



JANUARY 2022

QUARTERLY BULLETIN

Dear all,

Welcome to the first ARF Council Bulletin of 2022, in which we introduce a new publication format.

Our Quarterly Bulletins will feature two to three thought leadership articles from ARF Council members on subjects related to their areas of expertise and illegal betting. A Newsletter round-up of illegal betting related news will be sent separately on a bi-weekly basis from January 2022.

In the lead article of this Bulletin, ARF Council members Douglas Robinson and James Porteous describe social media advertising of illegal betting in Hong Kong. This case study in an ARF member jurisdiction illustrates the growing trend of illegal betting operators flooding social media channels with advertising to reach new demographics of customers, in particular younger people in Generation Z (born between 1997 and 2021) who use social media as their primary source of shopping inspiration and entertainment content, and are specifically interested in watching more video content.

Our second article is from ARF Council member Dr. Catherine Ordway and discusses the importance of inculcating a 'whistle-blowing' (or 'speak up') culture to prevent corruption in racing and other sports (including as it relates to illegal betting).

Lastly, an article from Neil Grimstone of the New Zealand Racing Integrity Unit relate to the risk of the manipulation of the outcome of race, and talks about key takeaways from a recent racing corruption case that inevitably involved profit from doping by betting.

We hope that you find the articles in this Bulletin interesting, and we would value your feedback regarding the content as well as any areas you would like to see discussed in the future. Your letters with comments on illegal betting and related financial crime are also welcome and we will endeavour to publish the most relevant in future Bulletins.

Martin Purbrick

Chairperson

Asian Racing Federation Council on Anti-Illegal Betting & Related Financial Crime

January 2022

Social media advertising of illegal betting in Hong Kong

Douglas Robinson and James Porteous, The Hong Kong Jockey Club

Since late 2019, “spam” advertising of illegal betting in Hong Kong via social media apps has become ubiquitous, with unsolicited messages being sent on messaging applications such as WhatsApp, Telegram and Signal, and via platforms such as Facebook, Instagram and Twitter. This article summarises some key findings and characteristics of such illegal betting networks based on research conducted in 2020 and 2021 examining 11 such networks.

Although the specific advertisements discussed here target illegal bettors in Hong Kong, the illegal betting networks they promote target customers across Asia, and the modes of operation and findings apply to unlicensed illegal betting websites in general. Social media advertising of illegal betting has been noted in ARF member jurisdictions including South Korea, Singapore, India, Malaysia and Mainland China.

Illegal betting spam characteristics

In Hong Kong, agents for these illegal betting networks promote their sites and recruit illegal bettors particularly via WhatsApp, but also other popular social media sites and messaging apps. WhatsApp spam is sent from overseas phone numbers – the Philippines, Indonesia, Bangladesh, Pakistan and Guyana have been noted as sources – which are assumed to be “spam bots”, freely available for download on the web.

WhatsApp is the world’s most popular messaging app with around 2 billion monthly active users; in other jurisdictions where WhatsApp is not available or not popular, local apps such

as WeChat are used, but the mode of operation is essentially the same.^[1]

These adverts offer instant registration and deposits and specifically contrast their illegal betting product versus the legal betting product by highlighting the fact their websites have features not available in the legal market, such as credit betting, superior odds, many more sports and bet types, and other gambling products unavailable legally.

Notably, beginning in late 2021, these adverts started highlighting the fact that deposits can be made in cryptocurrency, with promotions for illegal bettors using Tether, a so-called “stablecoin” tied to the value of the US dollar. The promotion of Tether as a means of settlement has been increasingly prevalent on Asian-facing illegal betting websites.

Figure 1 - a cryptocurrency promotion on one of the illegal betting networks examined offering the exchange of Hong Kong dollars to cryptocurrency Tether



The growing use of social media channels to target customers for illegal betting has implications for the growth of the illegal market in younger demographics. Although social media users differ slightly in different geographies, there is a younger potential customer base that will be targeted.

As the table below shows, the majority of users of such apps are younger people, and there are 6.7 billion users of these apps (of all ages).

Platform	% of users aged 18-24	% of users aged 25 – 34	Total users (worldwide) Oct 21
Facebook	23%	31%	2,271,200,000
WhatsApp	19%*	24%	2,000,000,000
Instagram	30%	32%	1,373,200,000
Messenger	24%	33%	1,082,800,000
Total %	23%	29%	6.7 billion

(Source: <https://datareportal.com/> and SimilarWeb analysis. *WhatsApp demographic = 16-24)

These apps are thus prime channels for advertising illegal betting to a vast audience, and for specifically targeting younger people.

A game changer could be future growth in advertising to Tiktok users, whose largest user

group are 18 to 24 year olds in a total user population of just over 100 million. Although not yet observed, if illegal betting and gambling advertising reaches this channel then there is an even greater risk of gambling harm to young people.

Illegal betting network characteristics

At least 11 separate illegal betting networks using this spam marketing approach have been identified in Hong Kong. It is not known if they are related, but they all share similar characteristics and modes of operation. These include the following:

- The use of mirror websites – exact replicas of the illegal betting website under different URLs – to provide redundancy in the event of one URL being blocked by authorities. Examination of server information of one network found at least 751 separate URLs linked to the network, 95% of which were exact replicas of the betting website (the other 5% were offline).
- Website domains are typically privacy protected or otherwise anonymised, making identification of owners difficult if not impossible. Typically no other ownership information or other identifying information can be found via any other means.
- The use of third-party software providers. Unlicensed websites typically do not produce their own betting odds and software, which requires considerable expertise and expense, but license software from business-to-business providers in exchange for a flat fee, commission on losing wagers, or both.
- A large array of gambling products not available in legal markets. The use of such third-party software means the illegal betting operator has a nearly unlimited choice of gambling product.

For example, examination of one such illegal betting network for which spam was received in November 2021 shows it to have: three sportsbook providers each offering 30+ different sports to bet on; one racing betting provider (Citibet); five live-dealer baccarat providers; two e-sports betting providers; 13 digital slots and other gambling game providers; two illegal lottery providers; and one live cock-fighting gambling provider.

This range and number of gambling products provided exclusively by third-party software providers is entirely typical of such illegal betting networks.

These illegal betting networks can offer an essentially unlimited number of gambling products because they are not limited by any licence condition.

- Football betting odds are typically 5% to 10% better than the legal market because these operators pay no betting duty. Rebates make horse racing odds more attractive than the legal operator, though the scale of these rebates is not known (rebates refer

to returning a percentage of the bettor's stake, thus in effect improving the odds since a smaller stake is required to win the same amount). These illegal betting networks can offer better odds and higher rebates than legal operators because they pay no tax or other duties and have none of the overhead of legal operators.

Agent recruitment

These illegal betting networks are promoted through a pyramid model similar to multi-level marketing. Agents recruit bettors and earn commission typically between 10% to 30% of the value of losing bets placed by their downline.

In turn, they pay a portion of their commissions up the pyramid to the ultimate network heads. One agent recruitment advertisement found on Facebook claimed that agents could earn commissions as high as 70%. The potential financial benefits to agents, and the associated incentive to recruit as many bettors as possible, is the reason for the proliferation of these spam advertisements.

Figure 2 - An agent recruitment advertisement at one of the illegal betting networks examined. This advert promises high commission rates and rebate plans and states: "Don't like to work hard? Come join us"



Marketing impact

Analysis of website visitor traffic to such illegal betting networks shows that these aggressive agent recruitment incentives and associated spam advertising are effective in driving traffic. One such network examined received 1.5 million visits from Hong Kong from April 2020 to September 2021 for example. Another network examined was receiving more than 20,000 visits per month from Hong Kong less than four months after being launched, illustrating the effectiveness of such marketing.

Conclusion

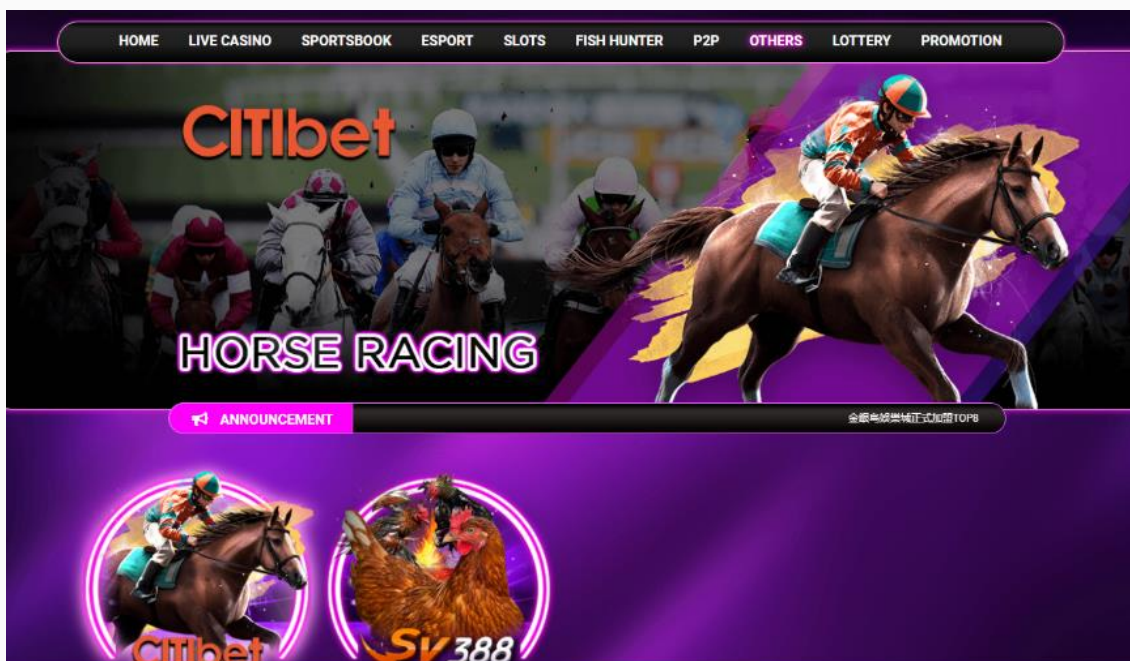
Multiple illegal betting networks active in Asia promote their product aggressively through "spam" marketing and agent-bettor pyramid recruitment. All offer a vast range of sports betting and other gambling products typically not available in local legal markets, including products likely to contribute to problem gambling (e.g. high-frequency addictive casino

games), harm animal welfare (cock-fighting) and attract young people to illegal betting (e-sports).

Of particular note to Asian Racing Federation members is that a number of these networks offer betting on ARF member jurisdictions via a third-party software version of Citibet. This is not the complicated exchange mechanism of the Citibet master site, but a simplified version. Like the master site, it offers betting on horse racing in ARF member jurisdictions including Australia, Hong Kong, Macau, Malaysia, Mauritius, New Zealand, Singapore, South Africa and the United Arab Emirates, as well as harness racing and greyhound racing, and racing from non-ARF member jurisdictions.

It is assessed that this simplified version of Citibet has been designed for bettors who do not understand the complicated Citibet exchange interface, and that bets are then commingled onto the main Citibet exchange. There is thus the danger of promoting illegal betting on racing in ARF member jurisdictions to a wider mass-market demographic from such illegal betting networks.

Figure 3 - Citibet horse racing is available on several of these third-party software providers. Also shown here is a cock-fighting live betting provider, which streams live cock-fights from the Philippines for betting purposes.



In summary, evolving technologies such as third-party betting software providers, anonymous website registration companies, cryptocurrencies, and “spam bots” mean it has never been easier to become an illegal bookmaker, and never easier to become an illegal bettor – especially as such advertising comes directly to one’s smartphone.

Most worryingly there is a growing risk of increased gambling harm from the use of social media by illegal betting operators as younger new customers will inevitably be targeted due to the prevalence of these age groups on major social media channels. This is another negative impact of illegal betting that needs to be understood by governments and countered.

[1] Statista, 'Most popular global mobile messenger apps as of October 2021, based on number of monthly active users', 2 November 2021 (<https://www.statista.com/statistics/258749/most-popular-global-mobile-messenger-apps/> accessed 17 December, 2021)

The importance of whistleblowing in preventing sports corruption

Dr. Catherine Ordway, University of Canberra

In June 2019, Australia's National Integrity of Sport Unit (NISU) within the Department of Health appointed Dr Kath Hall and Dr Adam Masters from the Australian National University with me, to research and report on best practice policies and programs aimed at minimising and responding to integrity and corruption issues in sport.

The final Report, *Sport Integrity and Corruption: Best Practice Australian and International Policy & Program Delivery Approaches*, was published in September 2021. Although it focuses on a wider range of integrity issues than illegal betting-linked sports corruption, and goes beyond horse racing, it contains valuable lessons for all sports, and for jurisdictions outside of Australia. This section of the Bulletin highlights one of eight key best practices identified in our Report to protect sport from corruption: Developing Strong Whistleblower/Reporting Processes.

Key findings from Developing Strong Whistleblower/ Reporting Processes

Our research found that reporting on wrongdoing by persons involved in sport is essential to integrity breaches being identified, investigated and dealt with. Whistleblowing is the most important way that fraud and corruption is uncovered in organisations, according to the Association of Certified Fraud Examiners. The establishment of reporting mechanisms by sporting organisations is also a fundamental requirement of the Olympic Movement Code on the Prevention of Manipulation in Competitions, the Council of Europe Convention on the Manipulation of Sports Competitions and the World Anti-Doping Code.

Most major corruption scandals in sport over the past decade have come to light as a result of whistleblower reports, but those who speak up often face pushback and retaliation from sports executives and officials, fellow athletes and organised crime.

Since July 2019, Australia's *Corporations Act* compels organisations, including sporting bodies established as companies limited by guarantee, to have whistleblowing frameworks. Even where there is not the legal requirement to implement such frameworks, racing and other sports organisations can still emulate and implement best practices. These include policies which provide information on:

- the importance of wrongdoing reporting;
- the range of issues that can be reported;
- to whom reports can be made;
- how to make an anonymous report;
- support available to the whistleblower from the organisation;
- protections that apply to whistleblowers;
- the process likely to be followed after a report is made;
- the fair treatment that will be afforded to persons referred to in the report, and
- how the policy will be made available to members of the organisation.

The policy should be incorporated into an organisation's key policy documents such as the Codes of Conduct, the Code of Ethics, and all match-fixing, anti-doping and member protection policies.

Anonymity is essential. Anonymity and confidentiality provides protection from punishment for reporting on corruption in which the whistle-blower was involved. In other settings, rewards for whistle-blowing have been found to be highly effective – for example in South Korea where rewards are offered for whistleblowers who report on match-fixing and assist the Sports Corruption Reporting Center, including by reporting illegal betting website operators.

How whistle-blowing could have prevented the Fine Cotton scandal

A case study related to horse racing and whistle-blowing is highlighted by Genevieve Lim and John Young in *Restoring Trust in Sport: Corruption Cases and Solutions*. This book is a solutions-focused collection of case studies on sports corruption which I edited and was published in 2021.

Lim and Young argue that, had a reporting hotline for the Queensland horseracing industry existed in 1984, it could have prevented the infamous *Fine Cotton* case. This was a

notorious scandal which had far-reaching impacts both on racing and betting. It highlighted widespread corruption throughout Queensland society including law enforcement, and continues to be remembered by Australian sports fans today.

The *Fine Cotton* scandal involved a fast horse substituted for a slower one in order to win a bet at long odds. The purpose of this scheme, instigated at the behest of organised criminals, was to pay off a gambling debt owed to an illegal bookmaker. Although the fix became infamous for its all-round incompetence, the damage to racing and betting was significant.

Modern systems such as microchipping horses make it almost impossible in most racing jurisdictions to substitute a “ringer” today. Before that technology was available, in 1984 the introduction of an anonymous whistle-blowing hotline by racing authorities could have, the authors suggest, prevented this attempted fix from ever taking place.

Lim and Young point to the fact that the trainer involved claimed later that he did not want to carry out the fix but had been threatened with similar treatment to another trainer; whose badly tortured body had been found just four months previously after he allegedly refused to execute a similar fix. Reporting to the Queensland Police at the time would likely have been pointless because the organisation was later found to be widely corrupt and in league with organised crime. This challenge was highlighted by the discovery that the Chief Commissioner himself had a large bet on the “ringer”. Anonymous whistle-blowing avenues could thus have allowed the trainer, or one of the many, many other people who knew “the fix was in”, to report to the racing authorities without fear of retribution.

In summary then, effective whistle-blowing mechanisms are essential tools in preventing corruption linked to illegal betting and other integrity issues. Although this is a highly abbreviated summary, the full *Sport Integrity and Corruption: Best Practice Australian and International Policy & Program Delivery Approaches* Report prepared for NISU is available to [download here](#).

Inquiry into racing corruption in New Zealand

Neil Grimstone, New Zealand Racing Integrity Board

“What made you guys come out here today, was it the betting?”

These were the words of New Zealand harness racing trainer Jesse Alford to investigators in February 2021 after he had been caught red-handed doping horses in his stable just hours

before a race meeting.

The case underlines that integrity officials must not only be aware of illegal betting markets but also closely monitor regulated markets. Bets related to manipulation of the outcome in racing and other sports are often placed on the illegal market as this offers greater anonymity, but culprits are often foolish enough to place such bets on the legal market.

In this case (RIU v JJ Alford Reserved Decision 10th May 2021), authorities had received and examined various intelligence around the illegal activities of the trainer including the noting of unusual bets on horses he had running at the race meeting.

As race day drew closer and betting markets were opened, analysis showed an interesting pattern emerge. Alford had two horses running in the same race and there was early fixed-odds betting on one of them the day before the race. These bets quickly reduced the odds on that runner from \$9 to \$2.80, with the other runners – including the stablemate – correspondingly drifting out in price. Closer to race time these original bets were cashed out.

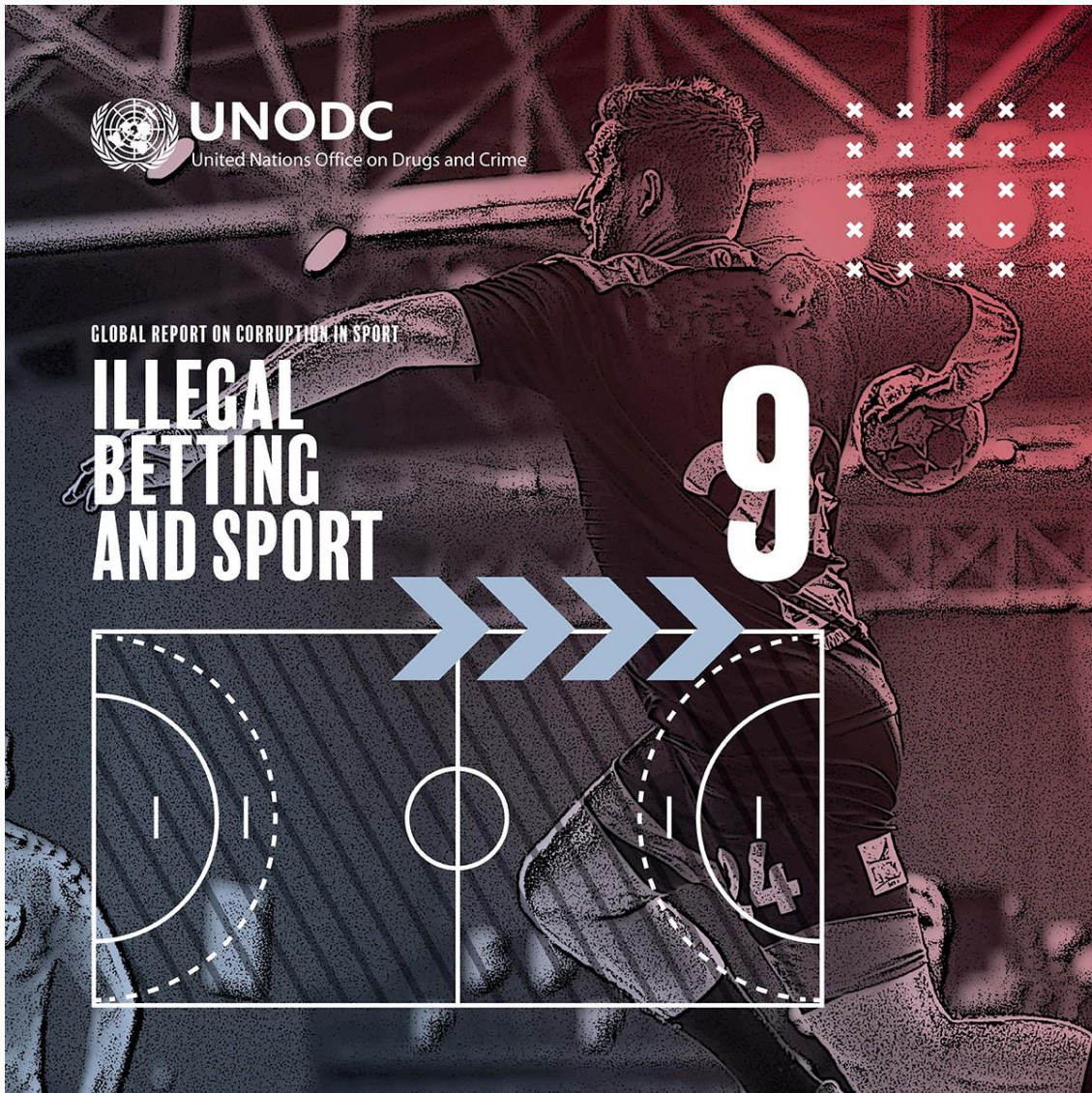
Two hours before they were due to race at the NZ Metropolitan Trotting Club meet at Addington Raceway, Racing Integrity Unit investigators caught Alford red-handed as he injected two horses with a substance, and attempted to “tube” one of them (“tubing” is an illegal process which involves forcing a rubber tube down a horse’s nose into its stomach to administer liquids thought to be performance-enhancing).

Having moved the market on the race with his bets, it is not clear how Alford planned to profit, since all of his horses were scratched from the meeting. An indication as to why he thought he had been targeted by investigators came as his horses were being taken away to be drug tested, as he said to investigators: “What made you guys come out here today, was it the betting ... It must have been the betting.”

The trainer pleaded guilty to two charges of administering a prohibited substance on race day and one charge of attempting to administer a prohibited substance. He was disqualified from racing for seven years.

UNODC releases landmark report on sports corruption

The United Nations Office on Drugs and Crime released in December a landmark publication, the *Global Report on Corruption in Sport*, which is recommended to all subscribers to this Bulletin.



The report was overseen by ARF Council member Ronan O’Laoire and his team at the UNODC, featured contributions from several ARF Council members, and notably includes a chapter on illegal betting and its negative impact on sport (pictured above).

The report offers a comprehensive look at corruption in sport, and the staggering scale, manifestation, and complexity of corruption and criminal networks in sport at international and national levels, and highlights policy considerations, legal frameworks and other solutions to effectively tackle the issue.

Please [click here](#) to learn more about and download the report.

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The Asian Racing Federation Council on Anti-illegal Betting and Related Financial Crime

The Asian Racing Federation Council on Anti-illegal Betting and Related Financial Crime was established in 2017 as a think tank aimed at combatting illegal betting and related financial crime. The ARF Council now comprises 15 members from organisations engaged in horse racing and sports integrity, law enforcement, the United Nations, and academia.

The ARF Council's purpose is to research and share the scale and negative impacts of illegal betting, particularly as it relates to horse racing and sports integrity, and to foster international collaboration among stakeholders, such as horse racing operators and authorities, gambling regulators, law enforcement agencies, and government policy makers to raise awareness of the threat and to combat the negative impact of illegal betting and other financial crimes to horse racing, other sports, and to society.

Members of the Asian Racing Federation Council on Anti-illegal Betting & Related Financial Crime

Martin Purbrick	(Chairman), former Director of Security & Integrity, The Hong Kong Jockey Club
Douglas Robinson	(Deputy Chairman), The Hong Kong Jockey Club
James Porteous	(Research Head), The Hong Kong Jockey Club
Jack Anderson	Melbourne University
Graham Ashton	Former Chief Commissioner, Victoria Police
Tom Chignell	The Hong Kong Jockey Club
Brant Dunshea	British Horseracing Authority
Sally Gainsbury	The University of Sydney
Neil Grimstone	New Zealand Racing Integrity Unit
Claudio Marinelli	INTERPOL
James Ogilvy	Asian Racing Federation
Ronan O'Laoire	United Nations Office on Drugs and Crime
Catherine Ordway	University of Canberra
Tim Robinson	The Hong Kong Jockey Club
Tak Sung Hyun	Korean Racing Authority