the new types of bets being offered, in particular by regulated European private betting operators, to be universally prohibited on sporting integrity grounds.

4.41 The increased availability of these new products has been deemed to have significantly increased the risk of corruption in sport. Online betting, as the fastest growing product platform with enhanced cross-border accessibility and where many of these betting products are particularly suited and consequently prevalent, has been pinpointed as the main driver behind this assertion.

4.42 Indeed, the European Parliament’s Resolution on Online Gambling (Sept. 2013) specifically promotes “a ban on betting on so-called negative events, such as yellow cards, penalty kicks or free kicks during a match or event” as a means of protecting the integrity of sporting events.\(^{230}\)

4.43 It further “calls on Member States and gambling operators to ban all forms of live sports betting since these have proved to be very vulnerable to match-fixing and therefore pose a risk to the integrity of sport,” although no clear detailed supporting evidence has been published.\(^{231}\)

4.44 The justification for this policy position therefore remains unclear; indeed, the European Parliament’s own resolution clearly “notes that match fixing occurs in both the offline and the online gambling markets and that, in the majority of cases, online betting-related match-fixing occurs through gambling operators established in unregulated markets outside the EU.”\(^{232}\)

4.45 That has been corroborated by the investigations conducted by INTERPOL and Europol, with the latter advising that the criminal group involved in the international corruption it unearthed primarily used Asian betting markets (often unregulated) to profit from its illicit activities.\(^{233}\)

4.46 INTERPOL has similarly identified that region, stating that: “With the vast amounts of money being bet on football – and with the majority of that money being bet in Asia – the modern origins for match-fixing to make a profit from illegal gambling had its epicentre in Asia.”\(^{234}\)

4.47 The investigative experiences of this international police body also lead it to contend that: “Legitimate bookmakers are seldom implicated in match-fixing. Indeed they are – understandably – keen to try and ensure that the matches where bets are being placed are honest.”\(^{235}\)

4.48 Whilst a senior representative of FIFA’s Early Warning System has further acknowledged that as European regulated operators employ sophisticated “risk management, know-your-customer principles……there is a very high level of transparency so less risk of match-fixing” as a result.\(^{236}\)

4.49 It should therefore be recognised that a wide range of parties have determined that betting related match-fixing is not primarily focused on European regulated operators’ business platforms, which immediately questions the rationale justifying product restrictions and consumer access.


\(^{231}\) Ibid.

\(^{232}\) Ibid.

\(^{233}\) https://www.europol.europa.eu/content/results-largest-football-match-fixing-investigation-europe

\(^{234}\) Page 11 Interpol Match-fixing in Football Training Needs Assessment 2013

\(^{235}\) Ibid.

\(^{236}\) Page 19 Interpol Match-fixing in Football Training Needs Assessment 2013

4.50 Instances such as the Pakistani cricket ‘spot fixing’ case relating to the bowling of no-balls and more recently the as yet unresolved Sodje case concerning players allegedly agreeing to obtain yellow cards to order may quite understandably be drivers behind such concerns and reactions. 237

4.51 Both incidents involved undercover reporters exposing alleged corruption, but in neither case was any betting known to have taken place, nor is there any indication that such activity would have been successful if there had been attempts to profit by seeking to defraud regulated operators.

4.52 The research published by the French Institute of International and Strategic Relations (IRIS) in 2012 considered the vulnerability of the new markets offered primarily by European operators.

4.53 Whilst they noted a risk, they concluded that: “Operators seem to be aware of this however, and do not generally accept large bets on this type of match detail. The market for this type of bet is not seen as sufficiently liquid either (too few people bet on such bets). Serious operators, not wanting to take excessive risks, will only very rarely accept large bets in these markets.” 238

4.54 European licensed operator bwin.party has publicly acknowledged that it restricts the levels of bets permitted on its in-play markets with red card betting, for example, set at a maximum of €50 per customer and that “low limits are deliberately chosen to protect the integrity of sports.” 239

4.55 “As European bookmakers offer a much lower staking (betting) limit than their Asian counterparts, less money is needed for significant odds changes to occur within those markets” more easily highlighting potential fraud, advises a recent report by Sportradar, and that “European bookmakers very much target recreational gamblers and will not entertain bets from syndicates”. 240

4.56 The organisation, which operates a fraud detection service and works closely with sports bodies such as UEFA, also notes that: “Since European bookmakers restrict stakes, disclose client details to law enforcement organisations and even ban winning customers from betting, it is clear as to why match-fixers predominantly choose the Asian bookmakers to place their bets with.” 241

4.57 Furthermore, in Asia most bets are placed via a third party (or agent) and bets from all high-staking customers are often accepted. “This agent system also means that bets can be placed anonymously; making the Asian betting markets an ideal target for match-fixers” notes the report. 242

4.58 Maintaining the integrity of sport and betting markets is fundamental to the business of European regulated operators and their operational business activities are structured accordingly with sophisticated security protocols and constant independent regulatory oversight of the market.

4.59 As such, the new betting markets offered by regulated operators are not as amenable to match-fixing as is generally alleged; such markets are not always offered (they are risk assessed and many are reserved for high-profile events) and large-scale profit is prohibited by restricted stakes.
Instead, it is the experience of regulated European private betting operators that when illicit activity does take place, it predominantly involves corrupters seeking to employ the traditional mainstream betting products, such as the final result, rather than the relatively new betting markets.

Various independent studies on this issue corroborate this position, advising that the “main types of bet used nowadays for betting linked to corruption in sport generally relate to:

- final and half-time results
- the number of goals scored during a match (more than two goals, less than three goals for example)
- bets on the goal difference between two teams
- and what is known as the Asian handicap, i.e. one of the teams, the favourite, is awarded a handicap, for example a half-goal in a football match, which balances the game and makes the odds more attractive (half points are often used to eliminate the possibility of a drawn match).”

Recent research conducted for the Dutch Government by the Universities of Tilburg and Amsterdam, along with Ernst and Young, appears to verify this position with 83% of respondents in that study identifying the final result of the match as the focus of corrupt activity.

An ex-senior FIFA and INTERPOL official involved in betting integrity has likewise identified the final result, over/under total goals and the Asian Handicap as the focus of corruptors.

“The Asian handicap is massive in the grey and black markets in Asia,” he advised shortly ahead of the 2014 World Cup in Brazil, and where the high levels of liquidity in those often unregulated Asian markets can help mask the illicit actions of match-fixers.

Importantly, he also argues that “No one fixes a yellow card” in the regulated or unregulated market and that the “Sodje incident was a non-story and just confused the issue” as the market cannot be manipulated to make such bribes (up to £70k for a card in the Sodje case) worthwhile.

Moreover, a “common misconception within the media is that players will fix corners and throw-ins” as there is simply not enough market liquidity according to Sportradar and where, as detailed earlier, stakes are restricted and such betting is closely monitored in regulated markets.

The Sorbonne University report, a detailed 142-page executive summary of which was published in May 2014 (the full report is not expected until September 2014), has also concluded that bets on events during a game “do not present for the time being, any major risks.”

Although these products [have] contributed to the transformation of traditional betting markets, their liquidity levels limit, for the time being, their attractiveness to cheats and therefore limit their danger for sports,” the report states.
4.69 This has not, however, precluded some parties, including studies that fully recognise that it is the main markets in the unregulated sector outside of Europe which are predominantly targeted by corrupters, from nevertheless proposing product restrictions on regulated betting markets.

4.70 The Sorbonne study makes such a proposal, suggesting that certain bets - it identifies handicap, live betting, betting exchange and spread betting as of particular risk of match-fixing - should “be restricted by national betting regulatory authorities.”

4.71 It should be noted that the Sorbonne report and other studies do not appear to recognise or take into consideration the important internal security and risk management resources employed by the operators of various different forms of regulated betting e.g. fixed odds and exchange platforms.

4.72 Nor do they acknowledge the successful track record of many of those operators in establishing effective partnerships and information sharing arrangements designed to assist sporting bodies and regulators to both identify and prosecute cases of sporting corruption involving betting.

4.73 Leading betting exchange operator Betfair, for example, employs a dedicated Integrity Team whose sole role is to prevent, detect and investigate instances of unusual betting patterns and where the operator has established agreements with 58 sporting bodies to underpin this service.

4.74 The position of the Sorbonne report also appears to contradict some of its own evidence, for example on regulated in-play (live) markets, as outlined above, and in particular that the liquidity levels of such betting markets makes them unattractive to match-fixers as vehicles for corruption.

4.75 Furthermore, whilst promoting trade restrictions on regulated operators, the authors openly acknowledge that it is “too early to know whether this road will lead to results by reducing risks linked to sports fraud” and that “caution needs to be exercised to ensure there is no breach of the freedom to provide services” when considering such market limitations within the EU.

4.76 In examining this issue, the study has also attempted to identify the main risks and dangers to sport from the different products platforms available (e.g. pari-mutuel, exchange betting etc.) and the different types of bets (e.g. final result, handicap etc.) and has produced an associated index.

4.77 There is little detail in the citations of the evidence underpinning this index, which appears to primarily emanate from the European lottery sector, which can differ in operational and business approach from private operators not to mention commercial competition issues with that sector.

4.78 Moreover, there is nothing new in a risk analysis of betting markets both in terms of product platform and/or bet type; regulators and operators have been considering this for as long as markets have been offered. It is also important to recognise on-going regional product and regulatory differences and that operators employ their own internal risk measures impacting any assessment.

4.79 These important issues do not appear to have been incorporated into this index and whilst it is understandable that an academic analysis of this nature might be perceived as valuable, the evidence and ideals supporting this index, apart from being of questionable scope and impartiality, are essentially arbitrary considerations for what is often a complex and multi-faceted issue.
4.80 It is therefore difficult to give any significant degree of relevance to this index in the same way that an earlier report by Salford University produced a theoretical risk analysis in the form of the essentially impractical equation: $E(U_{FIX})=(1-p)[qU(Y=G)]+(1-p)[(1-q)U(y)+p[U(Y-F-R)]-U(Y)+U(C)]$.\(^{254}\)

4.81 The assessment of risk and product availability is, in regulated markets at least, an issue for national legislators and regulatory authorities to determine and where all stakeholders, including sporting bodies, are involved in discussions regarding the associated betting market framework.

4.82 The British Gambling Commission has taken such an approach and, after a detailed consideration of stakeholder positions and market analysis, published its initial position on this issue in 2009. It has continually reassessed this important matter and its policy position since that time.

4.83 The regulator, which has data from one of the largest land-based an online betting markets and “works on the principle of risk-based regulation and must act in a proportionate manner”, determined that it was “not persuaded that there is a sufficient case for restricting types of bets”.\(^{255}\)

4.84 The British gambling regulatory body has since reiterated this stance following the European Parliament’s Resolution Online Gambling adopted in September 2013 which proposed the prohibition of certain types of bets, such as in-play betting, stating that “any threat to sports betting integrity can be managed without the need to ban what is a very popular activity.”\(^{256}\)

4.85 In its subsequent October 2013 position paper entitled “Protecting betting integrity” the British Gambling Commission further commented that it is “familiar with methods used in other countries to promote betting integrity such as restricting the types of bets offered or approving sports governing bodies’ rules before allowing betting on those sports.”\(^{257}\)

4.86 The national regulatory authority importantly noted that the “Commission has the power to impose such restrictions. However, the Commission does not consider, based on the available evidence, that such intrusive or resource intensive methods are warranted or would be effective”.\(^{258}\)

4.87 Others, such as Denmark and Ireland, also do not currently place any prohibitions on the types of bets offered by their licensed operators in the markets they regulate, albeit it should be remembered that these markets are under constant surveillance and open to potential limitation.

4.88 Restrictions on the types of bets that can be offered to consumers are however imposed on regulated betting operations in some jurisdictions, France and Italy for example, where regulatory authorities have the power to enforce market limitations as part of their licence conditions.

4.89 Certain regulated jurisdictions have therefore taken a specific decision to limit the markets available to consumers through their licensed betting operators. However, it is difficult to establish that this has increased the integrity of sporting events in that jurisdiction or elsewhere.

4.90 Moreover, whilst certain parties proclaim that betting related match-fixing represents an increasing threat to sport, some national authorities that have established restrictions are, counter to that assertion, actually expanding rather than reducing the availability of betting to consumers.

\(^{254}\)The Salford University Study ‘Risks to the Integrity of Sport from Betting Corruption’ 2008

\(^{255}\)Paragraph 3.2 http://www.gamblingcommission.gov.uk/pdf/Betting%20integrity%20policy%20position%20paper%20-%20March%202009.pdf & Paragraph 1.5

\(^{256}\)http://www.egrmagazine.com/news/gambling_commission_rejects_in-running_ban_proposal

\(^{257}\)Paragraph 3.6 http://www.gamblingcommission.gov.uk/pdf/Protecting%20betting%20integrity.pdf

\(^{258}\)Ibid.
sports betting: commercial and integrity issues

4.91 For example, following a number of in-country betting and non-betting football match-fixing scandals in recent years, and assertions that match-fixing globally is increasing, the Italian authorities nevertheless endorsed a near doubling of permitted sports betting markets to 45 in late 2013.259

4.92 France has also lifted many restrictions and expanded permitted betting markets (in May 2010, the list covered 15 sports. As of January 2014, it contained 43 approved sports) for its operators in recent years against a backdrop of its own match-fixing issues affecting handball.260

4.93 Australia has enforced a particularly inconsistent position on in-play (or live) betting. The Interactive Gambling Act 2001 prohibits the supply of interactive gambling services to customers in Australia, except for online betting which is permitted if state or territory legislation permits. 261

4.94 There are, however, certain restrictions on the type of betting which can be permitted under the legislation and which bans in-play (or live) sports betting to Australian consumers via the internet, but which permits this same activity through telephone or land-based betting platforms.262

4.95 The Interactive Gambling Act (IGA) also allows in-play betting via the internet for horse and greyhound racing, whilst Australian residents can place in-play bets with online betting operators based outside of Australia, creating further inconsistencies with the application of this law.263

4.96 This led a review of the State of Victoria’s sports betting legislation in 2011 to determine that: “There was widespread agreement amongst all stakeholders that the ban on internet betting ‘in the run’ contained in the Interactive Gambling Act 2001(Cwlth) serves no useful purpose.”264

4.97 Moreover, it “was also put to the review that, in some cases, in the run betting was to be preferred. Certain betting markets may be better served from an integrity perspective if they can only be bet on during the game, as this would avoid the possibility of pre-game collusion.”265

4.98 Indeed, national sports have supported the provision of online in-play betting stating: “This form of betting is being driven offshore by the current prohibition. Australian sports and regulators have no access to suspicious betting data and have no means of tracking illegal activity.”266

4.99 A Government review of the IGA (published in March 2013) again noted that the majority of online in-play wagering is conducted on the final outcome of an event, rather than on contingencies within the event (e.g. who will score the first goal) and that the public policy case for banning such betting, “especially if this form of gambling is driven off-shore, has not been established.”267

http://www.dlapiper.com/~/media/Files/Insights/Publications/2012/10/ALLIN%20at%20the%20European%20iGaming%20Congress/Files/AllIn_at_the_iGaming_Congress.pdf
http://www.capecodtimes.com/2013/11/15/sports/20131115004156009.html
http://www.capecodtimes.com/2013/11/15/sports/20131115004156009.html
http://www.capecodtimes.com/2013/11/15/sports/20131115004156009.html
http://www.capecodtimes.com/2013/11/15/sports/20131115004156009.html
http://www.capecodtimes.com/2013/11/15/sports/20131115004156009.html
4.100 Australia, like France and Italy, has in recent years seen its own sporting events impacted by corruption with football, rugby league and horse racing all involved in match and race fixing cases. \[\text{268}\]

4.101 It may be that there is quite possibly a little too much emphasis on this one issue in general as a means to protecting the integrity of sport, given that moves to ban regulated in-play betting are borne of little supporting evidence and that it is of questionable positive impact given the limitations of any national level approach in a fragmented global market of differing regulatory models.

4.102 It is important to remember that many other integrity measures are available to regulatory authorities, depending on the applicable legislative framework, including; information sharing, voiding bets, the suspension of betting markets and the instigation of criminal prosecutions.

4.103 Moreover, unregulated operators will continue to offer whatever types of products they chose without any regulatory limitation, oversight or possible imposition of sanctions; in particular, there is no threat of the potential revocation of an operating licence or the necessity to engage in responsible preventative activities to protect betting markets, consumers and sporting events.

4.104 There are, therefore, a number of issues to consider when deliberating over the necessity and potential impact of imposing restrictions from both a territorial basis to an examination of the impact of, and accessibility to, certain types of products themselves. Both are to an extent linked.

4.105 As outlined above, the information from international law enforcement bodies and research conducted by regulatory and academic institutions determines that betting related match-fixing is primarily an issue generated via unregulated operators (notably in Asia) and where corrupters generally seek to utilise mainstream betting products with high levels of market liquidity.

4.106 Given the levels of bribes reported in match-fixing cases it is clear that making a profit from fixing sports and seeking to defraud European regulated betting operators is fraught with significant difficulties. Sophisticated detection and consumer identification systems, restricted stakes, markets closed and bets voided in suspicious cases, mean that there is limited scope for large-scale profit.

4.107 Furthermore, imposing such restrictions or bans does not make it any less likely that the sporting events in that licensing jurisdiction will be any safer from corrupt activity relating to betting, which can take place in multitude of regulated and unregulated locations around the world.

4.108 The proposed blanket ban on certain types of bets such as in-play (or live) betting would also remove a regulated product which European consumers, in particular, have come to expect and such a policy is likely to see unregulated operators seek to cater for any unmet demand in this area.

4.109 It has been highlighted in one independent study that attempts to limit French citizens to their licenced online operators and restricted bet types appears “powerless in the face of the size of the world sports betting market” and that it will “certainly still be possible for seasoned Internet users to bypass the blocking of illegal sites in France and place bets on the site of their choice.”\[\text{269}\]

4.110 With ISP and financial transaction blocking shown to have a limited impact within current technological frameworks, and unregulated betting operators having no necessity to work with


regulators or sporting bodies on related integrity issues, an approach which pushes consumers towards unregulated operators to access products banned in other markets is clearly undesirable. 270

4.111 The proposal that new markets, such as in-play (or live) betting, offered by regulated betting operators should be restricted or prohibited on sporting integrity grounds does not, given the weight of independent data, appear to be a policy generated from any firm evidence base at this time.

4.112 As such, placing restrictions on the new betting markets offered by regulated operators, albeit not immune from the focus of corrupt activity, does not appear to represent a proportionate or effective policy response with potentially significant adverse trade and consumer impacts.

ii. A right to consent to bets: sports controlling betting products

4.113 Entwined with the issue of restrictions on betting markets is the assertion, again primarily emanating from sporting bodies, that they should have control over the availability of betting markets offered by regulated operators and which, as in France and the Australian State of Victoria, would involve a payment to those sports for their agreement to allow betting on their events.

4.114 Whilst the promotion of a sports organiser’s betting right has commercial roots (see the previous chapter) it has also increasingly been presented as an important integrity measure, a position endorsed by the Professional Football Strategy Council (composed of UEFA, ECA, EPFL and FIFPro) along with the Sport Rights Owners Coalition, involving FIFA, ICC and many other sports. 271

4.115 With this model also receiving support from transnational policy bodies such as the European Parliament as “a means of strengthening the fight against sports fraud, particularly match-fixing”, and with protecting sporting integrity included as part of the Lisbon Treaty, the European Commission has subsequently sought to examine a number of sports rights policy issues. 272

4.116 In particular, and following its Communication entitled “Developing the European Dimension in Sport” adopted in January 2011, the European Commission contracted a study to analyse sport organisers’ rights and image rights from the perspective of the EU legal framework, including the possibility of establishing associated licensing practices in the area of gambling and betting. 273

4.117 The resulting independent Asser Institute authored report for the European Commission was published in April 2014 and includes a detailed examination of the sports organiser’s betting right. The report is generally critical of the sports betting right approach and lists numerous practical and legal obstacles, a summary of which is outlined and considered in the following paragraphs.

4.118 The study highlights that supporters of this approach assert that it would enable sports organisers to preserve the integrity of their events by, as stated earlier, determining the events on which bets could take place and what type of bets, with the corresponding remuneration levied on betting operators for that agreement invested in preventive measures to protect sports integrity. 274
4.119 Whilst a right of this nature was first established in the Australian State of Victoria in 2007, it was the “recognition of a similar right in France [in 2010] that created the true momentum for sports organisations to advocate its adoption at the EU or EU-wide national level.”

4.120 The EU Database Directive issue is addressed in the previous chapter and will not therefore be re-examined in detail except to say that a number of legal judgments have restricted the sports sector from being able to impose the level of commercial control that they have sought over data used by regulated betting operators, amongst other sectors e.g. print media, such as fixtures lists.

4.121 The sports sector has subsequently pressed that the French and Australian State of Victoria approaches be legally permitted and introduced on an EU-wide basis. From the outset it should be noted that, as the Asser Institute report states, there are “important institutional, legal, and cultural differences between the two regimes” in France and Australia. They are not identical.

4.122 Furthermore, the limitations of national (France) and state (Victoria, Australia) legislation and the prohibition of bet types as a means of protecting sport, which is broadcast around the world and where a global betting market exists, have been addressed in the previous section.

4.123 In short, it is difficult to ascertain that sporting events in those jurisdictions are to any degree safer from corruption as a result of restrictions on regulated betting operators in those markets. There are, therefore, immediate questions as to whether such a right to consent to bets approach is an effective mechanism both in its own right and compared to other regulatory models.

4.124 As stated, the Australian State of Victoria first introduced this model in 2007. The Gambling and Racing Legislation Amendment Act 2007 (Sports Betting Act) has two objectives: to strengthen public confidence in the integrity of sport from a betting perspective; and to ensure that sports bodies receive a share of the proceeds from betting that takes place on their respective sports.

4.125 Protecting integrity is therefore an important part of this model and there are a range of measures that sports bodies are required to adhere to; albeit it should also be remembered that this law has equally been imposed as a betting product revenue vehicle benefitting sports bodies.

4.126 As a result of a “National Policy on Match-Fixing in Sport” agreed by Australian State and Territory governments in 2011 to develop “a nationally-consistent approach to deterring and dealing with match-fixing”, including sports controlling bet types and an associated fiscal return to sport, New South Wales introduced an arrangement based on the State of Victoria model in June 2014.

4.127 Unlike the State of Victoria approach, the New South Wales legislation does not appear to spell out the same level of detail of the integrity measures required of sporting bodies in statute, but instead that this be set out in an “integrity agreement” concluded between sports and bookmakers; at the time of writing, the scope (or lack of) and effectiveness of these integrity provisions is unclear.
4.128 As with the State of Victoria model, this approach is supposed to recognise “both the value of the sporting product itself and the integrity-related costs incurred by sporting bodies”. It therefore has a dual integrity protection and wider commercial fiscal remuneration objective. 279

4.129 In France, however, the integrity basis of the legislation imposing the right to bet policy is shown to have been an afterthought, predicated on pressure from the European Commission which had identified a number of aspects of the proposed law which infringed EU Treaty provisions. 280

4.130 The initial premise of the legislation was purely commercial (to benefit the sports sector), listing database rights which do not qualify for protection. Only in the subsequently amended version did provisions state that any remuneration for the sports sector from French licensed betting operators should take account “in particular the costs incurred in detecting and preventing fraud”. 281

4.131 The associated contracts agreed in France average 1.1% of bets placed with, in the period June 2010 to June 2012, €2.4 million being paid by online betting operators to sports bodies. 282

4.132 In the same period €6.9 million was paid by monopoly land-based operations to the holders of the right to consent to bet with almost all of this income going to football and rugby (93%). 283

4.133 French regulator ARJEL therefore “observes that the amount paid by betting operators for the right to organise bets remains limited. Excluding football, tennis, and rugby, the remuneration is quite small and is unlikely to cover the costs incurred for risk prevention” in other French sports. 284

4.134 The reality is that only €75 million (or 21%) of the €362 million in bets placed by French consumers in 2012 involved sporting events covered by the right to bet approach - the rest being on events outside of France and thereby not covered by the system. Moreover, only the major betting events are covered, with French football generating almost half of the total return. 285

4.135 ARJEL has advised that territorial licensing limitations also severely undermine the effectiveness of the approach as: “the organiser of the competition can thus only have a partial view of the betting activity performed during its event and consequently, it can only claim a fair return on an exceedingly small proportion of the income generated by betting on its event” worldwide. 286

4.136 This position is prevalent in all right to bet models and is a function of the legal practicalities of territorial boundaries in the enforcement of national laws in general. The integrity and product fee prescribed by the Australian State of Victoria model is similarly “only mandatory (i.e. enforceable) for sports events that take place wholly or partially in the State of Victoria.” 287

4.137 This drawback was highlighted in a review in 2011 of the State’s Sports Betting Act, albeit that most major sports are played in Victoria, but as with France’s national regime, consumers and

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279 Paragraph 4.14
286 Ibid.
operators outside of this territory are still able to offer and engage in betting on events occurring in Victoria without any requirement to meet that state’s integrity standards or agreements.\textsuperscript{288}

4.138 There are also a minority of sports whose events are mostly held outside of Victoria and consequently this legal framework, thereby resulting in a “potential integrity gap”. In addition, the costs involved in seeking status as a sports controlling body (SCB) under the State of Victoria legislation contributes to the reluctance of some smaller sports bodies to apply for SCB status.\textsuperscript{289}

4.139 As such, it was noted by the review in 2011 that the current position where “sports controlling bodies have differing ability to negotiate with sports betting providers depending on how many of their games are played in Victoria, is unsatisfactory.” The review was also unable “to form a view as to whether the legislation has strengthened public confidence in the integrity of sports.”\textsuperscript{290}

4.140 Whilst ARJEL presents arguments that the right to bet has benefited integrity with increased awareness of the risks and preventative actions - these are basic measures commonly employed - the Asser study points out that “the law does not mandate the effective implementation of these integrity measures” merely that a sport specifies the integrity measures it “intends” to introduce.\textsuperscript{291}

4.141 As a result, the “adoption of adequate integrity mechanisms is not a prerequisite for the exercise of the French right to consent to bets. Even though the compensation paid for the right to organise bets must take account ‘in particular the costs incurred in detecting and preventing fraud’, there is no guarantee that the income is in fact allocated to fraud prevention and detection.”\textsuperscript{292}

4.142 The authors of the report for the European Commission also conclude that as the French Sports Code already requires sports to put in place certain preventative rules ARJEL cannot claim that any resulting integrity benefits can be attributed to the right to consent to bets. “At most, the betting right marketing contracts help ensure compliance with the provisions of the Sports Code.”\textsuperscript{293}

4.143 Poland (similar to the Australian State of Victoria approach) and Hungary (more akin to the French model) are the only other EU countries to recognise this right to consent to bets approach.\textsuperscript{294}

4.144 However, the model is not currently applied in Hungary as the monopoly betting operator is already statutorily required to contribute to sport and because “the sporting events covered by the right to consent to bets comprise only a small fraction of the current online sports betting offer”.\textsuperscript{295}

4.145 Only in Poland then does this policy apply within the EU outside of France, where it is closer to the Australian model and where whilst the legislation does not “indicate that the sports organiser must receive a financial remuneration for the right to organise bets. In practice, however, licensed betting operators must pay a considerable fee to sports organisers to obtain such permission.”\textsuperscript{296}

4.146 It is interesting to note that, whilst the French authorities have continually lobbied for their right to consent to bets (or an equivalent system) to be implemented in the now 28 other countries within the EU, there has been relatively little appetite to enact such a mechanism.
The Asser report notes that: “Several Member States that have recently proceeded to the opening of their (online) gambling markets to licensed operators have instead opted for alternative mechanisms” and it should be noted that subsidiarity is an important factor in this area.  

Moreover, apart from the clear practical and operational flaws in the effectiveness of the variations of this system along with territorial preferences and limitations, as listed above, a number of important legal obstacles exist regarding the introduction of this arrangement within the EU.

Firstly, as the previous chapter covered, the right to bet potentially enables sports to control betting and this “legal monopoly granted to sports organisers might be considered as leading to the creation of a dominant position within the meaning of Article 102 TFEU. Consequently, the marketing of the right to consent to bets might give rise to anti-competitive concerns.”

Secondly, the Asser report highlights that “the requirement for betting operators to obtain consent for the organisation of sports bets could impede or render less attractive the free provision of gambling services” and as such could constitute a restriction on the free movement of services.

Restrictions can be imposed where there are clear and justifiable public interest reasons, such as the prevention of fraud (match-fixing), and that the approach is necessary, proportionate and non-discriminatory; the French authorities have determined that the right to consent to bets is justified “to prevent threats to sports’ ethics (and) the fairness and integrity of competitions.”

However, as the Asser Institute’s report has stated, there is a serious question as to whether the French right to consent to bets approach in particular genuinely fulfils this criteria as “there is no legal obligation to utilise the income for fraud prevention and detection” justifying its imposition.

The author’s consequently state that “it comes as no surprise that various Member States have opted to obtain the claimed [integrity] benefits of the right to consent to bets through other regulatory means” and which indisputably seek to prevent the manipulation of all sporting events.

The Italian and UK models are notable alternate approaches which ensure that there is no “integrity gap”, as an examination of the French and State of Victoria variations has exposed, and where their respective regulators’ centralised systems are financed via betting operator licence fees.

The Italian regulator, AAMS, employs its own sports betting monitoring system with all of its licensed betting operators’ servers linked to AAMS so that every bet can be recorded, monitored and validated. Any unusual betting patterns are sent to the respective sports for investigation.

Whilst the British Gambling Commission requires all of its licensees to adhere to a specific betting integrity licensing condition requiring them to notify and share information with the relevant sports governing bodies and the regulator of any suspected or attempted betting fraud (e.g. match-fixing) and any breach of a sport’s rule (e.g. players banned from betting on their own sport).

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302 Ibid.
303 Ibid.
304 British Gambling Commission licensing conditions and codes of practice section 15.1 http://www.gamblingcommission.gov.uk/gambling_sectors/betting/operating_license_holders_-_wh/information_that_must_be_prove/reporting_suspicious_bets_to_s.aspx
4.157 The regulator, which has established a dedicated Sports Betting Intelligence Unit (SBIU), has the power to void bets and the power of prosecution (clarified integrity procedures are due to be enforced from August 2014 following the enactment of the Gambling (Licensing and Advertising) Act). Expenditure on betting integrity activities cost the Commission £0.75 million during 2012/13. 305

4.158 The costs associated with the administration of the right to consent to bets model, on the other hand, “will always be considerable. This is evident from the experiences with both the French and the Victorian enforcement mechanism” and impacting all parties involved in this approach. 306

4.159 In addition, although statutory authorities may ultimately determine the betting framework, there must be a significant question as to whether it is prudent or appropriate to permit self-regulating sports bodies any degree of control over regulated betting markets, especially given the on-going commercial issues and conflicts that are inherent in this matter.

4.160 As already stated in this discussion, the Asser Institute report for the European Commission importantly concludes that the “right to consent to bets enables a sports organiser to effectively control the organisation of bets on its events within a particular Member State.” 307

4.161 As detailed earlier in this chapter, senior representatives of sporting bodies and clubs around the world have been implicated and/or convicted of involvement in both betting and non-betting (or sporting) related match-fixing, notably in Italy, Greece, Turkey, South Africa and Brazil. 308

4.162 The President of the Board of Control for Cricket in India (BCCI), under investigation for involvement in alleged match-fixing in the Indian Premier League (IPL) and as such barred from carrying out his BCCI duties by the Indian Supreme Court whilst those investigations take place, was nevertheless elected as the Chairman of the International Cricket Council (ICC) in June 2014. 309

4.163 Senior figures within Ghana’s Football Association, including its President, have also been implicated in an alleged match-fixing conspiracy involving the national team - to be achieved via the appointment of corrupt match officials - following an undercover investigation by journalists. 310

4.164 Moreover, a report for the European Parliament’s now disbanded Special Committee on Organised Crime, Corruption and Money Laundering (CRIM) in 2012 determined that “strong ties have been detected between the football establishment and criminal organisations”. 311

4.165 That position has been corroborated by other studies with Sportradar’s report, for example, stating that in football the organisation is “aware of at least ten owners/chairmen who are also likely linked to organised crime and their club is also most likely involved in match-fixing.” 312

308 http://www.bbc.co.uk/sport/news/world/13941418
310 http://www.bbc.co.uk/sport/football/32358584
312 http://www.gamblingcommission.gov.uk/licensing_compliance_en/Intelligence/sbiu.aspx & Page 42
Promoting a right to bet model on a national, regional (e.g. EU-wide) or global level could therefore be deemed questionable from the simple perspective that it potentially gives controlling power over regulated betting markets to those unregulated persons and organisations that might be involved in corrupting those same markets. That would be an undesirable and injudicious action.

The British Gambling Commission, for example, has quite understandably given the issues raised in the previous paragraphs, determined that it “could not delegate a decision to a sport governing body as to the activities on which licensed betting operators could lawfully take bets.”

Detection and Deterrents

i. Sports governance

The establishment and proper enforcement of rules and regulations by sports governing bodies with their participants regarding betting is a key deterrent and one which has been highlighted in a number of national and transnational communications and policy documents.

In particular, the European Commission and Parliament have continually highlighted the importance good governance principles through a variety of documentation, with the latter adopting a resolution on corruption in sport in March 2013 which: “Calls upon all sports governing bodies to commit to good governance practices in order to reduce the risk of falling victim to match-fixing.”

This followed a report from the Commission’s Expert Group on Good Governance in sport in June 2012 which stated that a “lack of respect for good governance principles may contribute to conditions that facilitate instances of match-fixing. Therefore, sound financial management, transparency, risk management plans and strategies at association and federation level are crucial to prevent fraud in sport, notably match-fixing, and to safeguard the integrity of sport.”

Other policy platforms such as the Council of Europe, UNESCO and the Commonwealth have also expressed the need for better sports governance to help to address match-fixing, drawing attention to the importance of applying proper sporting rules and sanctions.

All agree that the enforcement of effective provisions in this area is paramount. However, the response from the sports sector at national and international levels continues to be mixed with assertions that some sports are even ignoring evidence and allowing fixed matches to go ahead.

The aligning international and national level sports jurisdictional responsibilities, differing levels of impetus to address betting issues in an evolving global technological market, along with diverse national legislative positions appears to present a challenge that some have failed to meet.

The IOC, however, has been at the forefront of promoting proactive action in this area in recent years, seeking to enhance the integrity provisions relating to the events it organises and also encouraging the many international federations within its structure to adopt robust procedures.
4.175 Indeed, many international sports federations have sought to establish betting integrity rules and security units, notably the sports where the majority of betting takes place (outside of racing, where such integrity arrangements have generally been in place for some time), including: football (FIFA and UEFA), cricket (ICC), tennis (ITF), rugby (IRB) and snooker (WPBSA).

4.176 Lesser known sports, from a betting perspective, such the International Ski Federation (FIS), have also introduced provisions, all of which should be welcomed, albeit they are only as effective as the scope of these measures and the enforcement mechanisms associated which them.

4.177 The UK Government developed a 10 Point Plan to protect sporting integrity, published in July 2006, promoting that national sports bodies “include provisions in their rules and regulations governing the behaviour of their participants in relation to betting.”

4.178 An integrity panel established by the Government subsequently reported in early 2010 that: “The extent to which Sports Governing Bodies have included in their rules and regulations provisions to govern their participants’ behaviour in relation to betting varies greatly as between sports.”

4.179 It further noted that: “It can be seen that whilst some sports have extensively legislated to protect integrity in relation to betting, others have done much less and some hardly anything at all.” Additional action was therefore proposed to ensure that all sports met minimum standards.

4.180 The UK Government was advised by the sports sector in April 2012 that, having “audited the state of preparedness of sports governing bodies” a review had “revealed that two-thirds had more work to do in order to reach the standards proposed” in the integrity report of 2010. No additional update on the preparedness of UK sports has since been made publicly available.

4.181 Further integrity concerns surfaced towards the end of 2013 when the English Football Association (FA) received widespread criticism for an apparent lack of procedure and impetus to properly investigate a possible case of match-fixing involving lower level football conference clubs.

4.182 The criticism originated from within the sport itself, notably the chairmen of the clubs involved, a former Chairman of the FA and also a former head of the FA’s compliance unit (and ex-police officer), with the latter stating that: “the FA tend to stick their heads in the sand at suggestions of match-fixing and tend to give a perception that they don’t think it actually exists.”

4.183 Whilst pointing out that there was no evidence of a big match-fixing problem in English football, a position supported by the British Gambling Commission for UK sport more generally, the regulated betting sector added to the criticism of the governing body’s integrity procedures.

4.184 A senior representative went as far to say that he was “not confident” the FA’s regulations on match-fixing were tough enough and that it was too focused on the higher end of the sport. The Chairman of the independent Sports Betting Integrity Panel in 2010 also voiced his concern.

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[324] http://www.tennisintegrityunit.com/about

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4.185 The sports governance issue around integrity is not confined to the establishment and enforcement of betting regulations. FIFPro, the global football players’ union, published a report in 2012 which detailed the impact of poor financial practices in sport as a facilitator of match-fixing.327

4.186 The document detailed a widespread lack of player salary payments in Eastern European football - over 40% delayed or not paid at all - and a “clear link between non-payment and match fixing.” It is an issue which FIFPro states is increasing and where organised crime is utilising the financial vulnerabilities of players due to poor sports governance and financial mismanagement.328

4.187 “Players who do not receive their salaries are very vulnerable to becoming involved in match fixing. The longer a salary is in arrears, the greater the risk that the player will respond to requests to participate in manipulating matches,” the report advises, with around 1 in 8 (11.9%) of all of the players surveyed having admitted to being approached to manipulate a match.329

4.188 It also lists some alarming figures linked to this widespread financial mismanagement of clubs in Eastern European football, with 34.3% of respondents in Kazakhstan being approached to fix the result of a match, whilst in Greece it was almost every third player (30.3%). Whilst almost half of the respondents from Russia (43.5%) being aware of an instance of match-fixing in their league.330

4.189 The UNESCO Declaration of Berlin, adopted by 121 Member States in May 2013, subsequently called upon sports to adopt “reliable and sound management of financial affairs (including salary payment according to work contract provisions)” to help protect integrity.331

4.190 That supported a Council of Europe Integrity Recommendation (Sept. 2011) that sports “at national and international levels, should consider the adoption of appropriate measures to ensure good conditions for their professional athletes, notably through schemes aimed at safeguarding their salaries and through bans on participation at different levels of competition for sports organisations failing to fulfil regularly their financial obligations towards their athletes and sports officials.”332

4.191 In January 2014, FIFPro again highlighted this issue and that it had “repeatedly complained” about the situation in Eastern Europe, following a warning by the organisation that its members should “think twice before accepting contracts to play for clubs in Cyprus, Turkey and Greece.”333

4.192 It also pointed to a FIFA match-fixing document (October 2013) which, whilst emphasising that there would be zero tolerance for players caught fixing, did not mention or seek address the significant dangers linked to financial mismanagement and the lack of payment of player salaries.334

4.193 The organisation has stressed that: “UEFA and FIFA need to start acting against national football federations, which do not comply with the existing rules and legislation. UEFA and FIFA have some very strict sanctions at their disposal, but up till now they have refused to apply these”.335
4.194 As already highlighted earlier in this chapter, there remains the significant issue of match-fixing corruption emanating from within senior levels of sport itself, most notably demonstrated in the Italian and Turkish football match-fixing cases, but also prevalent in other sports.  \[336\]

4.195 There also now appears to be an almost instantaneous association with betting, when various studies have shown that there is in fact a sizeable amount of sporting-related match-fixing.

4.196 The IRIS study concluded that: “In football for example, the most frequent cases of match-fixing involve the clubs themselves” and that collusion between club chairmen to prearrange results is “very frequent in Albania and Russia” and widespread across Eastern Europe and Balkan states.  \[337\]

4.197 Such incidents fall outside of the scope of gambling regulatory authorities - where there is no betting involved - and, although there may be some corruption laws under which this illicit activity falls, this issue is quite understandably not high on law enforcement bodies’ priorities.

4.198 Incidents of this nature are therefore potentially difficult to expose and prosecute, and whilst sport understandably emphasises the importance of protecting its autonomy, there does not appear to be a clear or specific strategy to address this internal corrupt governance issue.

ii. Anti-corruption units and early warning systems

4.199 As outlined earlier, gambling authorities have established various mechanisms to work with sporting bodies and regulated betting operators to protect the integrity of sporting events. The approaches employed in Italy, France, Australia and the UK in particular have been referenced.

4.200 The British Gambling Commission has had some significant success in working with stakeholders, including law enforcement bodies, to detect and punish corruption in its regulated betting market in recent years and it is often observed as an example of a best practice model.

4.201 The Gambling Commission requires all of its licensed betting operators to adhere to a specific betting integrity licensing condition requiring them to notify and share information on suspicious betting or a breach of a sporting rule on betting with the regulator and sports bodies.  \[338\]

4.202 The regulatory authority also receives information from sporting bodies and ‘tip offs’ through a confidential hotline, and has established a dedicated Sports Betting Intelligence Unit (SBIU) to oversee and act on such evidence, including the power to void bets and to prosecute.  \[339\]

4.203 The British Gambling Commission appears to be the only national authority to regularly publish relatively up-to-date figures on the matter and which, given the significant size of the land-based and online market it covers, are a useful barometer of the issue within the regulated sector.

4.204 The Gambling Commission’s most recently released information shows that 135 cases of suspicious betting activity were reported to the national regulatory authority between 1 October 2012 and 31 March 2014, with the majority of these coming from betting operators.  \[340\]

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4.205 As of 31 March 2014, 17 cases were “actively being assessed by the Commission” with the vast majority of the remainder having been closed either because suspicion was not substantiated or where a case has been referred to an external agency such as a sports body for further action.  

4.206 Football (44) and tennis (20) accounted for 65% of the cases investigated and closed.  

4.207 Many major national and international sporting bodies have also established anti-corruption units and what have been termed ‘early warning systems’ to detect and protect their sporting events from corrupt manipulation, particularly related to fraudulent betting activity.  

4.208 FIFA (EWS), UEFA, ICC (ACSU), the world tennis federations (TIU), WPBSA (IU), IRB and more recently the IOC (IBIS) are all prime examples of this type of endeavour to protect sporting events.  

4.209 This can involve a variety of actions to enforce regulations, notably agreeing information sharing arrangements with betting operators and regulators, surveillance of irregular changes in global sports betting markets (regulated and unregulated), and wider investigative and preventative activities such as whistleblowing hotlines and player education initiatives (see later section).  

4.210 Some sports have placed a particular emphasis on the establishment and role of early warning systems focused on detecting irregular or suspicious betting activity both through the direct exchange of information with betting operators and the surveillance of betting markets.  

4.211 The latter activity is provided by private companies which have agreed commercial contracts to serve some sporting bodies integrity needs, notably to monitor and analyse betting odds movements, seeking to detect any market irregularities which might be an indicator of corruption.  

4.212 Regulated betting operators have long had their own internal security systems in place, and which are continually being updated and modified to best meet the challenges of new technological developments, to protect their businesses and consumers from fraudulent activity.  

4.213 Through information sharing arrangements, or Memorandum of Understanding (MoU) as they are often referred, they also use these systems to communicate information regarding suspicious betting activity to the relevant sporting bodies and regulatory authorities.  

4.214 A number of the major regulated betting operators have gone a step further and, in 2005, established a body as a central hub to form integrity partnerships with sports and regulators and to collate and distribute information from its members concerning betting related match-fixing.  

4.215 The organisation, ESSA, has grown to currently represent many of the largest regulated land-based and online betting operators, often with multiple brands focused on or based in Europe, Asia, America and Australia, and therefore having an international operation and consumer base.  

4.216 It has established information sharing agreements with over twenty major sporting bodies, such a FIFA and the IOC, and a number of regulators such as the British Gambling Commission.
ESSA also represents its members on important national and transnational platforms such as the European Commission's sport and betting policy deliberations, Council of Europe's development of an international match-fixing convention and the IOC's betting integrity working groups.

The organisation’s own early warning system assesses detailed intelligence from its members’ customer base to identify suspicious bets, with that information then quickly passed on to the relevant sporting or regulatory parties for further investigation and action if deemed necessary.

It advises that: “ESSA’s members offer tens of thousands of sports betting markets each week with millions of bets assessed and taken” and that “all online transactions are traceable and operators are therefore able to spot, in real time, any irregular betting patterns.”

This information is provided free of charge to its partner organisations and resulted in 148 alerts in 2013 (dominated by football and tennis), which after detailed examination led to 30 suspicious betting reports being sent to the relevant sporting bodies and regulatory authorities.

The international football authorities and their odds-based integrity monitoring systems however believe that there are “between 250 and 300 suspicious soccer games every year.”

There are a number of reasons behind the differentiation in these betting-related corruption figures and where the relative strengths of these varying statistics should also be considered.

Firstly, it should be reiterated that there is an important range of evidence and opinion from a variety of sources which states that match-fixers do not predominately focus on regulated European betting operators, most notably because of the security measures they have in place.

Secondly, the information provided by regulated betting operators, notably ESSA, has principally been based on access to important detailed personal information such as transaction histories, amounts, location and identities of all of the parties attempting to place particular bets.

Such information can be crucial when analysing whether an event is deemed to be irregular, but can subsequently be explained through examination of the evidence, or where it cannot be clearly explained and is therefore deemed suspicious, requiring further detailed investigation.

Source: ESSA

The ESSA betting integrity statistics 2011-13

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Ibid.


4.226 Whilst following odds movements, aligned to other investigative techniques, can be useful tools in flagging issues requiring further investigation, those alerts are not the result of or accompanied by the level of detailed personal transactional data provided by parties such as ESSA.

4.227 Regulated betting operators can also, as part of the general operation of their business, or if regulatory authorities direct, decline to accept bets they determine to be suspicious without impact on their existing markets and which cannot therefore be picked up by odds monitoring systems.

4.228 For those alerts that are raised with regard to the unregulated betting market outside of Europe, widely believed to be the favoured option of corrupters wishing to place bets on manipulated sporting events, detailed transactional histories are likewise unavailable.

4.229 Whilst instances of betting-related corruption have and can be identified through close observation and assessment of unregulated markets - and it may realistically be the only source of information - there is also the associated possibly of false positives as a result of limited data.

4.230 Movements in betting odds can occur for a variety of reasons and can, for example, be a result of inside information whereby parties seek to exploit information not yet publicly available, such as player being injured or a piece of sporting equipment being lost e.g. a snooker player’s cue.

4.231 Sporting participants and personnel betting in breach of sporting rules is also an increasing issue with notable instances in the UK, France and Australia during 2014. The English FA has moved to strengthen its policy position with professional players in English football’s top eight tiers banned from betting on any football matches anywhere in the world from the start of the 2014/15 season.347

4.232 Whilst a Scottish law enforcement official who has worked closely with regulated betting operators and their intelligence on sports betting integrity issues has stated that: “More often than not, runs of cash on a sporting fixture are caused by a rumour gone wild rather than corruption.”348

4.233 Furthermore, although it is important to identify and challenge potential corruption, instances of suspicion, however strong, cannot securely be deemed to constitute corruption unless accompanied by proper due process involving assessment of the evidence and associated judgment.

4.234 However, there continues to be a concern surrounding a lack of feedback and transparency regarding the action, if any, taken by certain national and international sports to utilise and act on the detailed transactional information provided by regulated sports betting operators and others.

4.235 In the 2013 Bangladesh cricket match-fixing investigation it has been shown that the ICC’s integrity unit allowed at least two matches to go ahead despite being in receipt of evidence (video recording of the proposed fix) that those matches would be corrupted for betting purposes.349

4.236 The ICC’s Anti-Corruption and Security Unit (ACSU) failed to pass this vital information on to the Bangladesh Cricket Board (BCB), which was overseeing the event (and in breach of an BCB/ICC tournament agreement), or to local law enforcement authorities to take preventive action.350

347 Paragraphs 25, 46, 55, 58 of the Bangladesh Cricket Board Anti-Corruption Tribunal (Issued 8 June 2014) http://www.thedailystar.net/upload/gallery/pdf/bpl-full-verdict-file-.pdf

348 Paragraphs 49, 53 & 54. Ibid.

349 Paragraphs 25, 46, 55, 58 of the Bangladesh Cricket Board Anti-Corruption Tribunal (Issued 8 June 2014) http://www.thedailystar.net/upload/gallery/pdf/bpl-full-verdict-file-.pdf

350 Paragraphs 49, 53 & 54. Ibid.
4.237 This inaction obviously had a detrimental impact on the integrity of the tournament and the sport itself, whilst also potentially adversely impacting associated betting markets and the innocent consumers and spectators unaware of this illicit activity taking place on these sporting events.

4.238 It is also worrying that the tribunal adjudicating on this matter noted that, in its contact with other sports governing and regulatory bodies, “more often than not, sports regulators do not stop matches or events even where they have information about corruption in the match or event.”\textsuperscript{351}

4.239 The adjudicating authority in this match-fixing investigation specifically noted that it did not agree that “allowing corruption to take place can be consistent with the role of any regulator entrusted with the role to prevent corruption in the sport it regulates.”\textsuperscript{352}

4.240 It further stated that, contrary to their role to prevent such corruption, this “passiveness on the part of the [sporting] regulators would be welcomed by the fixers and would encourage them and their accomplices to continue with their efforts to spread the cancer of corruption.”\textsuperscript{353}

4.241 As the previous section on sports governance details, where adequate rules and regulations have been established by sports they still require proper enforcement to be effective. The sometimes excessive length of time to conclude investigations has also been highlighted as an issue.

4.242 The World Professional Billiards and Snooker Association (WPBSA) is however an example of a governing body that has attempted to be open, transparent and robust in enforcing its integrity provisions, working closely with regulated betting companies and national authorities in partnership.

4.243 The WPBSA match-fixing case against snooker player Stephen Lee, adjudicated in September 2013, cannot be seen to have been anything other than a thorough investigation, utilising information provided by betting operators and regulatory and law enforcement authorities.\textsuperscript{354}

4.244 The sport released a 34-page document summarising the independent sporting adjudication, which resulted in the sanction of a 12-year ban from the sport for Mr Lee and £40k in costs.\textsuperscript{355}

4.245 That consideration concluded that: “it is established, on the balance of probabilities, that Mr Lee acted improperly in relation to matches that he either believed he would lose, or that he believed he would win sufficiently comfortably that he could drop the first frame.”\textsuperscript{356}

4.246 The organisation’s separate public announcement in January 2014 of its investigation into unusual betting patterns in relation to two matches during a qualifying event was also clear.\textsuperscript{357}

4.247 After liaising with partners in the betting industry, a gambling regulator and conducting extensive international enquiries it could not find any link between the players involved and the betting activity. In this case, suspicion did not relate to sufficient evidence of corruption.\textsuperscript{358}
4.248 It is a thorough approach which many other sports would benefit from following, whereas incidents such as a Croatian court’s decision that UEFA had falsely accused a referee of involvement in alleged match-fixing without valid evidence to support that position is a more cautionary tale.359

4.249 Figures relating to suspected corruption, especially where such incidents remain unresolved should therefore be treated with caution; proven cases of corruption identified through an evidence-based process and consequent judgment provide a much more stable and reliable evidence base.

4.250 Furthermore, early warning systems provide no assistance where the manipulation of an event has no associated betting element and which, on the information from a number of independent studies, therefore fails to address a significant part of the match-fixing issue in sport.

iii. Education programmes

4.251 Educating players and officials on the dangers of match-fixing and the methods adopted by corrupters to draw sportspeople into this illicit activity has been high on the agenda in recent years.

4.252 A number of national and transnational political resolutions have identified this as a key area, most notably the UNESCO Declaration of Berlin (May 2013) signed by 121 states, Council of Europe’s Recommendation (Sept. 2011) agreed by its 54 member states and various European Commission and Parliamentary documentation on behalf of these institutions’ now 28 members.360

4.253 Recommendation’s such as the one agreed by the Council of Europe have consistently urged that sports bodies “raise awareness and knowledge among their athletes of the issue of manipulation of sports results and its consequences, through education, training and publicity.”361

4.254 Whilst UNESCO has called for sports to implement “comprehensive education programs, in particular face-to-face training targeted at athletes and also involving their close entourage, sport agents, coaches, referees, representatives of the associations/clubs and the sport federations” 362

4.255 A number of sports have introduced specific player education programmes around betting, with the ICC ICC’s Anti-Corruption and Security Unit (ACSU), for example, set up in 2000 with three main objectives focused on investigation, education and prevention.363

4.256 It states that: “All players and officials that take part in the top level of international cricket pass through the ACSU’s education programme” and that “players are given details of the ways in which corruptors may seek to ‘groom’ them from an early age as well as the penalties that exist - not just for fixing all or part of a match but also for accepting money, benefit or other reward for the provision of information or failing to disclose the inappropriate conduct of others.”364

4.257 In May 2011, FIFA and INTERPOL announced a ten-year, €20 million deal establishing a “FIFA Anti-Corruption Training Wing within the INTERPOL Global Complex (IGC) in Singapore” to deliver “cutting-edge training, education and prevention” initiatives to protect the sport from corruption.365

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359 http://www.insideworldfootball.com/world-football/europe/1431884/
362 http://www.icc-cricket.com/about/anti-corruption
363 ibid.
365
Other sports bodies have not always been as proactive in implementing measures; the UK Government established Integrity Panel’s report (Feb 2010) identified a widespread deficiency in this area, advising that this be addressed by the sports sector with “regular education and communication programmes on sports betting integrity to all competitors and participants”.

The UK Professional Players Federation (PPF) subsequently signed an agreement with betting operators, with the latter funding a number of successful betting education programmes.

In February 2014, the PPF advised that since the programme began in 2010 “a number of innovative integrity projects have been undertaken in cricket, rugby union and football” providing “face-to-face education to more than 3,000 professional footballers in England and Wales.”

In addition, “the percentage of footballers that know the FA’s rules on sports betting has risen significantly from 60% in 2010 to 93% in 2013. And the percentage of players knowing the rules on insider information has more than doubled from 40% to 82%” as a result of the programme.

The regulated betting sector also funds education programmes managed by player associations across parts of the rest of Europe via an ongoing project with EU Athletes, the federation of European player associations, agreed in April 2010.

It is a programme which has received the support of the European Commissioner for Sport and with the Commission, which has continually emphasised the importance of education, having also agreed in November 2012 to co-finance a related €500,000 initiative over 18-months.

That agreement has allowed EU Athletes to significantly expand their existing campaign to target 15,000 athletes in 13 countries across at least 10 different sports from 1 January 2013.

Four other projects were also selected by the European Commission for funding in this area: FIFPRO and UEFA; IRIS/SportAccord and European Lotteries; Transparency International and EPFL; and an IRB and 6 Nations rugby player education programme.

The SportAccord education programme, established in April 2011 in partnership with the World and European Lottery Associations, provides a package of measures and resources with its guiding principles mirroring the earlier projects funded by the regulated private betting industry.

The organisation encourages that its 92 member international sports governing bodies “tailor these tools to match the specific characteristics of their sport” along with their own regulations and any associated national betting and sports corruption legislation.

The Australian government launched a national match-fixing education programme based on the SportAccord model in August 2013, and where all of its sports are “expected to provide appropriate education to players, player agents, support personnel, officials and staff”.

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Page 8 http://www.sportsbettinggroup.org/docs%5Csports_sports_betting_integrity_panel.pdf Page 27
http://www.ppf.org.uk/mbndata/pdf/IAh9It.pdf
http://www.ppf.org.uk/mbndata/pdf/93eMYP.pdf
http://www.sportsbettinggroup.org/docs%5Creports_sports_betting_integrity_panel.pdf
Page 22
4.269 Whilst there may still be some way to go to ensure that such positive preventative activity is commonplace across global sport, as in doping for example, it does reflect a welcome and increasing focus by the sector on educating its participants on the dangers and penalties around match-fixing.

4.270 The provision of funding from institutions such as the European Commission, in acknowledgement of its enlarged remit around sport and integrity issues under the Treaty of Lisbon, is likewise positive and merits consideration for a more continuous and expanded investment. The recently instigated 7-year Erasmus+ programme to fund areas such as integrity is encouraging.375

4.271 However, such funding is an additional assistance in this area and should not be viewed as the principal channel or facilitator of such action which, as a number of important governmental approaches and policy documents have emphasized, should be emanating from within sport itself.376

4.272 As such, whilst aspects of the regulated betting industry have stepped in to try and fill some of the void in this area, in the longer-term this is an issue that the sports sector should be delivering as part of the broader enforcement of its rules and general interaction with its participants.

iv. Establishment of an international match-fixing authority

4.273 The creation of an international authority to address match-fixing, in line with the formation of WADA for anti-doping activities, has been put forward by a number of parties, most notably WADA itself, with the organisation proposing a new larger integrity body to deal with both issues.377

4.274 Comparisons have continually been drawn between match-fixing and doping, in particular the level of threat that both pose to the future of sport from a social and economic standpoint.378

4.275 From a purely statistically perspective known incidents of doping far outnumber those of match-fixing (betting and non-betting) and the use and reliability of figures relating to unresolved suspicious incidents of possible match-fixing has been highlighted and cautioned in this text.379

4.276 As such, whilst its impact is damaging, the true scope and extent of the match-fixing issue largely remains open to question, but it is nevertheless understandable that an international body be proposed to deal with what is a global issue and that WADA is seen a ‘blue print’ in that regard.

4.277 However, whilst both issues clearly concern the integrity of sport, they are in many respects quite different and it is important that any associated policy recognises this if it is to be effective.380

4.278 That does not preclude the development of a new international body, but there are some fundamental issues that need to be evaluated first and reasons why such a move, with associated additional costs, may not be necessary, appropriate or effective.

4.279 One of the most difficult aspects will be finding common agreement between jurisdictions, an issue which has been at the heart of the debate surrounding the Council of Europe’s development of a proposed international convention on match-fixing (betting and non-betting).

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375 Article 165 http://register.consilium.europa.eu/doc/srv?l=EN&t=PDF&gc=true&sc=false&f=ST%206655%202008%20REV%207
377 http://www.theguardian.com/sport/2013/feb/15/drugs-athletics-laws-international
381 Page 5 http://www.sportaccord.com/multimedia/docs/2012/02/2012__IRIS__Etude_Paris_sportifs_et_corruption__ENG.pdf
4.280 That has seen the draft text, intended to be debated by Ministers in late 2014, shaped to try
and accommodate the various differing national laws and in so doing means that the draft
convention is unavoidably broad-based and may be potentially applied in an inconsistent manner.

4.281 Globally, betting laws vary greatly between countries from a total prohibition to having no
restrictions on the types of bets that can be offered, albeit with regard to the latter regulators
continually monitor their markets and can quickly impose limits if evidence deems this necessary.

4.282 Countries that license betting also already have in place regulatory authorities whose remit
it is to protect their consumers and markets, and if not specifically mentioned as in the case of the
UK Gambling Act 2005, by extension the sporting events on which fraudulent activity is focused.

4.283 Governments are quite understandably reluctant to amend or relinquish national level
controls, which have often been developed and endorsed by democratically elected processes
reflecting cultural and historical values, or to accept the differing policy positions of others.

4.284 Clearly no restrictions apply to the unregulated betting market through which a large
proportion of betting related match-fixing is directed, adding another challenge to be addressed.

4.285 For the significant but often unrecognized match-fixing threat where no betting takes place,
again laws vary between countries regarding the scope of applicable legislation on bribery, for
example, along with the issue of protecting the autonomy of sport from government intervention.

4.286 Sports themselves also have differing rules and associated mitigating actions which, in the
best cases, is based on an assessment of risk and where certain sports are potentially more open to
the focus of corrupters as a result of poor governance and/or close links to large-scale betting.

4.287 It is important to note, when considering a potential transnational organisation or approach
that WADA, or more appropriately the World Anti-Doping Code, which provides the framework for
internationally-harmonized anti-doping policies, is not endorsed by all governments or sports.\(^{381}\)

4.288 For example, some major American sports do not adhere to its regulations, outside of
tournaments under bodies such as the IOC that have implemented the World Anti-Doping Code,
preferring their own processes. WADA nevertheless still appears to be a relatively effective tool.\(^{382}\)

4.289 The funding of any new organisation is also a significant issue; WADA is funded equally via
contributions from signatory governments and the sports sector at a cost of around $27 million per
annum, although global anti-doping activities are estimated equate to some $500 million annually.\(^{383}\)

4.290 Unsurprisingly, governments have shown a clear reluctance to increase their spending on
WADA’s activities, only agreeing a 1% increase in 2014 following three years of funding freezes.\(^{384}\)

4.291 Betting operators already fund national regulatory authorities through licence fees primarily
covering the operation of their business and the protection of consumers. There have been calls for
regulated betting operators to also pay for a new international sports integrity body.

4.292 Given the weight of evidence, it is difficult to ascertain a clear reasoning to support regulated betting operators making additional integrity payments or funding the establishment and continued operation of a new international integrity body to protect sport from corruption.

4.293 Betting related match-fixing has been shown to be generated by sports own participants and criminals predominantly focused on the unregulated market, whilst non-betting related match-fixing is instigated from within the sports sector itself and has no correlation with the betting industry.

4.294 The fight against doping, and the establishment of WADA, has also set a clear precedent that sport and governments address this funding matter, with the latter using general taxation revenues.

4.295 These issues are not necessarily insurmountable nor preclude a new body being established but may serve to limit any organisation from enacting an effective international approach and one which does not duplicate or encroach on statutory and non-statutory activities already in place.

4.296 As such, a coordinating role appears to be a more pragmatic approach and it may be more practical and cost effective to instead utilise an established body open to cross-sector engagement.

4.297 The IOC’s exiting betting integrity policy platform, involving transnational bodies for governmental regulatory activities (GREF & IAGR), law enforcement (Europol & INTERPOL) and regulated betting operators (ESSA & WLA) therefore seems a more realistic and workable model.\textsuperscript{385}

4.298 There is also undoubtedly scope, and indeed a necessity, for greater collaboration between regulatory and law enforcement authorities at national and transnational levels.

4.299 The Council of Europe’s proposed international match-fixing convention and the European Commission’s work towards a match-fixing resolution, both expected in 2014 and establishing best practice initiatives, are two potentially important and influential activities in this respect.\textsuperscript{386}

\textsuperscript{385} Gaming Regulators European Forum (GREF), International Association of Gaming Regulators (IAGR), World Lotteries Association (WLA) & European Sports Security Association (ESSA)

\textsuperscript{386} http://assembly.coe.int/nw/xml/XRef/Xref-DocDetails-EN.aspx?fieid=20927&lang=e&search=y2FgZWdxcnRlYXJkJVxOeViBZcG9wZwVxYXJnXzI5NQ. Paragraph 2.5 http://eur-lex.europa.eu/legal-content/EN/ALL/?uri=CELEX:52012DC0596
Chapter 5: CONCLUSIONS

5.1 The growing global sports betting market, through regulated and unregulated operators and driven by relatively new product platforms and types of bets, has seen policymakers within national and transnational institutions increasingly drawn into a heated commercial and integrity debate.

5.2 The growth of interactive gambling, and where sports betting is a key product in an increasingly borderless gambling environment, has created concerns regarding its potential impact on in-country monopoly lottery operators and the revenues for good causes such as sport.

5.3 Whilst professional sports bodies have continued to seek both commercial control over any sports-related products offered by regulated betting operators and to derive direct payments for the use of any sports-related data, such as fixture lists, used by those regulated betting companies.

5.4 Sports bodies, along with other fiscally interested stakeholders in this debate such as the lottery sector, have also pressed for many of the new types of bets being offered, in particular by regulated European betting operators, to be universally prohibited on sporting integrity grounds.

5.5 The available evidence shows that the global lottery sector has continued to show steady growth in otherwise difficult economic circumstances, continually outstripping global economic rates. The European lottery sector has also fared well against the overall European gambling market.

5.6 In general, the lottery sector has been slow to cultivate interactive betting and gaming platforms, but an increasing focus on product modernisation in this area will see state lotteries, notably European, significantly increase their share of the interactive market in the coming years.

5.7 Assertions that the opening of gambling markets to competition involving regulated private operators will lead to a reduction in lottery revenues and thereby money allocated to good causes, including sport, does not appear to be corroborated by the evidence of a number of markets.

5.8 The global sports sector has also continued to demonstrate its ability to prosper in an otherwise challenging economic period - 12.3% increase 2012-14, reaching $146 billion - and where broadcast revenues have been a key driver in the continuing globalisation of the business of sport.

5.9 The sports sector has long argued that it should receive a direct payment for the use of sports data used by regulated betting operators and has pressed EU governments in particular to establish a legal framework that creates a new commercial revenue channel for sports to exploit.

5.10 However, Court of Justice of the European Union judgments have stated that fixture lists do not attract database protection and associated payments cannot therefore be enforced. It seems very unlikely that the associated EU Database Directive will be amended to accommodate sports.

5.11 To do so would risk creating undesirable information monopolies and the potential abuse of dominant position by sporting bodies regarding such data. It is also held that the introduction of such a fiscal benefit for sport constitutes a State aid that is incompatible with EU Treaty provisions.
Sports’ preferred conduit to achieve this commercial aim, commonly referred to as a sports organisers’ betting right, has therefore been repackaged to increasingly incorporate the protection of sporting integrity as a principal reason behind the establishment of this coveted new betting right.

A perceived increase in incidents of match-fixing relating to enhanced access to new betting products has also been used as leverage to support the introduction of this model. However, a study conducted for the European Commission into sports rights issues has been critical of this approach.

The Asser report lists numerous practical and legal obstacles to the introduction of a model which would enable sports to determine the events on which betting could take place, with the corresponding remuneration levied on betting operators for that agreement invested in integrity.

The reality is that this model does not provide an effective or efficient approach with revenues predominately going to the major sports bodies and where it is unclear that they are being used for integrity, whilst the costs associated with the administration of this right are considerable.

Quite understandably, very few jurisdictions have opted to introduce this flawed mechanism with the majority of government’s opting for alternative and more balanced and efficient approaches which indisputably seek to protect integrity, rather than as a commercial substitute.

There has also been a move to restrict or prohibit many of the new types of bets being offered, in particular by regulated European betting operators, as the increased availability of these new products has been deemed to have significantly increased the risk of corruption in sport.

However, a range of parties have determined that match-fixing is not primarily focused on European regulated operators’ business platforms, which employ sophisticated detection and consumer identification systems, restrict stakes, close markets and void bets in suspicious cases.

Instead, it is acknowledged that it is the unregulated sector which represents the greatest danger to the integrity of sport through a lack of official oversight and accountability, and which provides a conduit for organised criminals and corrupt sportspeople to profit from match-fixing.

Furthermore, when such illicit activity does take place it predominantly involves corrupters seeking to employ the traditional mainstream betting products, such as the final result, with high levels of market liquidity to try and mask their illicit activities, rather than new betting products.

Moreover, imposing such restrictions or bans does not make it any less likely that the sporting events in that licensing jurisdiction will be any safer from corrupt activity relating to betting, which can take place in multitude of regulated and unregulated locations around the world.

Placing product restrictions on regulated operators on integrity grounds has no firm basis in this respect and in fact may create an undesirable situation whereby consumers seek access to those banned products via the unregulated sector not impacted by regulatory or market limitations.

The proposal that new markets, such as in-play (or live) betting, offered by regulated betting operators should be restricted or prohibited on sporting integrity grounds does not, given the weight of independent data, appear to be a policy generated from any firm evidence base at this time.