

The role of the betting industry

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Although match-fixing is not a new phenomenon, the rapid expansion of the global sports betting market and the involvement of transnational organized crime has substantially increased the threat of betting-related match-fixing. This is not only a critical issue for sport, but also for the betting industry – a point that is often overlooked. Apart from the direct losses that they may face in the event of match-fixing, betting operators are also adversely affected in the long-term since consumers' confidence in the integrity of sports competitions is vital to their business. In light of this convergence of interests, this article explores the pivotal role that the betting industry, operating in a regulated environment, can play in the prevention and fight against betting-related match-fixing.

The Asian betting market

Sports betting has grown into a multi-billion dollar industry. The Gross Gaming Revenue (GGR) of the regulated sports betting market was estimated at \$58 billion in 2012 and is forecast to reach \$70 billion in 2016.² The volume of sports betting on the illegal markets is believed to dwarf the turnover on the regulated market. Some estimates put the total turnover of illegal sports betting at \$500 billion per annum,³ but the lack of transparency evidently makes it hard to approximate the size of the illegal betting market reliably. Most of this activity emanates from Southeast Asian countries where the failure to provide an attractive, regulated betting offer coupled with a culture of gambling has allowed enormous illegal betting networks to flourish. Unfortunately, most of these countries continue to demonstrate a lack of political goodwill to take (more) aggressive action against this black economy.

There is a growing consensus that professional match-fixers predominantly use the illegal Asian betting markets to place their bets directly.⁴ Regulated bookmakers generally restrict stakes, require registration and identification of the player and even withdraw betting markets in the case of irregular betting activity. In contrast, the Asian system of bookmaking – in which bets are collected from the street, in betting shops, online and through telephone betting and are passed up through a hierarchical agent system – allows bets to be placed anonymously and without betting limits. To manage their risks, local illegal operators lay off their unbalanced bets along the chain to the next tier. Eventually many of the bets end up with the largest Asian bookmakers licensed in loosely regulated jurisdictions, such as the Philippines. By then the bets are hidden in larger parcels and almost impossible to trace back to their source.⁵

It would be too easy to put all the blame on the illegal Asian betting markets, however. As various documented cases exemplify, betting-related match-fixing can and does occur also in regulated betting markets. The point is rather that keeping sports betting activity within well-regulated, and therefore controlled, channels is the best way to identify and manage integrity risks. As the remainder of this article will demonstrate, in such a regulated environment the betting industry can be an important part of the solution.

Betting monitoring and fraud detection

Like any other type of corruption, betting-related match-fixing is a covert and consensual activity, which makes it extremely difficult to detect instances of fraud. Proactive intelligence-gathering and sharing of information is therefore a critical component of the fight against match-fixing. It is here that regulated betting operators can play a fundamental role.

Over the last decade a number of betting-monitoring systems have been put in place by betting industry bodies (such as the European Sports Security Association and the Global Lottery

Monitoring System), sports organisations (for example, the FIFA Early Warning System), commercial monitoring companies (such as Sportradar) and gambling regulators. In parallel to these systems, each betting operator has its own surveillance system, to monitor the betting activity of its customers and to spot unusual movements across the betting market. This is an integral part of betting operators' internal risk management analysis, carried out to control financial risks and thus improve their profitability.

Many sports organisations, especially the better-resourced ones, have entered into voluntary memoranda of understanding (with betting operators or betting industry bodies) and/or commercial agreements (with monitoring companies) to keep themselves informed about irregular betting activities relating to their events. Even so, it is of vital importance that national gambling regulations oblige regulated betting operators to report information on suspicious betting activity to the authorities or the national platform, as envisaged by the Council of Europe Convention on the Manipulation of Sports Competitions.⁶ While each of the betting monitoring systems mentioned above have their specific features and assets, typically only the betting operators have access to the records of individual transactions, including the amounts of the bet and the identity of the customer.

Good practice in the European Union highlights the fact that having a centralised platform that coordinates the gathering, analysis and exchange of information-sharing at the national and supranational levels is crucial in addressing the match-fixing threat to sport.⁷ A good example is the Sports Betting Intelligence Unit (SBIU), which was created within the United Kingdom's Gambling Commission in 2010. The SBIU acts as the gateway for information on potentially corrupt betting activity related to British sports events. In the vast majority of cases this information is submitted by betting operators.⁸ Once a piece of information has been received, such as a report on suspicious betting activity, the SBIU corroborates the report with other pieces of intelligence and decides on the most appropriate course of action, right through to when the case is closed. A detailed

investigative decision-making framework documents how the SBIU determines whether to refer the case to a sports governing body or betting operator, proceed to criminal prosecution, issue a caution or take no further action.⁹ The underlying presumption of this decision-making framework is that only the more serious cases are likely to be appropriate for criminal sanction. Given that criminal prosecution is a challenging task that requires satisfying a high burden of proof (beyond reasonable doubt), disciplinary action by the sports governing body can often be the most effective – and even, sometimes, the only possible – course of action. Of course, sports organisations are powerless against criminal gangs and individuals outside their sport. Yet one must not forget that while not every match-fixing case has a criminal component, it always has a disciplinary component: a fix can only occur with the involvement of at least one person covered by the regulations of the sports governing body. Preparing and progressing disciplinary proceedings for breaches of these regulations is a necessary component of an effective strategy to combat match-fixing.¹⁰

Obviously, the operation of national betting integrity platforms raises important questions about adequate resourcing, staffing and the granting of the necessary clearance to process and investigate betting data. Thought would have to be given to how the betting industry might assist in capacity-building at a national level, financially or otherwise. Moreover, it is important to develop guiding principles for what constitutes suspicious betting activity. The requirement for betting operators to report irregular betting patterns to the regulator or the national platform loses much of its relevance if it is left entirely to them to decide when and what to report. The setting of such integrity industry standards demands the involvement of all the relevant stakeholders who have built up experience in this regard. The Follow-up Committee to the Convention on the Manipulation of Sports Competitions would be well-placed to foster the development and convergence of standards at the European level.

Betting bans for sportspeople

In most of the leading sports, sports organisations have made it a disciplinary offence for athletes, their support personnel and/or officials to (1) bet on sports events in which they are involved and (2) disclose inside information. Some sports organisations, such as the English Football Association, extend this prohibition to all betting on their sport. Betting bans for sportspeople can also be found in a number of national gambling regulatory frameworks.¹¹ Although such rules target only possible instances of individual fraud (such as a football player or referee conceiving and exploiting his/her own manipulation), which do not pose the threat that corruption involving criminal organisations does, they have an important educational and deterrence function. By precluding improper influence due to conflicts of interest, these prohibitions embed awareness and compliance in relation to betting-related match-fixing.

The enforcement rate of these betting bans is extremely low, however.¹² The main impediment to effective enforcement is that generally only betting operators, which have a duty to identify their customers, are able to detect non-compliance. In fact, the majority of sports betting operator's terms and conditions equally prohibit people who may influence the results of sports events from placing bets on those events. In the event of any breach of these terms and conditions, the operator may refuse payment of any winnings or cancel the bet (on the grounds of a breach of the contractual basis of the bet), but is not necessarily obliged to report this to the relevant sports organisation. Once again, cooperation between the different stakeholders and information-sharing are essential for the effective protection of integrity in sport and sports betting.

In Australia, for instance, sports organisations may request licensed betting operators to undertake integrity checks, such as an annual check that players and officials have not placed bets on their own sport.¹³ In France, pursuant to information obligations imposed on licensed betting operators, the Online Gaming and Regulatory Authority (ARJEL) has access to all betting information related to players registered with these operators (that is, their identity, postal and IP addresses, and details

of every gaming activity).¹⁴ Sports federations may request ARJEL to cross-check this information with a data-filing system of all competition stakeholders subject to a betting ban (also specifying the scope of this ban).¹⁵ If the analysis reveals that a person featuring on the ‘ban list’ has placed any bets, ARJEL informs the federation, which can then initiate disciplinary proceedings for breach of the betting ban. In the United Kingdom, licensed operators that accept sports bets are required to ‘provide the relevant sports governing body with sufficient information to conduct an effective investigation’ if the licensee suspects that information in its possession may relate to a breach of a rule applied by a sports governing body.¹⁶ The information provided by the operator can then be used to prepare and progress disciplinary proceedings.

Whatever mechanism is used, the enforcement of betting bans for sportspeople necessitates information-sharing between betting operators and sports organisations (with the regulator or national platform acting as coordinator). Without such means of collaboration, the bans contained in disciplinary regulations or gambling regulations are of merely symbolic value.

Other conflict-of-interest provisions

The Convention on the Manipulation of Sports Competitions also places considerable emphasis on the need to subject regulated betting operators to strict requirements to prevent conflicts of interest. Among other things, it calls on the signatories to prohibit (1) persons involved in developing sports betting products from betting on these products and (2) the offering of bets on sports events when the operator has a controlling interest in the event or its participants.¹⁷

The identification and management of potential conflicts of interest on the betting industry’s side remains largely unexplored. In Europe, for instance, only a minority of EU member states currently have such arrangements in place: the national gambling regulatory frameworks of only eight such countries impose a betting ban for the operators’ owners and employees. While in some cases this

betting ban applies solely to those directly involved in the development of the (sports) betting offering (in the Czech Republic, Italy and Sweden, for example), in other member states the ban extends to participation via third persons such as close relatives (such as France, Hungary and Spain).¹⁸ Only six members prohibit regulated betting operators from accepting bets on sports events that they control by way of ownership or employment. In France, betting operators must even notify the regulator of sponsorship agreements with organisers of sports events or their participants. The regulator then scrutinises the agreement to see whether it might conceal an indirect form of control by one party over the other.¹⁹

Even when prohibitions and restrictions are in place, putting them into daily practice has proved to be a challenge. While most of the gambling regulators check compliance with the regulatory framework (including the conflict-of-interest provisions) in the context of the licensing process, limited staff and resources often impede sufficient or active post-licensing monitoring. Voluntary commitments contained in self-regulatory codes of conduct of betting industry bodies²⁰ are a useful complement, but not a substitute for implementing binding regulatory requirements. Of the many unknowns connected to the implementation of the recommendations of the Council of Europe's convention, the question of how to ensure compliance with these conflict-of-interest provisions deserves particularly careful attention.

Conclusion: friend or foe?

In recent years the betting industry has become a significant source of sponsorship funding for professional sport, and commercial partnership agreements continue to increase in number. When it comes to preserving the integrity of sport, however, the relationship between the sports world and the betting industry goes from hot to cold. Many international and national sports organisations still fail to understand that close cooperation between all stakeholders, including betting operators, is indispensable in order to combat match-fixing in an effective way. As highlighted in this article,

regulated betting operators have a crucial role to play, especially in supporting preventative and investigative measures against betting-related match-fixing through the sharing of information.

Notes

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² GGR is the difference between the wagered amounts and the winnings returned to players. ABB, EGBA, ESSA and RGA, *Sports Betting: Commercial and Integrity issues* (2014).

³ Université Paris I Panthéon-Sorbonne and ICSS, *Fighting Against the Manipulation of Sports Competitions* (2014).

⁴ See, for example, Interpol, *Match-Fixing in Football: Training Needs Assessment 2013* (Lyon: Interpol, 2013), p. 16; University Paris 1 Panthéon-Sorbonne and International Centre for Sport Security, *Protecting the Integrity of Sport Competition: The Last Bet for Modern Sport* (London: SportBusiness Communications, 2014), pp. 81–83; Sportradar, 'World Match-Fixing: The Problem and the Solution' (St Gallen, Switzerland: Sportradar, 2014), p. 10.

⁵ David Forrest and Wolfgang Maennig, The threat to sports and sports governance from betting-related corruption: causes and solutions, in Paul M. Heywood (ed.) *Routledge Handbook of Political Corruption* (Routledge, Abingdon, 2015).

⁶ Council of Europe Convention on the Manipulation of Sports Competitions, 18 September 2014, <http://conventions.coe.int/Treaty/EN/Treaties/Html/215.htm>. In Europe, this is currently the case for fewer than half of the EU member states: Oxford Research, 'Study on the Sharing of Information and Reporting of Suspicious Sports Betting Activity in the EU 28' (Frederiksberg, Denmark: Oxford Research, 2014).

⁷ T.M.C. Asser Instituut, *Study on Risk Assessment and Management and Prevention of Conflicts of Interest in the Prevention and Fight against Betting-Related Match Fixing in the EU 28* (The Hague: T.M.C. Asser Instituut, 2014).

⁸ Gambling Commission, *Gambling industry statistics April 2009 to March 2014* (London: Gambling Commission, 2014).

⁹ Gambling Commission, 'The Gambling Commission's Betting Industry Decision Making Framework' (London: Gambling Commission, 2013),

www.gamblingcommission.gov.uk/pdf/Betting%20integrity%20decision%20making%20framework.pdf.

¹⁰ After all, empirical deterrence research persistently finds that the perceived likelihood of detection and punishment has the most powerful influence on compliance behaviour. For references, see Ben Van Rompuy, 'Effective Sanctioning of Match-Fixing: The Need for a Two-Track Approach', *ICSS Journal*, vol. 1 (2013), http://icss-journal.newsdeskmedia.com/images/Upload/Vol_1_no_3/ICSS_Journal_Vol1.3.pdf.

¹¹ Seven EU member states have introduced legislative provisions prohibiting people who may influence the outcome or course of sports events: Belgium, the Czech Republic, Estonia, France, Germany, Hungary and Spain.

¹² T.M.C. Asser Instituut, (2014, *Study on Risk Assessment*).

¹³ T.M.C. Asser Instituut, *Study on Sports Organisers' Rights in the EU* (The Hague: T.M.C. Asser Instituut, 2014), pp.130–135.

¹⁴ Loi no. 2010-476 du 12 mai 2010 relative à l'ouverture à la concurrence et à la régulation du secteur des jeux d'argent et de hasard en ligne, articles 31 & 38; Décret no. 2010-509 du 18 mai 2010 relatif aux obligations imposées aux opérateurs agréés de jeux ou de paris en ligne en vue du contrôle des données par l'autorité de régulation des jeux en ligne.

¹⁵ French Sports Code (*Code du Sport*), articles L131-161, R131-37 to R131-45.

¹⁶ Gambling Commission, *Licence Conditions and Codes of Practice: February 2015* (London: Gambling Commission, 2015), www.gamblingcommission.gov.uk/pdf/Latest-LCCP-and-Extracts/Licence-conditions-and-codes-of-practice.pdf, condition 15.1.2.

¹⁷ Council of Europe Convention on the Manipulation of Sports Competitions, 18 September 2014, article 10 <http://conventions.coe.int/Treaty/EN/Treaties/Html/215.htm>.

¹⁸ T.M.C. Asser Instituut (2014, *Study on Risk Assessment*), pp. 34–35.

¹⁹ *Ibid.*, pp. 32–33.

²⁰ See, for example, European Sports Security Association, 'Code of Conduct', www.eu-ssa.org/code-of-conduct, and European Lotteries, 'Code of Conduct', www.european-lotteries.org/el-code-conduct.