

# Anti-Illegal Betting & Related Financial Crime Bulletin July 2020 to December 2022



## Foreword

---



It is my great pleasure as Chairman of the Asian Racing Federation (ARF) to provide attendees of the Asian Racing Conference with this collection of articles produced by the ARF Council on Anti-Illegal Betting & Related Financial Crime (ARF Council).

At the ARF, we continue to see the problem of illegal betting as a huge issue in Asia and globally, and one that is becoming more apparent to stakeholders in racing and other sports.

The articles in this volume are taken from the Bulletins produced by the ARF Council from July 2020 to December 2022, which provides a collection of 18 articles written by members, and comprises a diverse mix of issues that all relate back to threats to integrity in racing from illegal betting and related financial crime. The collated articles in this volume show the range and depth of research conducted by the ARF Council, which has led the way to show how illegal betting markets are a major threat to integrity in racing and other sports.

The ARF Council continues to thrive, having been established in 2017, and since then building thought leadership on this important subject area. The size of the ARF Council has increased to 21 members, who come from horse racing, academia, law enforcement, and international organisations. The diversity of the members has enabled the ARF Council to produce a wide range of content that in the past five years has contributed significantly and shaped continuously the discussions on how illegal betting affects integrity in racing and other sports.

The members of the ARF Council are not only producing high quality thought leadership, but also presenting their work to global stakeholders in racing and other sports. In doing so, they are actively engaging government policy makers, regulators, law enforcement agencies, as well as other sports leaders, demonstrating the ARF's role as a leader in sports integrity.

My sincere appreciation to the ARF Council members for their contribution to integrity in horse racing, and I hope this collection of articles helps you and your colleagues to think about how to combat illegal betting and protect horse racing and other sports.

**Winfried Engelbrecht-Bresges**

Chairman, Asian Racing Federation

# CONTENTS

---

- 1 Foreword
- 4 Betting Markets During the COVID-19 Pandemic  
*By Martin Purbrick and James Porteous, July 2020*
- 7 How Racing and Sports Integrity Units can Quantify Their Success  
*By Jack Anderson, October 2020*
- 10 Why Horse Racing is Ideally Placed to Help Other Sports Protect Integrity – and Three Key Principles to Help Achieve This  
*By Graham Ashton AM, January 2021*
- 13 Blockchain and Cryptocurrencies in Illegal Betting  
*By James Porteous, May 2021*
- 15 Important Lessons for Racing and Other Sports in Cooperating with Law Enforcement Agencies  
*By Tim Robinson, July 2021*
- 18 How Unregulated Drones Pose a New Threat to Racing and Other Sports  
*By Brant Dunshea, July 2021*
- 21 How Behavioural Science can Steer Bettors Away from Illegal Betting Websites  
*By Professor Sally Gainsbury, October 2021*
- 24 Social Media Advertising of Illegal Betting in Hong Kong  
*By Douglas Robinson and James Porteous, January 2022*
- 29 The Importance of Whistleblowing in Preventing Sports Corruption  
*By Professor Catherine Ordway, January 2022*
- 32 Inquiry into Racing Corruption in New Zealand  
*By Neil Grimstone, January 2022*
- 33 Macau Casino Junkets, Illegal Betting and Organised Crime  
*By Martin Purbrick, May 2022*
- 35 Tote Manipulation for Illegal Betting  
*By Tom Chignell, May 2022*
- 38 Integrity Lessons for Racing and Other Sports from the ‘State of Illegal Betting’  
*By Pim Verschuuren, August 2022*
- 41 The Use of Prepaid Mobile Airtime as Currency to Facilitate Illegal Betting in Africa  
*By Professor Steve Cornelius, August 2022*
- 44 The Impact of Applicability of Higher Indirect Taxes on Games of Skill in India  
*By Aahna Mehrotra and Rashi Tater, August 2022*
- 49 Data from Racing and Other Sports: Fuel for Illegal Betting  
*By Martin Purbrick, James Porteous and Tom Chignell, October 2022*
- 55 Why Ireland’s Proposed Gambling Regulatory Reforms are Long Overdue  
*By Jack Anderson, October 2022*
- 61 Notable Recent Asian Illegal Betting Cases and Typologies  
*By James Porteous, October 2022*
- 68 About the ARF Council on Anti-illegal Betting and Related Financial Crime
- 69 ARF Council Members’ Biographies

Visit [asianracing.org/aib](https://www.asianracing.org/aib) for more information or subscribe at <https://www.asianracing.org/aib/subscribe>

---

## Betting Markets During the COVID-19 Pandemic

Martin Purbrick and James Porteous, July 2020

The Covid-19 pandemic has resulted in the almost complete cessation of major sports and a resultant huge disruption in sports betting. As a consequence, there have been changes in the sports betting markets, both legal and illegal, that will have a longer-term impact on sports betting. The pandemic has resulted in:

- A major increase in betting via online legal and illegal betting websites, with more betting operators taking bets on horse racing.
- Major Asian illegal betting exchanges are adding more customers and more revenue during the pandemic.
- Online customer growth is expanding even further and “will be similar to the Big Bang” in the City of London financial market deregulation according to one experienced professional bettor.
- Professional betting is becoming corporatised as sports betting becomes a commoditised investment that some investors are adding to their portfolios.

The disruption to sports and legal betting caused by the pandemic has resulted in an opportunity for the illegal betting industry to fill gaps left by the legal market. This opportunity has been enhanced by the huge number of customers staying at home in many countries due to the restrictions on movement imposed by governments. These betting customers have disposable income from prior salaries or available credit cards and desire more betting entertainment during their enforced confinements.

In every country there have been more limited sports betting opportunities due to the shutdown of so many sports. Betting on horse racing has proven to be highly resilient during the pandemic, largely because other sports have ceased and racing continued to be available in certain jurisdictions including Australia, Hong Kong, Japan, Sweden, and the USA. As major football leagues ceased playing, those available to bet on were of low quality, such as Belorussian, Nicaraguan, and Turkmenistan football.

Other sports not usually popular for betting also saw increased liquidity in international betting markets, including badminton (Ukraine), basketball (in Tajikistan), greyhound racing (Australia, USA), ice hockey (Russia), table tennis (Armenia, Brazil, the Czech Republic, Russia, Ukraine), tennis (Belarus, Russia, USA), and darts broadcast from the homes of top players in the UK.

There is a major sports integrity risk with so much betting liquidity injected in a short time into leagues and sports which have low-paid players and lack integrity controls. Asian online illegal betting sites are reportedly operating at 110 per cent of normal revenue, according to a US-based sports betting consultant.

In addition, online betting operators licensed in less well-regulated jurisdictions as well as unlicensed operators have moved quickly to ramp up alternative betting products such as e-sports, virtual sports, live dealer baccarat (popular in Asia), and online casino games (blackjack, roulette).

E-sports betting was already becoming established and is likely to be more so due to more attention from customers with limited other betting options. Prior to the pandemic predicted e-sports audience growth was around 12% in 2020 to reach around 495 million people,<sup>1</sup> which is now likely to be far higher. From 2016-2020, global e-sports betting turnover to grow from USD5.5 billion to USD13 billion (exceeding non-betting sport revenues).

Virtual gambling (defined as gambling on automated random-number-generated outcomes) is also growing, and considered by many to be even more socially damaging. At least e-sports involves a competition between players or teams, but virtual sports gambling is simply a computer simulation of a competition. For instance, with a major UK bookmaker a customer can bet on match outcome,<sup>2</sup> correct score, number of goals, which team scores first and other markets of a virtual match between fictitious football teams Chelsea Pensioners and Manchester Blues. The matches are around three minutes of computer-generated highlights, and as soon one finishes, another starts. The frequency at which a gambler can stake is the main reason for the high addiction numbers for these type of games. Rather than watching a match over 90 minutes, or waiting half an hour or so between horse races, losses can be chased immediately.<sup>2</sup> This growth of addictive online virtual games and resultant problem gambling could lead to gambling regulators taking action against legal operators as they are unable to act against the illegal market.

Customer behaviour during the pandemic is likely to accelerate changes in online gambling and betting that were already taking place. Millennials are less interested in sports but more interested in online gaming, notably through platforms such as Steam, which on one day in March 2020, set a new record with more than 20 million people simultaneously gaming or chatting on the platform.<sup>3</sup> E-sports and virtual games have a massive new fanbase that is being targeted by legal and illegal online betting operators.

1. Paul Brel, 'Is now the right moment to join the Esports betting business?', Calvinayre, 28 April 2020 (<https://calvinayre.com/2020/04/28/sports/is-now-the-right-moment-to-join-the-esports-betting-business> accessed 1 August 2022).

2. Matt Pearson, 'Coronavirus and online betting: A 'perfect storm' for gambling addicts', DW Akademie, 14 April 2020 (<https://www.dw.com/en/coronavirus-and-online-betting-a-perfect-storm-for-gambling-addicts/a-53094333> accessed 1 August 2022).

3. Joe Tidy, 'Coronavirus: The sports turning to gaming during lockdown', BBC News, 26 March 2020 (<https://www.bbc.com/news/technology-52049893> accessed 1 August 2022).

Post-pandemic, it is likely that new sports (especially e-sports and virtual sports) will become more popular for betting, that a new customer-base from the post-2000 generation will begin to bet, and that there will be a huge rise in revenue for the betting operators who are able to deliver these products online through mobile applications. In addition, the analytical tools developed by companies for trading bets (i.e. Back / Lay) as well as betting professionals to analyse data are undergoing a technological revolution that will enable betting platforms to process huge volumes of bets and create markets on virtually any outcome(s) imaginable. Online betting bookmakers and exchanges have shown this as they increasingly offer betting on sports, political events, the weather, commodities, and currencies, essentially becoming unlicensed financial market traders.

However, there has been some doubt among betting industry insiders whether sports betting on trading platforms can grow to the scale of financial markets as there is a cap on profits due to winners being paid by losers (i.e. exchange betting Back / Lay investors). Nevertheless, there is growing liquidity in sports betting markets with retail betting growth from developing economies such as China, Southeast Asia, the Middle East, Africa, and Latin America. The recent high growth of online betting platforms has provided easy betting investment for a new generation of betting customers with disposable income. It is likely that the Covid-19 pandemic will accelerate this trend as more customers stay at home and go online for betting.

As the betting industry develops with more professional players and a growing retail market, especially in Asia, the legal and compliance issues have not been made visible because it has been considered simply as “illegal betting” if the operators are not licensed in the jurisdiction where they take bets from customers. However, this technological revolution is bringing more financial investors into the betting industry to commoditise sports betting, which will inevitably drive the growth of illegal betting as operators move more quickly to enter new markets and deliver new betting products.

## How Racing and Sports Integrity Units can Quantify Their Success

Jack Anderson, October 2020

Led by the horse racing industry, other sports bodies globally have been establishing integrity units. The underlying idea of such units is to gather intelligence and investigate actors and activities within the sport that are undermining its integrity, for example through doping, race rigging or other corrupting acts.

On completion of an integrity investigation – such as a jockey who may have bet on racing and including on races in which he rode – the integrity unit may prosecute the case internally via the sport’s disciplinary tribunal and/or refer the matter to the police for criminal investigation.

Integrity units are being given jurisdiction over an ever-broadening circle of those involved in the sport and not just immediate participants or stakeholders such as jockeys, trainers or owners. Similarly, integrity units’ remit is deepening to include issues relating to participant welfare, event security and even financial compliance.

As the role and prominence of integrity units in sport increases they become more expensive to maintain and the question thus arises: are they worth it?

Put another way, how can a sports body best measure the effectiveness of its integrity operations? For instance, although a successful integrity intervention by a national racing body may leave racing in that jurisdiction “cleansed” of a corrupting actor or activity, does the sport then get a bounce both in terms of returning participants (e.g. increased race entries) and commercial revenue (e.g. wagering and sponsorship)? Or is it the case that other actors simply move into the sport to replace those who have been removed?

The analogy here is to law enforcement and police-led investigations. Measuring the impact of anti-corruption interventions by state law enforcement agencies (e.g. specialised drug or organised crime units in a police force) has proven difficult. Conventional approaches focus on the quantity of drugs seized and/or arrest data. However, these traditional measures say little about the complexities, nuances and the broader impacts of law enforcement: for example, even an unsuccessful prosecution may still disrupt the supply chain of an organised criminal activity or group.

Bare statistics also do not give a full picture on how such units can produce enduring value, such as making affected communities feel safer, more confident and more willing to cooperate with the police.

Similar claims can be made for sports integrity units.

With this in mind, the School of Law at the University of Melbourne (led by researcher Dr Lloyd Freeburn) and Harness Racing Victoria (led by HRV's General Manager of Integrity, Brent Fisher) teamed up on a research project to develop a practical and effective way of measuring the effectiveness and impact of integrity unit interventions in a sport.

[Note: Harness racing is a form of horse racing in which the horses race at a trot or pace pulling a two-wheeled cart. The sport has 28 racetracks in the state of Victoria in Australia, over 10,000 participants and in 2019 its economic impact to the state was estimated at AUD 573.9m.]

The pilot project was based on an HRV integrity unit investigation into a trainer in a regional town in the state of Victoria, Australia.

In a five-year period from 2010, the trainer dominated local harness racing. From 2012, complaints of race fixing, irregular racing and of doping were made against the trainer to HRV. Following a police investigation that commenced in early 2014, the trainer was arrested, charged and eventually convicted of an offence under section 195C of the Victorian Crimes Act – engaging in conduct that corrupts or would corrupt a betting outcome of a sports event. On completion of the criminal law proceedings, the trainer was disqualified from participating in the industry for 12 years by HRV.

The localised nature of the conduct involved made this a good initial case study of the effects of corrupt conduct in harness racing and of an integrity intervention in sport more generally. The case study was premised principally on comparing the circumstances of harness racing in the selected regional town as they were before the exclusion of the trainer with the situation that prevailed after the trainer's exclusion, and as against industry trends. The analysis was supplemented by interviews with participants who were active in harness racing in the region during the relevant periods.

The statistics showed that during the period in which the subsequently suspended trainer dominated (2010-2015), activity and participation levels by others declined relative to both historical local levels and by reference to average trends in the industry. Moreover, following the trainer's exclusion from the industry in 2015, activity and participation levels increased, again relative to both historical local levels and by reference to average trends in the industry in Victoria. In particular:

- The average number of horses entered to start each race meetings declined by 16%, then increased by 27%;
- Total starters at race meetings declined by 20.7%, then increased by 42%;
- Starters entered by other local-based trainers declined by 10.7%, then increased by nearly 25%, with the number of starters entered by interstate trainers increasing by 62%; and

- Average attendance at harness race meetings in the region had declined by over 11%, then increased by 26%.

The statistics appear to indicate that corrupt activity or perceptions of corrupt activity on the part of the trainer in question were responsible for the declines and that the removal of the trainer was responsible for corresponding increases in activity and participation.

Unfortunately, the available data concerning wagering was, for various reasons, of limited assistance to the analysis. In addition to the potential use of wagering data in the future, the research project suggests that key indicators of the effects of corrupt activity in racing codes should include the following (when measured to determine variations against past levels and against any movements in industry averages):

- Overall race entries;
- Entries per race;
- Number of races per meeting;
- Number of meetings per year;
- Racecourse attendance levels;
- Number of registered trainers in the relevant area;
- Number of horses in work with the registered trainers;

A further factor that could be assessed is the number and type of complaint made by participants about alleged corrupt practices in the industry.

Based on this pilot study, it is hoped to develop an integrity assessment model (IAM) which would assist all sports in (a) measuring the participant-related and socio-economic nature of potential integrity threats to a sport and (b) evaluating the efficacy of any subsequent integrity investigation.

Finally, in the above example taken from harness racing, it must be noted that at the end of the legal proceedings against the trainer, the sentencing judge asked the HRV to outline to the court in detail the exact effect that the trainer's corrupt practices had on the industry as a whole and how that adverse impact, if any, was quantified by the HRV. That question in part prompted the above study in order to show that while of themselves the actions of an individual jockey, driver or trainer might appear of little repercussion, cumulatively such actions can internally corrode the integrity of the sport, demoralising its participants, undermining sponsors' and the public's confidence in that sport and tarnishing that industry's brand and reputation.

The full report is available on HRV's website.<sup>4</sup>

4. 'World-first harness racing integrity study', Harness Racing Victoria, 1 September 2020 (<https://www.thetrots.com.au/news/articles/world-first-harness-racing-integrity-study/>; accessed 1 August 2022).

## Why Horse Racing is Ideally Placed to Help Other Sports Protect Integrity – and Three Key Principles to Help Achieve This

Graham Ashton AM, January 2021

As a now former Police Commissioner in Victoria, Australia with a long history of interest in sports integrity and preventing organised criminality from infiltrating sport, I keenly accepted an invitation to join the Council on Anti-illegal Betting & Related Financial Crime. I have engaged with the Asian Racing Federation and in particular the Council in previous years and came to regard them as being in a strong position to influence not only racing, but also other sports, to provide rigorous anti-corruption mechanisms.

One of the reasons I have this confidence is the maturity of the racing industry and its integrity structures. The racing industry and its governing bodies have long been at the forefront of understanding the inter-relationship between its product and betting. Globally, racing has been at the forefront of developing anti-corruption measures and has in many cases learned important lessons from past intrusions into its sport. In my view, the Council is well placed to provide leadership and guidance to other sports as they experience an ever-increasing interest from bettors in their sports.

Here in Victoria, Australia, we have seen this and the Victorian racing industry has been a prominent participant in a range of industry forums and conversations on these issues. It has been publicly transparent in its dealings with its own integrity matters and has been an active contributor to Australia's national Wood Review on sports integrity. As further demonstration of its leadership, it has partnered with the Australian Football League in developing a model to address one of the key weaknesses that currently exists: the delay in viewing transaction-level betting data.

The 'Transaction Level Monitoring System' (TMS) has been designed to address this delay and means that sports integrity officers will have access to transaction-level betting data in near real time. The system was scoped with input from the wagering providers and means that regulators are provided with a rich, contemporaneous data source to enable action. This is not a criticism of local wagering providers, just an observation of the situation as it stands.

Indeed, the Australian wagering providers could be considered world leading in their response to sports industry needs. The details of the TMS were provided to the Wood Review as part of the recommendation to reform the Australian Sports Wagering Scheme with endorsement from various Racing jurisdictions showing the strong desire for this reform.<sup>5</sup> It is hoped that a national scheme of this type can be developed in the near future that has independence at its core. This will ensure confidence for both sporting bodies and the wagering providers who under a government scheme would be compelled to comply.

The Council encourages nations to deal rigorously with illegal betting providers, which pay no funds back into the sports community and provide no gaming intelligence to sports integrity operators. The Council will use the experience obtained by the racing industry to provide evidence to governments globally of the need for effective regulation of the wagering sector to protect sports and society from illegal betting, without over-regulating responsible wagering providers. The racing industry, through the Council, is well placed to do that and this has been further strengthened recently by the admission of INTERPOL to the Council in Claudio Marinelli, project manager of INTERPOL's Match-Fixing Task Force in Lyon, France. This brings international law enforcement to the table in seeking to ensure that criminal intelligence is informed by racing and other sports, and also that the industry is up to date on the emerging threats to racing and other sports from organised crime.

### Three key principles to protect sport from corruption

As the Council becomes more prominent in advocating for sensible regulation of sports wagering globally, I believe it must encourage observance of some important core principles:

In regard to the threats faced by sports from corruption we must observe a "touch one, touch all" approach. That means that confidence in all sport integrity is impacted when one sport is affected by corruption. Governments globally must be conscious that organised crime will seek out and exploit weaknesses to ply its trade. It can adapt to regulation, but thrives where there is a lack of regulation. Its impact can devastate government, business and community confidence in sport. It is therefore important that we seek to support integrity resilience in all sports.

5. Racing jurisdictions included: Harness Racing Victoria, Greyhound Racing Victoria, Office of the Racing Integrity Commissioner, Queensland Racing Integrity Commission, Victoria Racing Integrity Board.

Governments can play a key role by developing whole-of-sport engagement and learning opportunities and build anti-corruption initiatives that can be accessed by all sports. They can take learnings and experience from mature sports such as racing and make them available to all sports, particularly smaller emerging sports that garner wagering interest in their second-tier products. For these initiatives to be effective, government will require legislative reform to galvanise sports and wagering companies to provide a unified response to sport integrity threats. This is what the Wood Review has sought to achieve in Australia, and while racing was out of scope of that review, I am sure Justice Wood was keen to ensure the experience of racing would be brought to the table in any future national governance model.

The second principle is the implementation of standard, model legislation relating to match fixing and manipulation on an international basis. In addition, sports must have strong regulatory frameworks and information-sharing arrangements that allow collaboration with Law Enforcement and government agencies. I believe we are gaining momentum on this issue with 31 jurisdictions current signatories to the Macolin Convention which commenced almost a year ago. This is focused on the international rule of law to address the manipulation of sports. To date, though, many countries have yet to ratify those signatures. The Council will strongly encourage countries to take an interest in this convention and its potential benefits in raising the overall level and quality of sport anti-corruption legislation so that weaknesses are minimised.

The third principle in my view is the need for real-time transaction level betting data to be provided to sporting bodies. This allows for sport-specific intelligence to be overlaid against transactional data in real time to allow sporting bodies to prevent event manipulation as it occurs rather than respond after the event. This function can be best achieved if it is auspiced by an independent body or bodies that receive advice from both the wagering and sports sectors and has their confidence.

As a new member of the Council I am committed to the aim of preventing criminality from influencing and impairing sports and want to work to ensure that all those that participate in sports globally, and those that passionately support it, have confidence that it is free from the blight of corruption.

## Blockchain and Cryptocurrencies in Illegal Betting

James Porteous, May 2021

Blockchain and cryptocurrencies have been widely adopted in the betting industry in the form of payments, betting applications built on blockchain technology and to move funds.

The emergence of this technology is a threat to legal betting because of the intrinsic features of many cryptocurrencies, such as facilitating avoidance of anti-money laundering (AML) and know-your-customer (KYC) procedures by betting operators; circumvention by operators of international betting regulatory and licensing requirements; and instantaneous and anonymous cross-border transactions from bettors and operators.

All of these features are attractive to bettors and operators in jurisdictions where online betting is illegal and/or restricted. Regulators in many jurisdictions have also been slow to keep up with the growth of blockchain, creating loopholes exploited by organised crime. International law enforcement and anti-money laundering bodies have highlighted that blockchain and cryptocurrencies facilitate illicit activities including illegal betting and money laundering.

As a measure of the growth of cryptocurrency in betting, Bitcoin is now accepted on at least 127 offshore sports betting websites and 284 online casinos. In addition to Bitcoin, at least 780 offshore websites accept one or more of the five biggest cryptocurrencies.

Cryptocurrencies further facilitate illegal betting by giving the operators of illegal bookmaking syndicates and related entities such as Macau casino junket operators a means of transferring money without detection in order to offshore the criminal proceeds of their illegal betting operations, settle payments with customers, and pay employees in overseas illegal betting hubs such as the Philippines. For these reasons they have also been enthusiastically adopted by entities linked to the junket industry.

Blockchain is a technology which records and stores transaction data on a decentralised, encrypted public record shared between all computers in the network, known as a distributed ledger. Transactions are stored in blocks of data linked in a chain of unchangeable records. This allows digital information to be recorded, distributed, publicly verified, but not altered.

Cryptocurrencies are digital currencies built on blockchain technology, with Bitcoin the first and best-known example. There are now an estimated 4,000 to 7,000 cryptocurrencies with a market capitalisation of around USD 360 billion.



Cryptocurrencies and blockchain are used in betting as a substitute for fiat currency and traditional payment processors; in decentralised gambling applications built on blockchain technology ('dapps'); to transfer funds to betting agents; to launder illegal betting profits.

Blockchain's key technological features mean that customers in jurisdictions where online betting is illegal or restricted, and/or where traditional payment processors are prohibited from online betting transactions, can use cryptocurrency betting sites or gambling dapps ('decentralised apps or dapps') to circumvent such restrictions with virtually untraceable transactions.

Agents of betting sites using cryptocurrency are active in Asia, promoting the sites through Facebook, Twitter, YouTube, WhatsApp, Telegram, and Instagram. One betting platform provides a multi-lingual website tailored for Asian audiences in China, Japan, Thailand and Vietnam.

It is now standard for online bet brokers to accept Bitcoin. Bet brokers provide access to a wide range of bookmakers and exchanges, particularly Asian sites such as Citibet. Brokers thus allow bettors access to agent-only illegal websites such as Citibet, and to circumvent geo-blocking or legal restrictions by placing bets on their clients' behalf.

Cryptocurrency is also used to move funds related to illegal bookmaking and has been adopted by Macau casino junket operators, enthusiastic adopters of cryptocurrencies because they facilitate moving money anonymously.

Cryptocurrencies in betting and dedicated blockchain gambling apps are widespread and rapidly growing, which poses several risks to legal betting operators and wider society.

Such sites and apps facilitate illegal betting by allowing illegal bookmakers and bettors to circumvent any restrictions on payment processors, and to move money instantly and anonymously. Cryptocurrency bookmakers are typically licensed in jurisdictions which lack any credibility, ignore any regulatory restrictions and accept customers from any jurisdictions.

Cryptocurrency is also being used by illegal betting syndicates and related organised crime figures to settle payments, to offshore the profits from illegal betting operations, and to fund illegal betting operations across Southeast Asia.

The rise of cryptocurrency and blockchain in the betting industry underlines a key point in the global anti-illegal betting narrative, which is that illegal betting operators will always be swifter and more agile to adapt to new technologies and regulatory loopholes/grey areas.

## Important Lessons for Racing and Other Sports in Cooperating with Law Enforcement Agencies

Tim Robinson, July 2021

The global scale of illegal betting markets has heightened the need for racing and other sports to have integrity units that are well-resourced with experienced personnel and technical capability to detect, deter and respond to integrity threats. However, it is unrealistic to believe that sports can combat these threats alone.

The Handbook *Good Practices in Addressing Illegal Betting*<sup>6</sup> published by the Asian Racing Federation Council on Anti-illegal Betting and Related Financial Crime outlines good practices for racing and other sports to collaborate with law enforcement agencies and stakeholders in order to build their own ability to successfully mitigate the threats posed by unregulated wagering and other integrity threats. While it is important for sports to have mature integrity structures, it is also just as important for law enforcement to develop a contemporary investigative methodology that includes a readiness to explore and adjust exchange-of-information protocols with stakeholders.

There is often a misconception that law enforcement agencies are unable to exchange information with non-government entities (i.e. in racing and other sports) due to legislative restrictions surrounding exchange of private or sensitive information. A matter recently determined by the Victorian Supreme Court of Appeal now provides a precedent that demonstrates an ability for law enforcement to provide sports (in this case Victoria Police Sport Integrity and Intelligence Unit and Racing Victoria) with documentary information that was subsequently used by Racing Victoria to prosecute a licensed trainer.

6. Good Practices in Addressing Illegal Betting. ARF Council. 19 October 2020 ([https://assets-global.website-files.com/5f8e2bde2b2ef4841cd6639c/602da29ac73f8df753e6eac6\\_Good%20practices%20in%20addressing%20illegal%20betting\\_FINAL\\_19%20Oct%202020.pdf](https://assets-global.website-files.com/5f8e2bde2b2ef4841cd6639c/602da29ac73f8df753e6eac6_Good%20practices%20in%20addressing%20illegal%20betting_FINAL_19%20Oct%202020.pdf)).

## Case study

As part of a joint investigation between Victoria Police Sport Integrity and Intelligence Unit and Racing Victoria, a number of search warrants were executed relating to allegations of corruption of betting outcomes, conspiring to cheat and defraud and animal cruelty by individuals licensed as trainers in the Victorian Thoroughbred Racing Industry. During the execution of these warrants, six used syringes containing traces of blood and a substance later analysed a pharmaceutical substance prohibited under the Rules of Racing, recombinant human erythropoietin or EPO, were seized.

The trainers were arrested and interviewed by Victoria Police as their investigation continued. In parallel, the Stewards initiated their own regulatory process by issuing Show Cause Notices to the two licensed trainers; a process whereby the participants were asked to justify why the Stewards should not exercise their powers to suspend their ongoing participation in the sport due to the serious nature of the alleged criminal offending. Relevantly, although Victoria Police pursued their investigation in relation to alleged betting and cruelty offences, they determined to not pursue criminal charges in relation to the syringes containing EPO.

Subsequently, Victoria Police provided Racing Victoria Stewards with documents evidencing the type of substance (EPO) found in the syringes, and the identity of the horse on which the syringe had been used. This allowed Racing Victoria Stewards to confirm that the horse had indeed been trained by one of the trainers involved in the investigation a number of years earlier. Victoria Police provided a redacted statement, a copy of the search warrant, photographs of the seized syringes and analytical testing certificates that provided clarity and continuity of the information; however Victoria Police did not provide the physical exhibits of the used syringes. [McLean v Racing Victoria [2020] VSCA 234 at [2] and [20]]

The trainer appealed the decision by Victoria Police to provide the information to Racing Victoria, which was dismissed at first instance by the Supreme Court of Victoria, and then at second instance by the Court of Appeal. A relevant section of the Court of Appeal decision is reproduced below:

*“In our view, the judge was also correct to hold that Racing Victoria was a relevant person or authority for the purpose of IPP 2.1(e). Although Racing Victoria was not responsible for the investigation and prosecution of criminal offences arising in the context of racing, serious misconduct, which might be both criminal and a breach of the Rules of Racing, is relevant to “Racing Victoria and the maintenance of integrity in racing” [McLean v Racing Victoria Ltd [2020] VSCA 234 at [173]]*

The documentary evidence provided by Victoria Police allowed the Racing Victoria Stewards to lay charges against the licensed trainer, who pleaded guilty to a charge of administration of EPO to the horse trained by him, and was disqualified for three years. He also received a two-year disqualification for possession of the prohibited substance, with the penalties ordered to be served concurrently. The criminal charges relating to the alleged conspiracy to cheat and defraud and corruption of betting outcomes remain ongoing before the criminal courts.

It is worth noting that the Victoria Police investigation in this case was undertaken by the Victoria Police Sport Integrity Intelligence Unit which has a clear focus (as the name suggests) on monitoring integrity issues across all sports, including racing. This Unit has been recognised as a world leader in law enforcement efforts to combat sport integrity threats and this matter is another example of how contemporary law enforcement models can work with mature integrity units of racing and other sports to exchange relevant information within the confines of data and privacy legislative frameworks to achieve a mutually beneficial outcome.

It is evident from this case that Victoria Police considered the information gathered throughout their investigation and how it may relate to the relevant stakeholder’s regulatory framework. In my previous experience as a police officer with Victoria Police, there was often a mindset that any evidence or information seized during the execution of a search warrant was often deemed to be custody of police until the criminal prosecution had run its course and therefore unable to be provided to an external agency (noting that in this case, although the evidence with respect to the EPO was not going to be used in a Victoria Police prosecution, there was – and remains – a related criminal prosecution ongoing).

The willingness to consider relevancy and lawful transition of information (as opposed to focusing solely on criminal outcomes) in this case, has in my view achieved an unprecedented outcome; the principles of which are likely to translate across other jurisdictions or investigations as long as the inter-agency relationship is willing to explore the possibility.

## How Unregulated Drones Pose a New Threat to Racing and Other Sports

Brant Dunshea, July 2021

British Racing has seen an increase in the use of drones at racecourses over the last few years. While the threats to racing of approved drone operations are mitigated through guidelines and restrictions on use, a growing area of concern is the proliferation of unregulated operators flying drones on land adjacent to racecourses. Use of drones in this manner provides live-streaming race footage without latency to betting operators and their customers, including those in the illegal market which present a major threat to integrity in racing and other sports.

As a consequence of the COVID-19 pandemic, British racing was forced to operate behind closed doors and during this period we have seen a rise in unregulated drone activity as bettors have taken to the skies to exploit in-running betting markets. It is generally understood that unregulated drone operators are seeking to exploit the faster pictures these drones provide compared to the delay encountered on traditional feeds distributed by the media rights holders.

### Drones in British Racing

Drones were first permitted for use at a British Horseracing Authority (BHA) licensed racecourse, on a raceday, at Royal Ascot in 2015.

In the event that a racecourse wishes for a drone to be used on a raceday, the racecourse is required to ensure that the drone operator has permission from, and meets all the requirements set out by, the BHA and the Civil Aviation Authority (CAA), the UK's aviation regulator. Further, the Racecourse Association (RCA), a member of the BHA representing the interests of all racecourses, publishes a comprehensive drone guidance document, which was drafted in conjunction with the BHA, which outlines what racecourses should be aware of when considering seeking permission for the use of drones on their premises and the matters that should be considered within a racecourse's contingency plans when dealing with unregulated operators.

### Approved Drone Operations

In addition to the CAA requirements, the BHA requires drone operators to adhere to strict restrictions to minimise the potential welfare, and health and safety risks for horses, jockeys and BHA staff from a regulatory and operational perspective. The BHA retains the right to withdraw or amend the permission granted to a drone operator, flying the device from a BHA licensed premises, at any time in case of any health and safety or integrity concerns that materialise prior to a raceday, or during the course of the use of the drone.

In order for the BHA to grant permission for a drone to be operated on a raceday, the BHA requires an agreement to be in place between it and the drone operator to ensure that the operator holds the proper CAA licences and that appropriate risk and site assessments have been carried out.

The welfare, health and safety of our participants, and the integrity of the sport, is of paramount importance to the BHA and our agreement with the drone operator seeks to protect rights including the broadcast, use and archive of footage as well as permission from media rights holders.

### Unregulated Drone Operators

In Britain, the responsibility for preventing unauthorised intrusion by drones above a racecourse sits with the racecourse operator who may, if required or appropriate, seek the support of local law enforcement to deal with any issues around unregulated drones. The BHA supports and assists with such action to the extent it can from a regulatory and operational perspective to ensure the safety and welfare of the sport's participants on a raceday and has wider interests on behalf of the sport as a whole to maintain the commercial value in the sports media rights.

However, under current legislation, it is legal for unregulated drones to operate on land adjacent to a racecourse, provided that the drone operator is flying the device in accordance with the CAA requirements and has the landowner's consent to take off, land and continue the operation from a particular location.

The BHA acknowledges the likely use of unregulated drones is by bettors to obtain faster pictures for in-running betting, and there is clear evidence that this is the case with one facilitator recently promoting via social media the opportunity to receive access to the footage for consideration of a fee.

Faster pictures being used by a subset of those betting into the in-running betting market isn't a new risk specific to drones. However, British racing is concerned by the lack of controls around the use of unregulated drones, given the strict controls the BHA imposes on approved operators flying on a racecourse, but regard must be had for the limited extent of racing's regulatory powers in this area. Therefore, the BHA works closely with its licensed racecourses and encourages raceday officials to remain vigilant to unregulated drones operating near the racecourse and, in conjunction with the racecourse, will contact local authorities if considered appropriate.

## Conclusion

The use of unregulated drones presents a number of challenges for racing and its stakeholders, and this issue is not likely to go away anytime soon as drone technology advances and costs go down.

As well as safety concerns (a drone crashed at the Welsh Grand National in January 2021 for example) and intellectual property issues (race footage is typically a valuable asset of the race organiser) the use of drones has the potential to increase demand for illegal betting. A constant theme in racing is that when an integrity threat emerges in one jurisdiction, it soon emerges elsewhere.

In some racing jurisdictions, in-running betting markets are not permitted and can only be accessed via illegal markets, therefore drones may present an opportunity for exploitation and growth in illegal betting.

The racing industry in Britain continues to engage with law enforcement and other relevant regulators to address the issue, in the interests of not only health and safety, but importantly to protect the integrity of the sport and its betting product. The lessons learnt from Britain regarding the threat to racing integrity and safety from drones would be well heeded in other racing jurisdictions.

## How Behavioural Science can Steer Bettors Away from Illegal Betting Websites

Sally Gainsbury, October 2021

Each year, countries around the world lose substantial funds to betting on illegal offshore gambling websites which do not pay product or licensing fees to sporting bodies, government organisations, or local taxes. Although use of offshore sites is difficult to track, many of these sites have minimal oversight and regulations and as such have the potential to defraud customers and put them at risk of harm as well as risk the integrity of sports and racing.

These illegal websites are often designed to appear familiar to customers, including local telephone support numbers, betting in native currency, and native languages, despite operating hundreds of thousands of miles away. Research suggests that gambling with offshore providers is linked with greater risk of experiencing harm. Offshore sites may not provide the same consumer protection tools that licensed domestic operators are required to provide, such as deposit limits, activity statements, and self-exclusion facilities and may not keep financial and personal information secure or provide honest games and outcomes.

It's a growing problem that has governments around the world worried and has resulted in varied policies ranging from attempts at prohibition and restriction of access to offshore sites, fines for operators and/or consumers using these, to the provision of domestic sites in an attempt to provide a regulated product offering for consumers. The legalisation of online wagering in many jurisdictions has been, in part, a response to the existence of offshore sites used by domestic customers.

However, despite the efforts, these illegal betting operators have not relented. Blocked websites are able to easily rebrand and restart operations under a different domain name within a matter of days.

As the battle against illegal operators can't be won with regulation alone, researchers are looking into how legitimate websites, regulators and authorities can use behavioural science to steer customers away from illegal operators.

Led by Associate Professor Sally Gainsbury, a team of researchers based at the University of Sydney and the University of Hamburg recently published a paper in *International Gambling Studies*, which looked at what factors caused a person to pick one gambling website over another.

One hundred and ninety-five Australian university students took part in the online study, which looked at how their choices between gambling websites changed when the websites displayed different sets of information about the regulatory jurisdiction and the types of people using the website.

The study found that students were more likely to choose to play on gambling websites that indicated being regulated in a country with relatively strict licensing conditions (e.g. Australia, the UK) compared to a country with less strict conditions (e.g. Cayman Islands). Participants used information about where the operator was regulated to make judgments about the legality and trustworthiness of the site.

*“The study found that socially relevant information was one of the strongest factors to influence a person’s decision. Participants were more likely to choose to play on sites that reported having a higher number of users, who were of a similar age group, and from a similar location.”*

“Publicly displayed user profile pictures, names, and locations are often posted on sites, for example in relation to recent winners or positive product reviews. In the absence of being able to see other consumers (physically), these types of social cues can have a strong influence on decision-making,” wrote the researchers. “This research highlights the persuasive effects of socially relevant information in guiding our decisions. We feel more confident using a website based in a less familiar country if we know other people like us are already using it,” noted researchers.

The researchers noted that illegal betting operators may try to “drown out” the effect of a lack of regulatory information by building trust with consumers on a social level.

*“Gambling operators may try to build trust with customers by telling them that “people like me” use the website. This can drown out the effect of regulatory information if it is not made clear to consumers.”*

To combat this, the researchers note that regulators should help customers identify legitimate gambling websites using highly visible and prominent cues that operators are bound by strict licensing conditions and codes of conduct. They also need to communicate to consumers the risks of using sites that do not abide by these standards.

“Regulatory information could be displayed in the form of easily recognised stamps or seals, similar to the warnings and energy-efficiency labels used in other industries that help consumers to identify products that meet standards.” said the researchers.

*Associate Professor Sally Gainsbury is Director of the Gambling Treatment and Research Clinic in the School of Psychology at the University of Sydney and a member of the Asian Racing Federation Council on Anti-Illegal Betting & Related Financial Crime. Professor Thorsten Teichert, Alexander Graf, and Thomas Swanton were also involved as researchers on this project.*

*The full paper published in International Gambling Studies is available [here](#).<sup>7</sup>*

7. Thorsten Teichert, Alexander Graf, Thomas B. Swanton & Sally M. Gainsbury, “The joint influence of regulatory and social cues on consumer choice of gambling websites: preliminary evidence from a discrete choice experiment”, Taylor & Francis, 28 May 2021 (<https://www.tandfonline.com/doi/full/10.1080/14459795.2021.1921011>) accessed 1 August 2022).

## Social Media Advertising of Illegal Betting in Hong Kong

Douglas Robinson and James Porteous, January 2022

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.<sup>8</sup>

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.

8. 'Most popular global mobile messenger apps as of October 2021, based on number of monthly active users', Statista, 2 November 2021 (<https://www.statista.com/statistics/258749/most-popular-global-mobile-messenger-apps/> access 1 August 2022).

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.

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 2021
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
<b>Total %</b>	<b>23%</b>	<b>29%</b>	<b>6.7 billion</b>

(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.

## 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 mixed 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.

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.

## The Importance of Whistleblowing in Preventing Sports Corruption

Catherine Ordway, January 2022

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 article 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 whistleblower 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](#).<sup>9</sup>

9. Kath Hall, Adam Masters, Catherine Ordway, "Sport Integrity and Corruption: Best Practice Australian and International Policy & Program Delivery Approaches", SSRN, 25 October 2021 ([https://papers.ssrn.com/sol3/papers.cfm?abstract\\_id=3945196](https://papers.ssrn.com/sol3/papers.cfm?abstract_id=3945196) accessed 1 August 2022).

## Inquiry into Racing Corruption in New Zealand

Neil Grimstone, January 2022

### “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.

## Macau Casino Junkets, Illegal Betting and Organised Crime

Martin Purbrick, May 2022

In November 2021 and in January 2022, the Macau Special Administrative Region (SAR) Judiciary Police arrested people involved in operating two separate casino VIP customer “junkets” for engaging in illegal gambling activities, running a criminal syndicate, and money laundering. The criminal groups are alleged to have used their VIP junket business in Macau casinos to recruit Mainland Chinese residents to engage in illegal online gambling on overseas platforms and illegal side-betting, with the proceeds of the syndicate then laundered and transferred through the junket accounts of the casinos using underground banks. It has become clear that the Macau casino junkets have continued to be used by organised crime groups and also been a key part of the growth of online illegal betting and gambling in Asia.

The arrests in Macau followed warrants issued in November 2021 by the Wenzhou Public Security Bureau, Zhejiang Province, for the chairman of the Suncity junket (the largest in Macau) relating to the operation of cross-border gambling on behalf of the Suncity Gaming Promotion Company. He was arrested in Macau in the following week.

There had seemed to be advance warning to the junket operators. In July 2019, a state-run news report denounced Suncity, the biggest Macau junket operator, for facilitating illegal online gambling in which Suncity denied the accusation. The report said that the practice had caused “great harm to China’s social-economic order”, and claimed that the annual amount wagered online by Suncity mainland clients was over 1 trillion yuan, equivalent to a staggering USD 150 billion,<sup>10</sup> greater than the typical annual turnover of the online legal betting product in Mainland China, the state lotteries.

10. 王文志, ‘特大国际网络赌博平台深度渗透国内’, Economic Information Daily, 8 July 2019 ([http://www.jjckb.cn/2019-07/08/c\\_138207462.htm](http://www.jjckb.cn/2019-07/08/c_138207462.htm) accessed 1 August 2022).

The crackdown by the PRC authorities started several years ago, and has now reached Macau casino junkets. In July 2019, ZHAO Kezhi, State Councilor and Minister of Public Security, announced that appropriate departments should take special action to crack down and destroy criminal organisations involved in illegal online gambling, underground banks, and network payment platforms.<sup>11</sup> The actions were swift and international in scope. In January 2021, the Ministry of Public Security announced that during 2020, over 600 suspects were repatriated by Chinese police in collaboration with counterparts in countries including the Philippines, Malaysia, Myanmar, and Vietnam.<sup>12</sup> By April 2021, according to ZHAO Kezhi, the police had investigated over 17,000 cross-border gambling and related cases, apprehended 110,000 suspects, and stopping over 3,400 online gambling platforms and over 2,800 illegal payment platforms and underground banks.<sup>13</sup>

By the time of the crackdown by the Chinese authorities against illegal gambling from 2018, it was clear that Macau junkets and the triad leaders involved in the largest operators were deeply involved in cross border organised crime. The ARF Council reported in September 2021 that around 1 trillion yuan (~USD145 billion) flows out of China via illegal online gambling websites annually.<sup>14</sup> Macau casino junkets seem to have been a major part of these growing criminal enterprises, which need to be understood across the rest of Asia where these groups also operate gambling businesses.

11. 'State councilor calls for fight against illegal online gambling', State Council, 13 July 2019 ([http://english.www.gov.cn/statecouncil/zhaokezhi/201907/13/content\\_WS5d29ce42c6d05cbd94d67814.html](http://english.www.gov.cn/statecouncil/zhaokezhi/201907/13/content_WS5d29ce42c6d05cbd94d67814.html)).

12. 'Over 75,000 nabbed amid China's crackdown on cross-border gambling in 2020', State Council, 6 January 2021 ([http://english.www.gov.cn/statecouncil/ministries/202101/06/content\\_WS5ff570dac6d0f7257694358b.html](http://english.www.gov.cn/statecouncil/ministries/202101/06/content_WS5ff570dac6d0f7257694358b.html) accessed 1 August 2022).

13. 'China curbs rising cross-border gambling crimes', State Council, 8 April 2021 ([http://english.www.gov.cn/statecouncil/zhaokezhi/202104/08/content\\_WS606f0276c6d0719374afc3b4.html](http://english.www.gov.cn/statecouncil/zhaokezhi/202104/08/content_WS606f0276c6d0719374afc3b4.html) accessed 1 August 2022).

14. 'How China's Crackdown on Illegal Betting Impacts Global Betting Markets', Asian Racing Federation, September 2021 ([https://assets-global.website-files.com/5f9e2bde2b2ef4841cd6639c/61aed489a8a2fec2117b1184\\_How%20China%27s%20Crackdown%20on%20Illegal%20Betting%20Impacts%20Global%20Betting%20Markets\\_final\\_new%20cover.pdf](https://assets-global.website-files.com/5f9e2bde2b2ef4841cd6639c/61aed489a8a2fec2117b1184_How%20China%27s%20Crackdown%20on%20Illegal%20Betting%20Impacts%20Global%20Betting%20Markets_final_new%20cover.pdf) accessed 1 August 2022).

## Tote Manipulation for Illegal Betting

Thomas Chignell, May 2022

Totalisator ('tote') is how many people commonly refer to the pari-mutuel betting system, which was first used in a mechanical device in New Zealand at Ellerslie Racecourse in 1913, followed by Australia in 1917, Great Britain in 1928, and in the USA in 1932. Tote betting became popular as it was an alternative to illegal bookmakers and returned revenues back into the horseracing industry. The chance of fraud in betting was reduced as the amount wagered is divided from a single pot pro rata to the winning tickets.

Tote betting on horse racing provides not only fairness in the bet but a relatively efficient market where dividends are settled based upon the weight of money on selections. Tote prices are calculated by the final amount wagered on each horse, and it has long been observed that a significant proportion of all money wagered in a race is placed in the final minute before the race starts, with the final dividend price not known until after the horses start racing.

The opening tote prices hours before the race start do not reflect the true value of horses running, which is clarified as bets increase and the market's prediction becomes more accurate until it reaches a price at the point of the race.

This summary touches on incidents of market manipulation, which even though rare, do occur on the horseracing tote systems as well across other types of betting markets.

### Relationship between illegal and legal markets

Analysis of legal and illegal markets suggests that the odds (prices) in both are generally very closely correlated. Any significant price difference between legal and illegal betting markets tends to be levelled out by arbitrage bets where the betting selection (i.e. a horse or team) can be traded at prices across multiple betting operators to guarantee a profit whatever the outcome of the event. A notable exception to this is if an event is subject of manipulation of the outcome and the price becomes less important to the betting operator or bettor with knowledge of the fix. In these situations, those with inside information about the fix can continue to offer a price above the rest of the market or can take prices below the market price as they know the outcome of the event.

Odds movements on both legal and illegal markets tend to travel in the same direction. If a horse or team is a positive on the illegal market it is highly likely to also be a positive on the legal market, and vice versa if the horse's odds move in a negative direction. The strong correlation between legal and illegal markets can offer opportunities for price manipulation.

The growth of the illegal betting market has increased perceived incidents of market manipulation in the legal market.

### **Dividend manipulation on Tote systems**

Opportunities to profit from manipulating local horseracing tote dividends has increased due to growth of illegal betting on horseracing. Illegal market operators settle bets at local tote dividends. The illegal operators keep the bets themselves rather than commingle the bets into the local tote pool meaning the final tote dividends are not truly reflective of the total weight of money on each selection. This creates an opportunity where the local tote pool can be manipulated to increase the dividend (and profits) on large bets placed with illegal market operators.

Over the last decade and as recently as 2021 there have been incidents in some jurisdictions with small tote pools of unusual tote returns where, in the seconds before the race, money is placed on every other selection in the race except for the forecast short-priced selection, which results in the forecast favourite selection returning a local tote dividend dramatically higher than expected and which appears unrealistically big.

The bets placed into the tote are placed upon selections which are highly likely to lose and not on the most likely winning selection. The bets are large relative to the tote pool size and significantly shorten the odds on those selections, and in doing so, inflate the final dividend of the most likely winning selection which is subject to much larger bets with illegal betting operators.

For the manipulation to be successful the bets have to enter the local pool as close to the start of the race as possible to prevent other gamblers placing bets due to the odds change. On some occasions the bets have been placed so late into the pool that the odds have not changed before the race started and therefore removing the opportunity for other customers to place bets at the inflated odds.

The manipulation is specifically focused on obtaining heavily inflated odds via the illegal market on selections which should be the short price favourite. For the dividend manipulation to be successful, the winnings are made from bets placed in the illegal market.

### **Conclusion**

Incidents of dramatic, and often unexplained market movement, can cause confusion with regular bettors and undermine the public's confidence in the sport and the betting markets. Even if a racing authority does not operate the local tote betting, it is in the interest of the sport that customers believe the betting markets are fair and transparent. If the race is won by an unlikely winner and not the likely favourite, the dividends would be very small which may lead to allegations such as race-fixing.

Racing jurisdictions with smaller tote turnover sizes are possible targets. Manipulation is more likely to happen in tote pools which have usually low turnover as they require less investment to manipulate than pools with high turnover. The larger the pool size is, the more expensive it will be to manipulate the dividends.

## Integrity Lessons for Racing and Other Sports from the ‘State of Illegal Betting’

Pim Verschuuren, August 2022

The recent report from the Asian Racing Federation (ARF) on the *State of Illegal Betting* draws a number of conclusions that should attract attention of national and international sport organisations.

The first is the growth of the world betting market. This trend may be global, but affects stakeholders in racing and other sports in particular. Past research has demonstrated the vulnerability of professional athletes to addictive gambling habits. And the fact that more athletes are betting poses a double risk: not only normalising betting within sport leading to potential conflicts of interests as athletes could easily use inside information or their influence on the outcomes of a competition to defraud betting operators; but also fueling risks of financial hardship for athletes, which could leave them vulnerable to corruptors.

Racing and other sports organisations should also be wary of the lack of market regulation and its increasingly hybrid nature between illegal and legal supply. As suggested by the *State of Illegal Betting*, match-fixers seeking to profit from manipulated competitions might prioritise the placing of fraudulent bets through ill-regulated networks to avoid scrutiny and detection. This poses a clear threat to the integrity of racing and other sports. The report underlines other worrisome developments such as the rise of cryptocurrencies and the emergence of the speculative digital market of Non-Fungible Tokens (NFTs), which further facilitate money laundering and complicate regulatory efforts.

The sport integrity risks related to modern betting markets are not theoretical. Since the advent of online betting, manipulation scandals have multiplied, sparing few sports and countries. In response, global sport organisations have deployed a strategy mostly based on these four pillars: First; they have enacted disciplinary regulation prohibiting the manipulation of competition, prohibiting betting on one’s own competition, prohibiting the use and transmission of inside information and obliging the reporting of manipulation approaches or situations. Second, they have created units and commissions responsible for handling potential manipulation disciplinary cases. Third, they have signed a number of partnerships with the betting industry or intermediary entities to receive betting alerts, i.e. alerts of suspicious activity on the betting markets. Fourth, they have deployed education initiatives to raise awareness among athletes and personnel about the regulation and the risks related to manipulation.

In the fight against manipulation, much progress has been made, and within the boundaries of sport’s regulatory reach, some cases and sanctions have surely deterred potential wrongdoers. Still, many sport organisations remain rather passive. Generally, they wait for alerts from betting operators or from sport stakeholders, although the effectiveness of both avenues, through betting monitoring systems and whistleblowing mechanisms, seem limited<sup>15</sup>.

Integrity units often lack three critical dimensions to effectively address the complexity of manipulative networks: they are not sufficiently equipped and staffed; as private organisations they lack the law-enforcement statutory dispositions (for example to conduct wiretapping, issue arrest warrants or request information from financial institutions); and third, they may not be backed by a strong political impetus to conduct long and pro-active investigations into the fixing networks.

Meanwhile, education and awareness-raising programmes do not necessarily cover all potential stakeholders, and are unlikely to convince athletes to break local loyalties and report fraudulent situations involving peers or local leadership.

While the reaction to match-fixing remains timid, the decision from many sport organisations to embrace sponsorships and partnerships from betting operators or their representatives or affiliates, without due diligence on the legality of their activity, their beneficial ownership structures or their financial, fiscal and statutory situations, arouses more concerns. It directly contributes to the normalisation of betting within the sport sector in general, both with fans and the wider public, but most importantly within players and staff themselves.

It also provides legitimacy, and worldwide publicity to Under-regulated<sup>16</sup> or fully Unlicensed operators. Moreover, without appropriate controls and monitoring, such financial links might also put clubs and their representatives in perilous conflicts of interest.

15. See the results of the Betmonialert programme: [https://ethisport.com/wp-content/uploads/2017/06/Betmonialert\\_Design-NB-DEF-2-06-2017.pdf](https://ethisport.com/wp-content/uploads/2017/06/Betmonialert_Design-NB-DEF-2-06-2017.pdf); For the effectiveness of whistleblowing mechanisms see: <https://www.emerald.com/insight/content/doi/10.1108/SBM-05-2020-0040/full/html>.

16. State of Illegal Betting report. ARF Council. <https://www.asianracing.org/publications/the-state-of-illegal-betting>, 11 July 2022.

Instead of blindly accepting lucrative contracts from uncertain origins, sport should proactively conduct due diligence controls and only accept partnerships from 100% locally licensed and regulated betting operators. Because they are important stakeholders (and sometimes victims) of this activity, national and international sport organisations should also more actively engage in political discussions on the regulation of sport betting, and promote a strong standpoint on certain regulatory aspects, such as forbidding the supply of certain types of bets (such as bets on minor competitions, or bets not directly related to the outcome of a game), requesting information on beneficial ownership, return rates or internal monitoring systems, or defending a firm view on the legality of operators (defined by the jurisdiction of the consumer, as in the third article of the Council of Europe “Macolin” Convention).

To be successful, such advocacy needs to be directed to, and in cooperation with national public authorities in charge of betting regulation, as well as with international public organisations who are willing to engage in this avenue.

Neither the financial complexity, the hybridisation, nor the transnational nature of the betting industry, described in the *State of Illegal Betting*, should be excuses for inaction and accepting the market as it is. The risks related to sport integrity and credibility oblige the sport movement to pursue an unequivocal, uniform and protective position towards the betting industry and its regulation. As of today, such posture has been lacking.

## The Use of Prepaid Mobile Airtime as Currency to Facilitate Illegal Betting in Africa

Steve Cornelius, August 2022

Over the past five years, investigations into illegal betting in South Africa have revealed that there are illegal betting syndicates which use prepaid mobile airtime or prepaid mobile data bundles to facilitate the placing of bets and the payment of winnings. Some of these syndicates, which are primarily involved in betting on horse racing, cricket, mixed martial arts, boxing and football, operate transnationally in South Africa, Mozambique, Tanzania, the Democratic Republic of the Congo, Nigeria and elsewhere. To understand how this works, it is necessary to understand how mobile airtime became a kind of alternative currency in Africa.

Africa is a continent with many challenges. Most notable is the lack of modern infrastructure in significant parts of the continent. This relates not only to roads, rail and power networks, but also to services, such as banking and fixed-line telecommunications. In contrast, Africa has well-developed mobile communications networks.

Mobile network operators seized the opportunity to exploit the vast untapped markets where fixed-line networks are lacking in many parts of Africa. Significant investments were made to establish and develop mobile networks across Africa and operators subsidised mobile devices if customers were willing to enter into fixed-term contracts or renew their contracts for further fixed terms. There was consequently a constant demand for newer devices as fixed-term contracts were concluded and renewed. This led to used devices being handed down to friends or relatives who could not afford fixed-term contracts. These users would then purchase prepaid airtime as required and as they could afford it. As a result, mobile device penetration in the various African markets is disproportionately high.

Some mobile network operators realised that they could also fill the void left by a lack of banking infrastructure in many rural communities. Various operators introduced mobile money services, such as M-Pesa operated by Kenya's Safaricom and Vodafone, or Khusa M'manja operated by Airtel in Malawi. While some of these services have proven to be very successful, there are drawbacks, which have limited their success in many parts of Africa.

To begin with, these services are based on actual local currency and subject to fluctuations in exchange rates, they are regulated by telecommunications authorities and central banks, and they involve costs to consumers who make use of the services. Consequently, even in markets where mobile money services have proven to be successful, people have sought other, less regulated, and less expensive ways to transfer money.

In the process, people began to treat prepaid airtime as a commodity which they could barter for services and goods. In some instances, it became possible to trade prepaid airtime for cash at filling stations or convenience stores, which would then sell the airtime onwards to their customers. When mobile network operators discovered this practice, they introduced various measures to facilitate such transfers.

First, networks began to deal with mobile airtime in mobile wallets and made it possible to exchange airtime for currency on the mobile money services, and vice versa. Networks also introduced unified cross-border networks, so that it would be possible to transfer airtime to users in other countries. Networks began to sell airtime in common currencies, such as Euros or US dollars, although central banks have since curbed this practice.

This was good news for millions of Africans who did not have access to banking services. They could make payments, transfer funds to relatives or purchase goods or services using their airtime as currency. It was also good news to thousands of African migrants working in other countries. They could transfer airtime to relatives at home, who could then use some of that airtime, convert some to cash and use some to barter for goods or services.

By 2019, airtime transferred in this way amounted to approximately USD 25 billion annually. This was roughly 10 per cent of the annual global spend on prepaid mobile airtime, which was worth approximately USD 260 billion. Effectively, prepaid mobile airtime had become a kind of alternative currency in Africa.

In principle, this practice is well regulated by telecommunication authorities and central banks as customers would upload airtime onto their mobile phones and then transfer the airtime to a number in the same or another country. Transactions can be traced, verified and audited on the part of both the sender and the recipient.

However, there is a glaring loophole. It is possible to purchase prepaid airtime or mobile data at almost any store, in which case a voucher with a unique voucher number is printed and handed to the purchaser. Instead of entering the voucher number on his or her phone and then transferring the airtime to another mobile number, it is possible for the purchaser to merely forward the voucher number to the other number.

The recipient can then redeem the voucher and upload the airtime, or the recipient can forward the voucher number to another subscriber, and so on. As a result, if mobile airtime is purchased for cash and the voucher numbers, rather than the airtime, are forwarded, it becomes virtually impossible to trace the flow of airtime from the original purchaser to the eventual user.

Depending on the mobile network operator, this can even be done across borders. Only the place where the airtime was purchased and the identity of the final user can be determined with certainty, but there is no clear way to trace the transactions that may have preceded the final transfer to the final user.

Illegal betting syndicates discovered this loophole and began to use prepaid mobile airtime to facilitate illegal betting. As one punter mentioned during investigations: "If I wanted to place a bet on any event, in South Africa or anywhere, I simply bought a 200 Rand [approximately USD 15] airtime voucher and sent the voucher number to the bookie. If I won, he would send whatever amount I won, say 400 Rand, as a voucher back to me". This particular punter was exposed during investigations into match-fixing in cricket. Investigations are ongoing, but so far, it has proven impossible to trace the anonymous bookie.

This novel and unintended use of airtime as currency underlines a key principle in understanding illegal betting – illegal bookmakers will always be extremely fast to adapt and adopt new technologies to facilitate their business, given the vast potential profits at stake and the lack of regulation or inability of regulators to move with similar agility.

# The Impact of Applicability of Higher Indirect Taxes on Games of Skill in India

Aahna Mehrotra and Rashi Tater, August 2022

## Introduction and Current Position

Online betting on racing and other sports is prohibited in most parts of India. However, online interactive skill games for cash/ kind prizes (i.e., fantasy sports gaming, rummy, poker, chess, esports, etc.) are an exception and hugely popular. Centrally authorized lottery, gambling at land-based casinos and totalizator wagering at India's horse racing tracks are also permitted. Upcoming changes to the tax regime governing these products underlines a key lesson for regulators to understand – that overburdening the Licensed and Regulated markets with taxation drives customers to Under-regulated and Unlicensed markets.

The estimated annual turnover on online skill gaming in India is more than USD 384 million, while the casino sector is projected to reach USD 34.32 million in 2022. Unsurprisingly then, many stakeholders are awaiting with bated breath to see if the Indian government moves Goods and Services Tax (GST) on skill-based gaming from 18% to 28%, in line with horse racing and casinos.

GST is a value-added tax on goods and services implemented throughout India, which is typically borne by the final consumer.

GST rates on gaming and betting are currently:

- a. @28% on entry to casinos, and on gambling provided by casinos on the transaction value, i.e., the total amount gambled, plus GST on any other services being provided by casinos (such as food/ drinks etc.)<sup>17</sup>;
- b. @28% on services provided by a race club by way of totalisator or a licence to bookmaker in such club<sup>18</sup>;
- c. @18% on games not involving betting or gambling; and
- d. @18% on commission collected by online skill-based gaming platforms for each game.

17. Clarifications regarding levy of GST on accommodation services, betting and gambling in casinos, horse racing, admission to cinema, homestays, printing, legal services etc. – Reg, dated January 4th, 201816.

18. 3 Heading 9996 Notification No. 11/2017 Central Tax (Rate), June 28th, 2017.

The applicability of GST to gaming and betting has been questioned before several courts in India. Levying tax on online skill games was discussed in *Gurdeep Singh Sachar vs Union of India and Ors*<sup>19</sup>, where the Bombay High Court ruled that GST is not applicable on the player's entire deposit but only on the consideration which is payable / collected for the supply of goods or services within the platform. In *Skill Lotto Solutions Pvt Ltd. vs Union of India*<sup>20</sup> the Supreme Court of India (SC) upheld the constitutional validity of levying GST on lottery, betting and gambling and ruled that the Constitution empowered the legislature to make laws relating to GST. Further, the Maharashtra Authority for Advance Ruling has reiterated that the GST legislation specifically classifies online gaming under online information and data-based access or retrieval services and would be subject to taxation irrespective of the location of the cloud being outside India<sup>21</sup>.

On the taxability of racecourses, the Karnataka High Court in *Bangalore Turf Club Limited and Ors. vs State of Karnatak*<sup>22</sup> ruled that racecourses/clubs are liable only for the payment of GST on the commission they receive for the services they render through the totalizator and cannot be levied on the entire amount collected in the totalisator pool. This is because the core principle of the applicable law (i.e., Central Goods and Services Act) is that tax can only be levied on the individual consideration (service fee) collected/received and not on the entire amount (prize pool).

## Proposed Tax Rate

In 2021, the GST Council set up by the Central Finance Ministry formed a Group of Ministers (GOM) from the states of India. Among other matters, to deliberate upon casinos, racecourses and online gaming.

The GOM submitted its report in May 2022. While minutes and the report are not yet in the public domain, comments by GOM members in media reports indicate that the GOM suggested:

- a. increasing GST on online skills gaming companies from 18% to 28%;
- b. taxation in online gaming to be based on 'gross revenue', i.e., the entire amount staked by the players (total wager), including the contest entry fee paid by the player for participating in the game, and not just on the commission / service fee (levied by the platform) as currently applicable;
- c. in casinos, that the tax should be levied on the amount paid at the entry point, i.e., while purchasing the chips and not on every betting transaction; and
- d. no changes to 28% on horse-racing wagers.

19. CRPILST/22/2019 (Stamp), decided on 30.04.201916.

20. Writ Petition 961 of 2018.

21. [https://gstcouncil.gov.in/sites/default/files/AAR-Dynamic/Mah\\_AAR\\_06\\_2019-20\\_B-58\\_15.12.2020\\_ARB.pdf](https://gstcouncil.gov.in/sites/default/files/AAR-Dynamic/Mah_AAR_06_2019-20_B-58_15.12.2020_ARB.pdf)

22. WP No. 11168/2018 and WP No. 11167/2018.



## Issues and Analysis

If the above indications are true, an increase in GST by 10% for online gaming entities puts them in the same tax bracket as casino gambling and horse racing betting. This will increase the burden of payment on the parties involved (gaming platforms and users) and users will receive less playable value.

As mentioned, at present no GST is levied on the prize pool and is only paid on the commission charged by the platform operator for rendering the services. This is because, for such online games, the winning amount in most cases is held in a separate escrow account on behalf of players (and not by the platform operator itself). Such separate holding of the prize pool in an escrow account does not bring any advantage to the platform operator as it is solely for the players, thereby it cannot be considered as a service value rendered by the platform operator.

However, if total transactional value is taxed at the face value, this will reduce participation and profit margins and, cause investment, including Foreign Direct Investment, to drop. Inevitably, both industry participants and players will opt out resulting in a drop of tax collected by the authorities and will lead to an increase in the already massive Unlicensed market.

While the Central Goods and Services Tax Act, 2017 (CGST Act) was envisaged with the intent of levying tax only on the consideration charged for services rendered, and not the entire amount collected in the pool, any shift from Gross Gaming Revenue to face value or entire wager amount, would primarily be antithetical to the core principal of the CGST Act. While the GST on face value would, on paper, translate to an increase of 900% on current taxation, in reality, this would only lead to the proliferation of 'off the radar' Unlicensed operators predominantly based offshore, thereby reducing tax accruals.

A 2016 report by Copenhagen Economics<sup>23</sup> concluded that taxation rates for gaming activities should not exceed 20%, as at higher rates operators and consumers opt out of the legitimate system. The report showed that as the tax rate increased beyond this range, both, the channeling rate (bringing customers from illegal to legal operators) and tax revenues reduced significantly, thus depriving the government of revenue and exposing players to potential fraud and other harm<sup>24</sup>.

There is a clear risk that placing gaming with gambling and horse racing will stifle the growth of legitimate skill gaming businesses, and encourage people to find loopholes in the legislation, leading to an increase in Unlicensed and Unregulated gambling businesses, which evade taxes.

---

23. Licensing System for Online Gambling, 2016, available at: <https://www.copenhageneconomics.com/dyn/resources/Publication/publicationPDF/8/368/1478078895/copenhagen-economics-2016-licensing-system-for-online-gambling.pdf>

24. *ibid*

Coupled with Indian operators setting up offshore entities for gaming activities, this will also be catastrophic to the foreign investment, as offshore operators will circumvent Indian tax jurisdiction by hosting games in other tax-friendly jurisdictions. The detrimental impact of excessive taxation is experienced in every industry but is likely to be exacerbated further for internet-based operations as the barrier for illegitimate entrants is very low, and setting up abroad may offer a sense of immunity as well.

This rise in attempts to evade higher tax by creation of offshore entities as an escape, has not only led to a decrease in the legitimate economy, but has also led to an increase in the operation of illegal betting and related financial crime funding transnational organised crime, as illustrated in The State of Illegal Betting. In the Indian sub-continent there has been a huge rise in illegal bookmaking and match-fixing syndicates, particularly around cricket<sup>25</sup>.

---

25. Available at: <https://www.thehansindia.com/telangana/hyderabad-online-cricket-betting-racket-busted-5-held-745756>

## Conclusion

Indian courts have repeatedly adjudicated that skill-based games must not be treated the same way as lottery and casinos i.e., games of chance, yet the proposal to increase the applicable GST gives an impression that both (games of skill and chance) are being placed in the same bracket, which is not what the judicial intent has ever been. In this regard, a request was also made by certain online skill-based gaming entities to the Finance Ministry to ensure that Rule 31A of the Central GST Rules, 2018 does not apply to the games of skill. This is because, as per the speculated recommendation of the GST Council, if the foregoing Rule 31A is applied, the entire transaction value which includes the prize money or the net commission (revenue) that accrues to online gaming entities would be taxed, which is contrary to the intent of the legislation.

Further, for reasons mentioned above, with the youth getting exposed to unscrupulous 'fly by night' operators who tend to operate in the grey zone and have scant regard for responsible operations, there will be no scope for curbing the actual indirect loss (finance or otherwise) caused to the players. This, in effect, would add to the existing conundrum faced by the authorities i.e., tracking illegal operators and pursue the actual intent of the gambling legislations, i.e., to curb the moral vice and social disorder (including suicides) caused due to gambling activities.

While it appeared that the discussion by the GST Council was conclusive, as a final report had been submitted for deliberation in the recently conducted GST Council meeting held on 28th and 29th June, 2022, however the discussion has been deferred to the first week of August. While the Council, in-principle, was in agreement with the recommendations of the GOM, however, certain regulations are yet to be finalised. Accordingly, the GOM is directed to submit a report by July 15th, 2022. To have an industry that is constantly innovating and truly competitive, it is imperative to have a clear taxation framework that allows stakeholders to thrive and not force them to (a) either shut their operations due to failure in meeting the break-even point; or (b) divert them to illegal operations.

## Data from Racing and Other Sports: Fuel for Illegal Betting

**Martin Purbrick, James Porteous, Tom Chignell,  
October 2022**

Live game data from racing and other sports is the lifeblood of global online betting, and especially in-play betting (betting on game events at the same time the game is taking place), the biggest sports betting product in the world.

Dominated by a handful of providers, sports betting data is a multi-billion dollar (and growing) industry – but the vast increase in the quality, quantity and distribution of sports data has provided a new dimension to the growth of both legal and illegal betting markets, which in turn has led to increased threats to the integrity of horse racing and other sports. This bulletin seeks to explain how some data arrangements between sports and data companies can threaten sports integrity.

Betting operators, or bookmakers as they have traditionally been called, rely upon the supply of data relating to racing and other sports competitions (jockeys, horses, players, runners, etc.) to be able to set accurate prices (or odds) on competitions and manage their financial risk accordingly.

As it is impossible for one single organisation to collate, fact-check and distribute data for all sports, a range of companies provide such data to bookmakers. Some specialise in horse racing, some in other sports, some focus on particular regions or leagues. Some have exclusive partnerships with the sports whose data they collect, while others simply collect data without a partnership with the relevant sports authority.

There are a growing number of companies providing sports data services, although the industry is dominated by less than 10 large companies with international client bases. These major sports data companies are providing services relating to betting, integrity, sports entertainment, and sports analytics solutions.

Some provide all of the technology a would-be betting operator requires to set up an entire online bookmaking operation with little to no technical expertise, including odds (pre-match and live) and risk management, customer relationship management, and live data and live streaming on racing and other sports races, games, and events. Integrity services include bet monitoring and detection of suspicious activity that may indicate competition manipulation, intelligence regarding fixing or corruption, and education and prevention.

As sports viewing, entertainment, and betting increasingly converge, several providers are positioning themselves to try to dominate the entire sports/media/betting/gaming landscape. Sports entertainment includes marketing to betting customers, as well as sports content development to attract and retain fans. Sports analytics solutions involves the provision of data for coaches to develop performance plans, as well as technology solutions for sports to increasingly interact with fans and customers. The largest operators even provide targeted online advertising solutions and other data- and AI-driven tools and products to convert sports fans to sports bettors, and retain their custom.

This is an extensive range of services touching almost all aspects of racing and other sports, on which major sports are coming to rely with limited understanding of risk areas. The problem area is betting services (i.e. provision of wagering markets on racing and other sports), as data from racing and other sports is being packaged and sold to online betting operators who are part of or driving the illegal betting market. The threat to sports from this situation is that illegal betting markets are where most betting related to match-fixing or other competition manipulation takes place. In this way, data from racing and other sports that is sold by data companies is fuelling illegal betting and increasing the risk of corruption and competition manipulation.

## Data in Illegal Betting Markets

Data in a betting context refers to statistics and information that can affect the outcome of a sporting event both pre-game (team line-ups, injuries, weather, racing fields, etc) and live, or 'in-play' (current score, possession percentage, sendings-off, position of horses in-running, etc). It has become an essential commodity across the global betting industry because of demand from betting operators to manage in-play betting markets which have become hugely popular, demand from professional gambling syndicates to drive betting models, and rapid and repetitive betting strategies where access to data is fundamental to betting on contingencies as they occur during an event (in-play betting).

The rise of in-play betting, which accounts for 75%+ of sports betting profits at some of the world's biggest online betting companies, has exponentially driven the demand for live data, with the largest data providers having armies of literally tens of thousands of freelance "data scouts" – essentially individuals armed with smartphone apps manually logging every key event from a sporting contest – attending matches from the professional level down to even the smallest level of community games. As noted by the UNODC in its *Global Report on Corruption in Sport*, "If it was not for these data scouts, in many cases, a betting market would not exist on these events. It is often lower-tier sporting events that are at greater risk of competition manipulation. As such, there should be much greater scrutiny of the involvement of data scouts at such events and of the wider ramifications of this activity."

Illegal betting operators benefit from an increase in the quantity and quality of sports data because they rely on it to offer odds which they use to frame markets, take bets and generate vast profits. The illegal betting market is exceptionally large and offers a wide range of betting products on racing and other sports. Illegal betting operators are an integrity threat and facilitate corruption in racing and other sports as they provide anonymous channels for betting with no regulated 'know your customer' processes, and do not report on suspicious betting activity which is associated with race and match fixing.

As detailed in the ARF Council's most recent report, *The State of Illegal Betting*, the online betting industry can be split into three categories: Licensed and Regulated operators who are licensed in the same jurisdiction as their customers; Licensed but Under-regulated operators with "licences" from jurisdictions such as Curacao, Malta and the Philippines who take bets from all over the world regardless of lawfulness/legality of online betting in these jurisdictions; and Unlicensed and Unregulated operators who have no licences and take bets typically from jurisdictions where their product is unlawful/illegal.

The latter two categories are illegal betting in most jurisdictions, and the operators taking bets in such locations cannot provide betting markets without extensive reliance on third-party provision of betting data. Some jurisdictions with well-developed gambling regulatory regimes will require B2B providers of gambling data and software also to require licences (i.e. as well as the ultimate B2C betting operators), but this is not consistent in the betting industry.

For example, one leading provider of betting data says it has almost a thousand betting operator clients in more than 100 countries (exact numbers have been obfuscated to avoid identification of the provider). Given the fact that online betting laws and regulations in many countries are either non-existent or based on legislation from a pre-Internet era, it is inevitable that some of these clients by definition are effectively operating illegal betting. The provision of data by suppliers to Regulated, Under-regulated and Unregulated operators alike is thus facilitating illegal betting.

Some leading operators which are publicly listed companies make these relationships clear in regulatory filings, stating that operations in certain unregulated or partially regulated jurisdictions are a risk factor that potential investors need to consider.

Public filings also indicate, for example, that one provider of betting data has more than 300 employees (14% of its total workforce) based in the Philippines, an offshore licensing hub for betting operators which particularly targets Asia, where online betting is mostly unlawful/illegal/heavily restricted. While this may not indicate improper activity, it does beg the question if such a large percentage of the workforce is designed to support Asian betting markets.

The ARF's State of Illegal Betting report showed that 73% of betting websites had at least one third-party software provider for their betting markets and 55% relied on more than one. It is now relatively easy to set up an illegal betting operation, with the many hundreds of data providers eliminating the need for a) technical and programming expertise, b) the hiring of thousands of data scouts, and c) a trading team with comprehensive odds-making expertise in a wide range of sports.

### Collection of Data from Racing and other Sports

A large amount of data is collected from "data scouts", who are employed by data companies to attend sports events, and report on the live play either through an IT application or by phone. This data is in turn provided to global betting operators who offer odds on the events. Information collected and relayed by data scouts includes real-time incidents such as a break of serve in tennis, player dismissals and player injuries. Professional in-play horse racing bettors, who require the actual racing positions of horses, have even taken to using private drones to avoid the time lag on official broadcast footage.

The sports data market has evolved rapidly within a regulatory vacuum, which has been complicated by the broader complexities of sports and betting regulation (including global markets, an international patchwork of regulations, multiple owners of sports products, and international, national and state sporting organisations). In the absence of regulatory oversight and control, there is a lack of transparency surrounding the final destination of the data collected and limited control by sports over the ongoing use of their data.

The origin of the data is of little importance to illegal or unregulated market operators who are only interested in the speed and accuracy of the data supply. A prominent example is the world's largest illegal betting exchange (which is based in Asia), which publishes race card data, live totalisator odds and also live-streams pirated broadcasts of races from many international horse racing jurisdictions. The turnover on this illegal exchange is estimated to be at least as big as the legal market in several racing jurisdictions, but none of its turnover benefits the sport of racing, nor does it benefit the societies in which the racing took place (through tax and other duties). Such vast illegal turnover would not be possible without sports data. The exchange displays information including the names of horses, jockeys and trainers as well as local totalisator odds and requires data on official race dividends to settle bets, including those taken in-play on races.

The betting industry's need for reliable and accurate data feeds was highlighted by "ghost matches" in 2020, where data was provided to betting operators and odds were offered on competitions which did not take place. In 2022, a fake "Indian Premier Cricket League" which reached the quarter-final stage before the gang was arrested by police showed how easy it is to create a betting market on the Internet as online betting customers crave more sports betting options. The Covid-19 pandemic has driven this growth, and as most major sports competitions were cancelled or postponed in 2020 there was not only been a rise in betting generally but also betting-related fraud and match fixing.

Online betting customers, many forced to stay at home due to lockdowns around the world, turned to sports in unusual jurisdictions such as football in Uzbekistan, Nicaragua, Burundi and the U21 Football League in Turkmenistan, table tennis in Russia and Ukraine, Belarusian ice hockey, South Korean baseball and Taiwanese basketball. Customers also wagered on new betting products such as virtual versions of football and Formula 1 (computer generated sports games that use a random number generator to determine the outcome), ultimate Frisbee, table football, the American Cornhole League (which involves throwing packets of corn into a hole), and competitions where darts players recorded themselves playing at home. Betting on these competitions can only happen because of the provision of data by the data services companies to bookmakers around the world.

Horse racing as a sport has had the longest-standing relationship and interaction with bookmakers and betting, is well placed to manage the issue of data in relation to betting, and can be a role model to other sports in understanding integrity concerns related to sports data.

For example, as outlined in the ARF's report [Good Practices in Addressing Illegal Betting \(2021\)](#), several racing jurisdictions such as Great Britain, Hong Kong, and Victoria (Australia) have well-established internal bet monitoring and analysis teams with strong relationships and information-sharing protocols with well-regulated betting operators and data providers.

It is important for horse racing and other sports authorities to control their data and in relation to cooperation with data companies be aware of their business nature and potential conflicts of interests, such as providing services which could be used to conduct betting via unlicensed operators. This can be done by introducing strict contractual conditions on data companies that require that all third party users of the data (from racing and other sports) to be licensed to accept bets in any jurisdiction where they accept bets at the point of sale. By requiring this condition, racing and other sports authorities can prevent the sale of their data to betting operators that are licensed in jurisdictions such as Curacao, Malta, and the Philippines but accept bets in other countries.

In doing so, racing and other sports authorities must develop the capability and capacity to understand both legal and illegal betting markets and not rely entirely upon the services of data companies to interpret how betting impacts integrity. There is a role for data companies in the provision of bet monitoring and analysis to racing and other sports authorities, but the latter must develop the ability to interpret the external commercial reporting. This requires the introduction of experts into racing and other sports authorities who understand betting markets and can navigate the betting industry, so that the authority can better engage with data companies. Ultimately, racing and other sports authorities should aim to be able to conduct some bet monitoring and analysis in-house and not have a total reliance upon data companies.

## Why Ireland's Proposed Gambling Regulatory Reforms are Long Overdue

Jack Anderson, October 2022

In September 2022, the Irish government announced the appointment of the chief executive of the country's proposed gambling regulatory authority. The appointment of an independent regulator for the industry comes in advance of the Irish Parliament's consideration later in the year of a Gambling Bill seeking to comprehensively reform Ireland's licensing and regulatory approach to gambling.<sup>26</sup>

Gambling, particularly on horse racing, has a long tradition in Ireland. The first steeplechase ever run was as a result of a bet between a Cornelius O'Callaghan and Edmund Blake in County Cork in 1752. The contemporary gambling market in Ireland remains robust. In 2019, for example, the nation gambled €9.8 billion, of which €4.7 billion was on casino, at bingo or gaming machines; and the remainder on sports betting, predominately horse racing. The amounts equated to €379.51 per head of population, making, Ireland, on one estimate, the seventh highest gambling country in the world.<sup>27</sup>

The 2019 figures were substantially up on those of the previous year and are likely to have increased in the years since. Irish punters have followed their counterparts worldwide and moved enthusiastically to online gambling – Ireland accounts for 2.6% of Europe's online gambling market revenue, despite making up just 1.1 per cent of the overall population.<sup>28</sup>

The dearth of up-to-date figures on the size of the Irish gambling market is reflected in the paucity of gambling regulation and legislation in Ireland. It is not that gambling in Ireland is unregulated, but the dated nature of the extant statutory framework surrounding the industry means that Ireland could be considered a grey market or, at least, one that is lightly regulated.<sup>29</sup>

26. Ronan McGreevy, "Senior Civil Servant Appointed as State's First Gambling Regulator" *The Irish Times*, 8 September 2022. 18. 3 Heading 9996 Notification No. 11/2017 Central Tax (Rate), June 28th, 2017.

27. Neil Michael, "€10bn Staked by Irish Gamblers in 2019 dubbed 'very worrying' statistic" *The Irish Examiner*, 23 December 2019.

28. Brian Hutton, "Irish Fourth-Worst Gamblers in EU as Move Online Accelerates" *The Irish Times*, 12 July 2021.

29. For a comprehensive introduction to Ireland's gambling laws, see Alan Heuston, "The Gambling Law Review: Ireland" *The Law Reviews*, 9 May 2022 and available at <https://thelawreviews.co.uk/title/the-gambling-law-review/ireland>

## Archaic and Obsolete: Gambling Regulation in Ireland

Gambling regulation in Ireland dates to the Betting Act 1931. Nearly a century later, that Act remains largely in force, save for an amendment in 2015 to provide for the licensing of online (remote) bookmakers and betting intermediaries. Gaming and Lotteries – including the National Lottery – are regulated separately under a series of Gaming and Lotteries Acts dating back to 1956. Under section 36 of that Act, it remains the case in Ireland – upheld by its High Court as late as 2015 – that every contract by way of gaming or wagering is void and no action shall lie for the recovery of any money or thing which is alleged to be won or to have been paid upon a wager.<sup>30</sup>

The archaic, patchwork nature of Irish gambling laws was acknowledged in amendments made to the 1956 Act in 2019. Gaming and lottery legislation was updated to make basic but critically needed changes to gaming machine stakes and prize limits. In addition, the amendment ensured that, for the first time, there was a standard legal age minimum of 18 years for all gaming and lottery activities including tote betting in Ireland.<sup>31</sup>

Tote or pari-mutuel betting was first used in Ireland at the Irish Grand National race held at Fairyhouse on Easter Monday, 21 April 1930, when racegoers invested £5,035 in Tote pools. It was reported that the novelty of the new Tote betting system itself drew large crowds to the racecourse and the new Tote booths struggled to meet the demand. The first Irish Grand National winning dividend was paid out on Fanmond at 16 shillings and 6 pence. The current totalisator licence is operated by Tote Ireland a wholly owned subsidiary of the contemporary peak body for the sport, Horse Sport Ireland. Much has changed in Ireland and betting since 1930, as the grainy footage from that race illustrates; the only constant is the legislation which remains wholly based on the Totalisator Act of 1929.

Arguably, the situation in Northern Ireland was, until recently, even worse with regard to antiquated gambling law, given that, although part of the UK, the UK Gambling Act 2005 largely did not apply to Northern Ireland (NI). In May 2021, the NI Minister for Communities announced plans for a two-phased review of existing gambling law in NI, which was based on an archaic 1985 statute. The first phase led the Betting, Gaming, Lotteries and Amusements (Amendment) Act (Northern Ireland) 2022.<sup>32</sup> The second phase aims to introduce a completely new regulatory framework to address online gambling.

30. *Sporting Index v O'Shea* [2015] IEHC 407 (15 June 2015) - a sports spread-betting company could not enforce an English judgment for gambling debts against an Irish resident

31. Gaming and Lotteries (Amendment) Act 2019.

32. The underlying objective of the Betting, Gaming, Lotteries and Amusements (Amendment) Act (Northern Ireland) 2022, can be found at [https://www.legislation.gov.uk/nia/2022/14/pdfs/niaen\\_20220014\\_en.pdf](https://www.legislation.gov.uk/nia/2022/14/pdfs/niaen_20220014_en.pdf)

## Problems with the Poor Regulation of Gambling

As has been central to various reports by the ARF Council on Anti-Illegal Betting & Related Financial Crime, Unregulated / Under-regulated gambling markets can lead to (i) aggravated problem gambling; (ii) forms of economic crime such as money laundering; (iii) sporting crimes (match-fixing) (iv) collateral reputational damage for those sports, such as racing, closely associated with gambling and (v) can lead to an additional regulatory burden for adjacent jurisdictions to police (in this case the UK).<sup>33</sup> To some extent, Ireland presents a case study in how uneven gambling regulation may leave a jurisdiction vulnerable to such illicit activities and regulatory disrepute.

In February 2022, for example, a report by the Irish Health Research Board suggested that more than one in 10 men who had gambled in the previous year were either at-risk or problem gamblers. For men aged 15-24 who had gambled in the previous year, the figure rose to almost one in five.<sup>34</sup>

It was not until 2018 that Ireland prescribed gambling service providers as “designated persons” obliged to carry out due-diligence tests verifying customers’ identity and assessing associated risks.<sup>35</sup> In a comprehensive government report in 2018, the level of risk of money laundering and terrorist financing with regard to the Irish betting sector was overall deemed medium to low. It was held to be low in respect of lotteries, bingo, gaming and amusement machines and land-based poker, all of which are exempt from the 2018 reforms. The report did note however that there was a need for Ireland to enhance its capacity (by way of a statutory regulator) “in order to maintain an up-to-date risk assessment for the gambling sector, particularly as [online] technologies and payment methods continue to change.”<sup>36</sup>

33. On factor (v) see the following example, Bill Barber, “BoyleSports hit with £2.8 million fine by commission for money laundering lapses” The Racing Post, 11 November 2020, <https://www.racingpost.com/news/boylesports-hit-with-28m-gambling-commission-fine-for-money-laundering-lapses/45874327>. Neil Michael, “€10bn Staked by Irish Gamblers in 2019 dubbed ‘very worrying’ statistic” The Irish Examiner, 23 December 2019.

34. Deirdre Mongan et al, Gambling in the Republic of Ireland: Results from the 2019-20 National Drug and Alcohol Survey (Health Research Board, Dublin, 2022).

35. Criminal Justice (Money Laundering and Terrorist Financing) Act 2010 (Section 25) (Prescribed Class of Designated Person) Regulations 2018.

36. Irish Gambling Sector Risk Assessment (Department of Finance, Dublin, 2018) 26 and available at <https://www.gov.ie/en/publication/a90977-t/>. See also *National Risk Assessment for Ireland: Money Laundering and Terrorist Financing* (Department of Finance, Dublin, 2016) 66-71, available at [https://www.justice.ie/en/JELR/National\\_Risk\\_Assessment\\_Money\\_Laundering\\_and\\_Terrorist\\_Financing\\_Oct16.pdf/Files/National\\_Risk\\_Assessment\\_Money\\_Laundering\\_and\\_Terrorist\\_Financing\\_Oct16.pdf](https://www.justice.ie/en/JELR/National_Risk_Assessment_Money_Laundering_and_Terrorist_Financing_Oct16.pdf/Files/National_Risk_Assessment_Money_Laundering_and_Terrorist_Financing_Oct16.pdf)

In May 2022, past and present football players were among 10 arrested in connection with match-fixing allegations in the League of Ireland. Ireland does not have specific anti-match-fixing legislation. The men were arrested by the anti-bribery and corruption unit of the Garda (Irish Police) National Economic Crime Bureau on suspicion of conspiracy to defraud (a common law offence). The operation was based on reports of suspected match-fixing given to the Irish Police by the Football Association of Ireland (FAI) and the football governing body for Europe, Uefa. In September 2022, there were further arrests, bringing the total number to 14.

In 2020, the Court of Arbitration for Sport, the effective Supreme Court for world sport, had heard another matter involving a match-fixing allegation against a player in the League of Ireland. Although the CAS Panel was satisfied that the evidence submitted proved that the match at stake was manipulated, it was not comfortably satisfied (the requisite standard of proof) by the evidence brought forward by the FAI that the player was actually involved in manipulating the result of the match.<sup>37</sup>

Although bets entered into by a bookmaker or remote bookmaker with persons in Ireland attract a 2% tax (nil in the case of on-course or tote bets), gambling winnings are not generally seen in Ireland as subject to taxation. Over the decades, a number of leading criminals in Ireland have sought to explain in court that their unexplained wealth is due to gambling winnings, particularly “on the horses”;<sup>38</sup> or by way of the ownership of horses,<sup>39</sup> or both.<sup>40</sup>

## Future and Better Regulation of Gambling in Ireland

Reflecting on the above, Ireland has been ripe for significant reform of its gambling laws for decades. Up until recently, the slow pace of reform has been attributable to the dilatory approach of successive Irish governments, and not the industry itself. In 2013, the Irish Government had published a version of a Gambling Control Bill, intended to replace all existing gaming and betting legislation. Nothing happened. In 2018, the Government established an Inter-Departmental Working Group on the Future Licensing and Regulation of Gambling in Ireland, chaired by the Deputy Minister of Justice and comprising all government departments with responsibility or involvement in gambling activities, as well as the Office of the Attorney General, and the police. Apart from acknowledging that Ireland’s gambling laws were largely obsolete, the Working Group made no progress.

37. Arbitration CAS 2018/A/6075 Igor Labuts v. Football Association of Ireland (FAI), award of 17 July 2020, available at <https://jurisprudence.tas-cas.org/Shared%20Documents/6075.pdf>

38. Murphy v Gilligan & Ors [2011] IEHC 62.

39. Criminal Assets Bureau v Power (AKA Boylan) & anor [2019] IEHC 753.

40. Gareth McNamee, “Race fixing and money laundering: How the horse racing industry fights back against criminal cartels” Journal.ie, 23 July 2017, available at <https://www.thejournal.ie/horseracing-crime-gangland-3500986-Jul2017/>

Finally, in October 2021, the Irish Department of Justice published the General Scheme of the Gambling Regulation Bill.<sup>41</sup> The Bill consists of 142 Heads and takes into consideration a number of expert reports including the Interdepartmental Working Group On Future of Licensing and Regulation of Gambling 2019 and, in the same year, a report prepared for the European Commission in relation to the establishment of a modern regulatory environment and authority for all gambling activities licensed in Ireland.<sup>42</sup>

The Bill is underpinned by four key objectives:

- the appointment of an independent Gambling Regulatory Authority of Ireland, ultimately responsible for the proper and effective licensing, compliance and regulation of gambling activities in the Ireland;
- the establishment of a Social Impact Fund which will be funded through levies on licensed gambling operators and will be used for the purposes of financing research and information, education and awareness raising measures, and appropriately supporting problem gambling treatment activities by relevant health professionals;
- an emphasis on safeguarding to address problem gambling, including in relation to the advertising of gambling and sponsorship by gambling providers, and
- preventing gambling from being a source of or support to crime.

A specific point of interest for all sports including racing is that the Bill contains anti match-fixing provisions. The Gambling Authority will have responsibility for preventing, detecting, investigating or prosecuting offences relating to gambling related match fixing / the manipulation of sporting events. Where the Authority holds a reasonable belief that a provider is involved with or related to matters of a serious criminal nature, including but not limited to money laundering or gambling-related match fixing, the Authority may make an application to Court for an Order to freeze and preserve bank accounts and any other assets of (or associated with) a provider until such time as all relevant investigative steps and any related proceedings have been completed.

It must be noted that in the immediate term, the emphasis for sport will be on how the Gambling Authority deals with sports-related gambling advertising and general consumer protection. In May 2022, a Parliamentary Report on Pre-Legislative Scrutiny of the General Scheme of the Gambling Regulation Bill<sup>43</sup> highlighted these specific, immediate concerns, recommending that in addition to the existing provisions of the Bill:

41. Available at <https://www.justice.ie/en/JELR/General-Scheme-of-the-Gambling-Regulation-Bill.pdf/Files/General-Scheme-of-the-Gambling-Regulation-Bill.pdf>.

42. Both reports can be accessed here, <https://www.justice.ie/en/JELR/Pages/General-Scheme-Gambling-Regulation-Bill>.

43. Available at [https://data.oireachtas.ie/ie/oireachtas/committee/dail/33/joint\\_committee\\_on\\_justice/reports/2022/2022-05-17\\_report-on-pre-legislative-scrutiny-of-the-general-scheme-of-the-gambling-regulation-bill\\_en.pdf](https://data.oireachtas.ie/ie/oireachtas/committee/dail/33/joint_committee_on_justice/reports/2022/2022-05-17_report-on-pre-legislative-scrutiny-of-the-general-scheme-of-the-gambling-regulation-bill_en.pdf).

- an examination be undertaken into the possibility of introducing a Domain Name System (DNS) to block access, at a country level, to gambling operators that are not licensed within the State;
- that a pre-watershed ban be applied to all forms of gambling advertising;
- that the potential to decouple sports advertising and gambling advertising be evaluated, particularly in terms of sports advertisements aimed at young people;
- that the regulator to be established in the General Scheme will apply its new Codes equally to all operators, to ensure socially responsible operations and to afford protections to their customers;
- that automated software be introduced to better complete verification checks of a customer's age when registering for an account with an online gambling website; and
- that consideration be given, with full respect to GDPR provisions, to allowing background checks to be carried out on an applicant when they register for an online gambling website, to ascertain whether this applicant may have any financial vulnerabilities.

Finally, all of the above provisions in and recommendations surrounding the latest iteration of a Gambling Bill in Ireland, remain at the aspirational level. The Bill still needs to be enacted into law. The hope is that this will be done by early 2023 – a decade after it was first introduced into the Ireland parliament. By that time, the Gambling Regulatory Authority of Ireland (GRA) should be fully operational. At present, the GRA has a CEO only. The CEO is an experienced, well regarded civil servant, who previously was a director of the Private Residential Tenancies Board in Ireland. Oddly, the new CEO has no experience of any aspect of the gambling industry (neither gaming, lotteries, sports betting, online etc. nor its regulation either domestically or international). She will need to access such expertise quickly, as will Ireland if it is to realise the ambitious statutory objectives it has set for itself, its consumers, its sports fans, young and old, and the future of its gambling industry.

## Notable Recent Asian Illegal Betting Cases and Typologies

James Porteous, October 2022

Illegal betting is a financial crime, and facilitates money laundering, sports corruption, problem gambling and funds organised crime groups. The ARF Council has illustrated several typologies in previous papers (e.g. *How China's Crackdown on Illegal Betting Impacts Global Betting Markets; A Report of Blockchain and Cryptocurrencies in Illegal Betting; A Report of Illegal Betting Growth During the COVID-19 Pandemic*).

This article highlights some notable recent cases in Asia since the publication of those papers in 2021, based primarily on media monitoring and public reports.

### Hong Kong

The funding of illegal betting accounts and laundering of profits are increasingly being conducted through stored value facilities (e.g. mobile payment apps, contactless payment cards, e-wallets) and virtual bank accounts, often linked to networks of "money mules" – individuals bribed or coerced to open such accounts.

A report<sup>44</sup> by the Asia Pacific Group on Money Laundering (APG) highlights some examples. The APG is a regional anti-money laundering (AML) body modelled on the Financial Action Task Force, the global AML watchdog.

In mid-2021, Hong Kong Police identified an organised crime group involved in illegal betting and drug trafficking and arrested 317 people. At least HKD 1.35M (~USD 172,055) of proceeds were laundered through bank accounts, stored value facilities and the Faster Payment System (a local mobile payments infrastructure).

In another case, 23 virtual bank accounts were linked to an illegal online betting platform to receive bets and launder proceeds of more than HKD 30.8million (~ USD 3.9 million) between mid-2020 and early 2021.

44. 'APG Yearly Typologies Report', Asia Pacific Group, July 2022 (<http://www.apgml.org/methods-and-trends/page.aspx?p=8d052c1c-b9b8-45e5-9380-29d5aa129f45> accessed 14 September 2022).



In a third case, virtual bank accounts registered by an illegal betting syndicate's agents and its money mules were used to transfer funds from bettors to core syndicate members. Suspicious transactions involved a total of HKD 181 million (~USD 23 million). Eight core syndicate members and 14 money mules were arrested. Media reports stated that three of the arrested had triad (organised crime) backgrounds.<sup>45</sup>

Analysis of 375 media articles from early 2021 to late 2022 provides further examples:

- **Coercion of indebted illegal bettors to open mule accounts**

In August 2022, 19 people were arrested on suspicion of money laundering linked to an illegal betting syndicate, in which bettors who could not pay their losses were forced to open virtual bank accounts in order to offset gambling debts.<sup>46</sup> Mules could earn monthly 'rent' based on volume laundered through their accounts.

- **Promotion of illegal betting via social media**

In February 2022, two Instagram 'influencers' were arrested for advertising illegal betting websites via their profiles. These young women together had almost 300,000 followers on Instagram, which is extremely popular with young people in Hong Kong (a quarter of users are aged 13-24). They were paid up to HKD 3,000 (USD 400) per post or HKD 30,000 (USD 4,000) per month, plus 5% commission on wagers of every illegal bettor they signed up.<sup>47</sup>

- **The scale of illegal betting on major football tournaments**

In summer 2021, more than 800 people were arrested and betting records of more than HKD 3.6 billion (USD 463 million) were seized in relation to illegal betting on the Euro 2020 football tournament, the largest amount seized in a decade. Reports claimed that the operation took HKD 10 million (USD 1.27 million) a day in illegal wagers.<sup>48 49</sup>

45. 朱雅霜, 王譯揚, '犯罪集團利用新金融科技收受網上賭注 洗黑錢1.8億元 16人落網', HK01, 13 April 2021 ([https://www.hk01.com/%E7%AA%81%E7%99%BC/611790/%E7%8A%AF%E7%BD%AA%\(E9%9B%86%E5%9C%98%E5%88%A9%E7%94%A8%E6%96%B0%E9%87%91%E8%9E%8D%E7%A7%91%E6%8A%80%E6%94%B6%E5%8F%97%E7%B6%B2%E4%B8%8A%E8%B3%AD%E6%B3%A8-%E6%B4%97%E9%BB%91%E9%8C%A2-8%E5%84%84%E5%85%83-16%E4%BA%BA%E8%90%BD%E7%B6%B2\)](https://www.hk01.com/%E7%AA%81%E7%99%BC/611790/%E7%8A%AF%E7%BD%AA%(E9%9B%86%E5%9C%98%E5%88%A9%E7%94%A8%E6%96%B0%E9%87%91%E8%9E%8D%E7%A7%91%E6%8A%80%E6%94%B6%E5%8F%97%E7%B6%B2%E4%B8%8A%E8%B3%AD%E6%B3%A8-%E6%B4%97%E9%BB%91%E9%8C%A2-8%E5%84%84%E5%85%83-16%E4%BA%BA%E8%90%BD%E7%B6%B2)) accessed 14 September 2022).

46. '19 arrested on suspicion of laundering HK\$100 million', RTHK, 16 August 2022 ([https://news.rthk.hk/rthk/en/component/k2/1662687-20220816.htm?archive\\_date=2022-08-16](https://news.rthk.hk/rthk/en/component/k2/1662687-20220816.htm?archive_date=2022-08-16) accessed 14 September 2022).

47. 呂穎珊, '多名IG網紅疑收報酬宣傳網上賭場 涉教唆違法 蘇森森:你報警囉', HK01, 14 February 2022 (<https://www.hk01.com/01%E5%81%B5%E6%9F%A5/734117/%E5%A4%9A%E5%90%8D%E7%B6%B2%E7%B4%85%E7%96%91%E6%94%B6%E5%A0%B1%E9%85%AC%E5%AE%A3%E5%82%B3%E7%B6%B2%E4%B8%8A%E8%B3%AD%E5%A0%B4-%E6%B6%89%E6%95%99%E5%94%86%E9%81%95%E6%B3%95-%E8%98%87%E6%B7%BC%E6%B7%BC-%E4%BD%A0%E5%A0%B1%E8%AD%A6%E5%9B%89> accessed 22 February 2022).

48. '歐盃期間收受外圍賭注逾1.2億元 警搗投注中心拘3男', MingPao, 9 July 2021 (<https://news.mingpao.com/ins/%E6%B8%AF%E8%81%9E/article/20210709/s00001/1625816528831/%E6%AD%90%E5%9C%8B%E7%9B%83%E6%9C%9F%E9%96%93%E6%94%B6%E5%8F%97%E5%A4%96%E5%9C%8D%E8%B3%AD%E6%B3%A8%E9%80%BE1-2%E5%84%84%E5%85%83-%E8%AD%A6%E6%90%97%E6%8A%95%E6%B3%A8%E4%B8%AD%E5%BF%83%E6%8B%98%93%E7%94%B7> accessed 14 September 2022).

49. Danny Mok, 'Hong Kong police arrest 824, seize records detailing HK\$3.6 billion worth of bets in illegal gambling busts around Euro 2020', South China Morning Post, 2 August 2021 (<https://www.scmp.com/news/hong-kong/law-and-crime/article/3143566/hong-kong-police-arrest-824-seize-records-detailing> accessed 14 September 2022).

## Mainland China

China's whole-of-government crackdown on illegal betting was detailed in the ARF Council report, *How China's Crackdown on Illegal Betting Impacts Global Betting Markets*. The crackdown continues, as the table below illustrates.

Year	2019 <sup>50</sup>	2020 <sup>51 52</sup>	2021 <sup>53</sup>
Investigations	7,200	17,000	17,000
Arrests	25,000	110,000	8,000
Illegal betting websites shut down	N/A	3,400	2,200
Illegal payment platforms shut down	N/A	2,800	1,600
Tech support teams shut down	N/A	1,400	930
Illegal betting advertising platforms shut down	N/A	2,200	1,500

Table 1 - statistics of China's crackdown on illegal betting, based on announcements from Ministry of Public Security

An analysis of 211 media reports of court cases from January 2021 to August 2022 illustrates typologies involved, although because of the lag between arrests and convictions, many cases were pre-2021.

50. Yangfei Zhang, 'Security authorities crack down on cyber gambling', China Daily, 17 January 2020 ([https://www.chinadaily.com.cn/newsrepublic/2020-01/17/content\\_37532694.htm](https://www.chinadaily.com.cn/newsrepublic/2020-01/17/content_37532694.htm) accessed 14 September 2022).

51. 'China curbs rising cross-border gambling crimes', Xinhuanet, 8 April 2021 ([http://www.xinhuanet.com/english/2021-04/08/c\\_139867374.htm](http://www.xinhuanet.com/english/2021-04/08/c_139867374.htm) accessed 14 September 2022).

52. '公安部：打击治理跨境赌博工作取得显著成效', Gov.CN, 9 April 2021 ([http://www.gov.cn/xinwen/2021-04/09/content\\_5598556.htm](http://www.gov.cn/xinwen/2021-04/09/content_5598556.htm) accessed 14 September 2022).

53. 'China probed 17k-plus cross-border gambling cases in 2021', Ggrasia, 10 January 2022 (<https://www.ggrasia.com/china-probed-17k-plus-cross-border-gambling-cases-in-2021/> accessed 14 September 2022).

Based on reported figures, the average illegal betting operation turned over more than CNY 212 million a month (~USD 30 million). Typologies remain similar to those detailed in the ARF Council's 2021 report (e.g. offshore servers, pyramid marketing, social media advertising, fourth-party payment systems). Notable cases are detailed below.

- **Money laundering through sim card top-up “hijacking”**

A case from Hubei province<sup>54</sup> reported in January 2022 highlights a novel form of moving illegal betting and drug trafficking profits. An organised crime group developed its own payments system and fake phone bill payment platform, which was used to hack sim cards, and “hijack” phone top-up requests. Exact details of how this worked are not presented, but the court heard that more than CNY 4 billion (~USD 600 million) was laundered in this fashion.

- **Match-fixing on e-sports in conjunction with betting operator**

A case from Anhui province reported in January 2022<sup>55</sup> describes a tech company and e-sports team collaborating with an illegal betting website to fix e-sports contests from late 2019 to the end of 2020. The case appears connected to a ban of several Chinese DOTA 2 players in early 2021, although the direct involvement of an illegal betting website was not previously reported. Two individuals made CNY 10 million (~USD 1.5 million) in illegal betting profits from the fixed matches.

- **The scale of illegal betting on major football tournaments**

A case from Chongqing reported in May 2022<sup>56</sup> illustrates again the vast profits to be made from major international football tournaments as 133 suspects were arrested for operating an illegal betting platform. Their turnover during the period of Euro 2020 alone was more than CNY 1.5 billion (~USD 225 million).

54. ‘湖北警方打掉一跨境网络赌博洗钱团伙 涉案逾40亿元’, Chinanews, 22 January 2021 ([https://mbd.baidu.com/newspage/data/landingsuper?third=baijiahao&baijiahao\\_id=1689567394180763449&wfr=spider&source=kunlun&p\\_tk=3429pJ8ByFtPY53zTf9771CJX%2Bu6mS0iG0tTQkq41dJc02ENi0xakr6TtBRA8ArQ2thexoRjufr5sNEVU8ugieEo4dnKi1KVZAasNe6uzubMRT2uV5Z3OjAulxLXISS3bolh&p\\_timestamp=1662434840&p\\_si gn=e31551d22f72718ce2b35c5da33e83a4&p\\_signature=e8ffc43a28248f3c461698cba00bbc958\\_\\_pc2ps\\_ab=3429pJ8ByFtPY53zTf9771CJX%2Bu6mS0iG0tTQkq41dJc02ENi0xakr6TtBRA8ArQ2thexoRjufr5sNEVU8ugieEo4dnKi1KVZAasNe6uzubMRT2uV5Z3OjAulxLXISS3bolh1662434840j e8ffc43a28248f3c461698cba00bbc95j e31551d22f72718ce2b35c5da33e83a4](https://mbd.baidu.com/newspage/data/landingsuper?third=baijiahao&baijiahao_id=1689567394180763449&wfr=spider&source=kunlun&p_tk=3429pJ8ByFtPY53zTf9771CJX%2Bu6mS0iG0tTQkq41dJc02ENi0xakr6TtBRA8ArQ2thexoRjufr5sNEVU8ugieEo4dnKi1KVZAasNe6uzubMRT2uV5Z3OjAulxLXISS3bolh&p_timestamp=1662434840&p_si gn=e31551d22f72718ce2b35c5da33e83a4&p_signature=e8ffc43a28248f3c461698cba00bbc958__pc2ps_ab=3429pJ8ByFtPY53zTf9771CJX%2Bu6mS0iG0tTQkq41dJc02ENi0xakr6TtBRA8ArQ2thexoRjufr5sNEVU8ugieEo4dnKi1KVZAasNe6uzubMRT2uV5Z3OjAulxLXISS3bolh1662434840j e8ffc43a28248f3c461698cba00bbc95j e31551d22f72718ce2b35c5da33e83a4) accessed 14 September 2022).

55. ‘设赌局指挥DOTA2选手打假赛获利逾千万！24人一审获刑’, Southern Metropolis Daily, 25 January 2022 (<https://www.163.com/dy/article/GUJ1005H05129QAF.html> accessed 14 September 2022).

56. ‘重庆警方打掉一赌球团伙，涉赌资金流水高达56亿元’, Qiluyidian, 6 May 2022 (<https://www.163.com/dy/article/H6MLV1K50530WJIN.html> accessed 14 September 2022).

## Elsewhere in Asia

The most important development in the mode of operations of transnational organised crime groups involved in illegal betting is their migration into safe havens across Southeast Asia in response to China's crackdown on illegal betting and new restrictions on junket operations in Macau.

These groups, which often act with impunity from ‘special economic zones’ (SEZs) and/or in conjunction with local militias/politicians, typically have online illegal betting as one arm of their criminal enterprises, but are also involved in drug trafficking, wildlife trafficking, money laundering and industrial-level online frauds and scams, often linked to crypto-currency schemes, as the following examples illustrate.

- **Myanmar**

In August 2022, Thai authorities [arrested](#)<sup>57</sup> SHE Zhijiang, who has been involved in various online and land-based gambling schemes across Southeast Asia and has been a fugitive from Chinese authorities for years for illegal betting related crime.

SHE is the chairman of Hong Kong registered Yatai International Holdings Group, which has made gambling-related investments in Myanmar, Cambodia and the Philippines. Part of the reason he is wanted by China is setting up illegal betting websites which recruited 330,000 bettors. SHE was convicted in 2014 in China for operating an illegal betting platform out of the Philippines which earned him profits equivalent to USD 298 million.<sup>58</sup>

Despite being a fugitive, he became a Cambodian citizen, and moved online betting operations from that country to Myanmar after China exerted pressure on Cambodia to clamp down on rampant illegal betting operations from Sihanoukville targeting Chinese customers. SHE's company has been mentioned in previous ARF Council reports for its involvement in [association with a local militia group](#)<sup>59</sup> in a USD 15 billion development on the border of Thailand and Myanmar known as Shwe Kokko Special Economic Zone. Billed as a supposed “blockchain smart city”, in reality this is a hub for illegal betting, and related cyber-fraud and telecommunications scams.<sup>60</sup>

57. ‘Chinese gambling kingpin taken into custody in Bangkok’, Bangkok Post, 13 August 2022 (<https://www.bangkokpost.com/thailand/general/2367871/chinese-gambling-kingpin-taken-into-custody-in-bangkok> accessed 5 September 2022).

58. Ailin Tang, Wenjun Fan, Shuting Liang, Wei Han, ‘A fugitive Chinese businessman's high-profile bet in Myanmar’, Caixin, 27 October 2020 (<https://asia.nikkei.com/Spotlight/Caixin/A-fugitive-Chinese-businessman-s-high-profile-bet-in-Myanmar> accessed 5 September 2022).

59. ‘Gambling Away Our Lands’, Karen Peace Support Network, March 2020 (<https://progressivevoicemyanmar.org/wp-content/uploads/2020/03/Gambling-Away-Our-Lands-English.pdf> accessed 5 September 2022).

60. Jim Pollard, ‘Crime Gangs Control Some Myanmar, Laos Economic Zones: UN’, Asia Financial, 26 June 2022 (<https://www.asiafinancial.com/crime-gangs-control-some-myanmar-laos-economic-zones-un> accessed 5 September 2022).

Media reports<sup>61</sup> following SHE's arrest paint a frightening picture of working conditions in his "digital industrial park"<sup>62</sup> claiming even that "employees" who fail to meet targets or try to escape have had their organs harvested.

#### • Malaysia

In July 2022, Tedy TEOW, aka Xiao ZHANG, was arrested, also in Thailand. He is alleged to have built an empire on illegal betting, investment scams and cyber-currency schemes involving people from China, Thailand, Malaysia, Indonesia and Macau.

TEOW was caught trying to flee on an unregistered fishing boat<sup>63</sup> by Thai police investigating online betting syndicates linked to local politicians. Police believe he is a major financier for online illegal betting in the country,<sup>64</sup> and that he used illegal betting profits to build a 16-hectare "entertainment complex" on the Thai-Malaysia border.

Reports claim that TEOW/ZHANG was arrested for drug trafficking in 2017 but bribed his way out, and suggest a money laundering [link](#)<sup>65</sup> between his company and a Laotian drug trafficker who was [imprisoned](#)<sup>66</sup> for life in 2020 for smuggling methamphetamine into Thailand.

Both Malaysia and China are seeking TEOW's extradition from Thailand.<sup>67</sup>

#### • Laos

In Laos, a Chinese national named ZHAO Wei, who was [sanctioned](#)<sup>68</sup> by the United States in 2018 for involvement in drug trafficking and money laundering, nevertheless continues to operate his lawless 'Golden Triangle Special Economic Zone' on the Mekong River border between Laos, Myanmar and Thailand. The SEZ is owned by ZHAO's King's Roman corporation, a Hong Kong company, and its centrepiece is the King's Roman casino complex.

61. '8000人被困，不肯行骗就抽血摘取器官。这些地方，能不去就别去'，Wangyi, 18 August 2022 ([https://www.163.com/dy/article/HF27F7NR0541VUCN.html?f=post1603\\_tab\\_news](https://www.163.com/dy/article/HF27F7NR0541VUCN.html?f=post1603_tab_news) accessed 5 September 2022).

62. John Ai, 'Casino tycoon arrested as human trafficking casts shadow on the new silk road', Pime AsiaNews, 19 August 2022 (<https://www.asianews.it/news-en/Casino-tycoon-arrested-as-human-trafficking-casts-shadow-on-the-new-silk-road-56482.html> accessed 5 September 2022).

63. Niklas Albakri, 'QuickCheck: Was an infamous Malaysian fugitive arrested in Thailand?', TheStar, 27 July 2022 (<https://www.thestar.com.my/news/true-or-not/2022/07/27/quickcheck-was-an-infamous-malaysian-fugitive-arrested-in-thailand> accessed 5 September 2022).

64. 'Malaysian billionaire drug kingpin busted', Bangkok Post, 23 July 2022 (<https://www.bangkokpost.com/thailand/general/2352071/malaysian-billionaire-drug-kingpin-busted> accessed 5 September 2022).

65. 'Anti-drug cops nab 4, grab huge meth haul', Bangkok Post, 28 June 2017 (<https://www.reuters.com/world/china/china-regulator-suspends-cyber-security-deal-with-alibaba-cloud-2021-12-22/> accessed 5 September 2022).

66. 'Xaysana's life term 'final'', Bangkok Post, 23 December 2020 (<https://www.bangkokpost.com/thailand/general/2039655/xaysanas-life-term-final> accessed 5 September 2022).

67. Jia Xian Liew, 'Both Malaysia and China vying to have fugitive Tedy Teow brought in for questioning', TheStar, 10 August 2022 (<https://www.thestar.com.my/news/nation/2022/08/10/both-malaysia-and-china-vying-to-have-fugitive-tedy-teow-brought-in-for-questioning> accessed 5 September 2022).

68. 'Treasury Sanctions the Zhao Wei Transnational Criminal Organization', US Department Of The Treasury, 30 January 2018 (<https://www.bangkokpost.com/thailand/general/2352071/malaysian-billionaire-drug-kingpin-busted> accessed 5 September 2022).

Examples in 2022 of continuing criminality linked to the SEZ include the second-largest drug [seizure](#)<sup>69</sup> in Asian history in January, when authorities caught four men with 36 million methamphetamine pills just outside the SEZ. It was speculated that the drugs were produced inside the SEZ and destined for China and Australia.

Also in January, eight women [escaped](#)<sup>70</sup> over the zone's fence with the help of human rights activists, prompting authorities finally to investigate and rescue 50 more women. These women are used as "chat girls" to recruit customers to online illegal betting via messaging apps, but if they fail to meet quotas can be forced into prostitution. Hundreds [more](#)<sup>71</sup> are believed trapped in the SEZ.

Nevertheless, the SEZ is expanding, and an international airport is to be built. Meanwhile, Laos continues to expand its creation of SEZs (one of which is planned to have an international racecourse), and is also seeking to introduce an online betting [licensing](#)<sup>72</sup> system.

## Conclusion

Asian illegal betting operators continue to be highly inventive in adapting and exploiting technology to market their product, launder profits and avoid detection. Given that cases discussed above represent those who were arrested/convicted, it may be assumed that more sophisticated operators are employing typologies as yet unknown.

The huge potential profits to be made provide powerful incentives for illegal betting operators to seek every means to maximise customer acquisition, including direct targeting of young people via social media. The World Cup in November/December 2022 will be a huge profit generator for organised crime, as illustrated by the scale of figures reported on Euro 2020.

China's crackdown on illegal betting operators and related changes to Macau's operating environment have and will continue to have major impacts on illegal betting across Asia. Many of these are yet to become clear, but the illegal betting-related industrial-level criminality which has spread across regions of Southeast Asia in the last two to three years illustrate the huge potential negative impacts to society.

All of these issues should not only concern racing and other sports, or legal betting operators, but stakeholders in wider society, as these illegal betting operations fund organised crime in Asia and beyond.

69. 'Laos makes second-biggest meth seizure as UN warns of surge in drug production', Channel News Asia, 29 January 2022 (<https://www.channelnewsasia.com/asia/laos-meth-seizure-golden-triangle-drugs-surge-production-2468111> accessed 5 September 2022).

70. 'Lao authorities rescue women trapped in Chinese-run economic zone', Radio Free Asia, 8 February 2022 (<https://www.rfa.org/english/news/laos/rescues-escapes-02082022170241.html> 5 September 2022).

71. 'Hundreds of Lao women trapped in Chinese-run SEZ, unable to pay off debt', Radio Free Asia, 8 March 2022 (<https://www.rfa.org/english/news/laos/sez-women-03082022133235.html> 5 September 2022).

72. Sharon Singleton, 'Laos moves to take share of Philippines' POGO pie', Asia Gaming Brief, 15 June 2022 (<https://agbrief.com/intelligence/15/06/2022/laos-moves-to-take-share-of-philippines-pogo-pie/> accessed 5 September 2022).

## About the ARF 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 19 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.

## ARF Council Members' Biographies

---

### **Martin Purbrick**

Chairperson, ARF Council on Anti-Illegal Betting and Related Financial Crime  
Former Director of Security & Integrity, The Hong Kong Jockey Club

Martin Purbrick has over 30 years' experience leading integrity and risk management, and is the former Director of Security and Integrity at The Hong Kong Jockey Club. He is also a former Royal Hong Kong Police officer whose service included Special Branch work engaged in counter-terrorism as well as the Criminal Intelligence Bureau in anti-triad intelligence.

### **Douglas Robinson**

Deputy Chairperson, ARF Council on Anti-Illegal Betting and Related Financial Crime  
Executive Manager, Due Diligence and Research, The Hong Kong Jockey Club

Douglas Robinson is the Executive Manager of Due Diligence and Research at The Hong Kong Jockey Club. His main responsibility is to find ways of mitigating illegal betting and sports corruption-related integrity risks to the Club. He has worked across a variety of industries in the UK as well as Hong Kong.

### **James Porteous**

Research Head, ARF Council on Anti-Illegal Betting and Related Financial Crime  
Senior Due Diligence & Research Manager, The Hong Kong Jockey Club

James Porteous is Senior Due Diligence & Research Manager at The Hong Kong Jockey Club. His team conducts research into global illegal betting markets, their links to transnational organised crime and their negative impacts on society. Prior to joining the HKJC he was a journalist with *The Herald* in Scotland and the *South China Morning Post* in Hong Kong.

### **Jack Anderson**

Special Counsel – Integrity Regulation, Racing Victoria

Jack Anderson is Special Counsel in Integrity Regulation at Racing Victoria. Prior to that he was a Professor and the Director of Sports Law Studies at the University of Melbourne with a primary research interest in the relationship between sport and the law and he has published widely in related areas.

### **Graham Ashton**

Former Chief Commissioner, Victoria Police

Graham Ashton is the former Chief Commissioner of Victoria Police. As Chief Commissioner, he was the key driver in setting up the Sporting Integrity Unit of Victoria Police, which was the first law enforcement unit anywhere dedicated to combating match-fixing and is regarded as the leading police sports integrity unit in the world.

### **Tom Chignell**

Executive Manager, Racing Integrity and Betting Analysis, Racing Control, The Hong Kong Jockey Club

Tom Chignell is the Executive Manager of Racing Integrity and Betting Analysis at The Hong Kong Jockey Club. Mr. Chignell has over 18 years of experience working in sports integrity. He specializes in implementing systems and processes to detect suspicious betting across regulated and illegal markets and producing analytical reports. These reports have successfully been used on multiple occasions as evidence in sports betting and corruption cases and have also been used by UK Police and government agencies.

### **Steve Cornelius**

Professor in and Head of the Department of Private Law and Director of the Centre for Intellectual Property Law, University of Pretoria

Steve Cornelius is a member of the Independent Doping Hearing Panel of the South African Institute for Drug-free Sport, and an Independent director on the board of Cricket South Africa. Previously, he served on the Disciplinary Tribunal of the International Association of Athletics Federations.

### **Brant Dunshea**

Chief Regulatory Officer, British Horseracing Authority

Brant Dunshea is the Chief Regulatory Officer of the British Horseracing Authority with oversight of all regulatory and integrity functions of British Racing. He has over 25 years of experience in racing and sports regulation in Australia and Britain.

### **Brent Fisher**

General Manager Investigations & Intelligence, Racing Victoria

Brent Fisher is the General Manager Investigations & Intelligence for Racing Victoria since January 2022 and was previously the General Manager Integrity for Harness Racing Victoria from 2017 to 2021 and prior to that with Victoria Police. Brent will represent both Racing Australia as well as Racing Victoria.

### **Sally Gainsbury**

Director, Gambling Treatment & Research Clinic, University of Sydney

Sally Gainsbury is Professor in the School of Psychology, Leader of the Technology Addiction Team within the Brain and Mind Centre at the University of Sydney and Director of Australia's only university-affiliated gambling treatment clinic. Her widely-published research focuses on how to minimise gambling harms including prevention and treatment of gambling problems and strategies to assist people to reduce risky gambling online and offline. Dr. Gainsbury has published extensively across academic disciplines and is frequently invited to contribute to harm reduction policies and strategies by government, industry, and community organizations.

### **Neil Grimstone**

Manager, Integrity Assurance, New Zealand Racing Integrity Unit

Neil Grimstone is a former Detective Senior Sergeant in the New Zealand Police with 28 years of service. He has considerable experience in complex racing and sports integrity investigations.

### **Clíodhna Guy**

Head of Licensing, Legal & Compliance (Legal Counsel), Irish Horseracing Regulatory Board

Clíodhna has a career of over 15 years in sports administration and regulation. She has been in her racing role for just over five years and had prior sports administration roles with the International Boxing Association, the Football Association of Ireland, and the Paralympic Council of Ireland as well as being a Doping Control Officer. She has great experience in sports integrity to bring to the Council.

**John Langdale**

Honorary Research Fellow, Department of Security Studies and Criminology, Macquarie University

Dr. Langdale is an expert on transnational crime and financial crime. He has written in the past several years about what has been termed the "Vancouver model" which describes complex cross border criminal enterprises. His insight into international money laundering, transnational organised crime, and the related illegal betting will be a strong boost for the ARF Council publications in this area.

**Claudio Marinelli**

Senior Financial Investigator, Operations Coordinator pro tempore, INTERPOL Financial Crimes and Anti-Corruption Centre

Claudio Marinelli is seconded to INTERPOL's Financial Crimes and Anti-Corruption Centre from Italian Economic and Financial Police (Guardia di Finanza). Mr. Marinelli has been instrumental in leading the work of the INTERPOL Match Fixing Task Force since the creation of this initiative and coordinate law enforcement efforts within INTERPOL's programs on Integrity in Sport.

**Aahna Mehrotra**

Partner TMT Law Practice, New Delhi, India

Aahna Mehrotra is the Vice Chairperson on India's National Anti-Doping Disciplinary Panel and is a member of the Arbitration Tribunal constituted by Football Delhi. She regularly advises clients on matters relating to league formulation, transfer of players, sponsorship and merchandising agreements, gaming and betting laws, fantasy sports and contract law. She has been instrumental in setting up some of the major franchise-based leagues, both, in India and abroad and has also worked with several sports start-ups.

**James Ogilvy**

Secretariat, Asian Racing Federation

James Ogilvy is the Executive Manager, International and Racing Regulation at The Hong Kong Jockey Club, and has deep experience in racing integrity and legal issues.

**Ronan O'Laoire**

Crime Prevention and Criminal Justice Officer, Programme on Safeguarding Sport from Corruption and Crime, United Nations Office on Drugs and Crime

Ronan O'Laoire leads the United Nations Office on Drugs and Crime's Programme on Safeguarding Sport from Corruption and Crime, which supports governments, sports organisations and relevant stakeholders through delivering technical assistance, building capacity and networks, and conducting research and analysis.

**Catherine Ordway**

Associate Professor (Sports Management), University of Canberra

Catherine Ordway is Associate Professor (Sports Management) at the University of Canberra. She lectures in Sports Integrity, Ethics & Law and Leadership in Sport. She is an international expert in the field of integrity in sports, and has specialised in anti-doping policy for 20 years. Catherine has published on sports integrity, governance and gender equality issues and is a sought-after media commentator and conference presenter.

**Tim Robinson**

Executive Manager, Racing Security and Integrity Assurance, The Hong Kong Jockey Club

Tim Robinson is the Executive Manager of Racing Security and Integrity Assurance at the HKJC. He has an extensive background in sports integrity and administration, law enforcement, security, risk and emergency management.

**Tak Sung-hyun**

General Manager, Responsible Betting Department, Korea Racing Authority

Tak Sung-hyun is the General Manager of Responsible Betting, Korea Racing Authority (KRA). Since joining KRA in 1993, he has held various positions including racing and business strategy roles.

**Pim Verschuuren**

Associate Research Fellow, PhD candidate at the University of Lausanne

Pim Verschuuren is a co-author of two reports on sports betting, corruption and money laundering and has experience running a European Commission program of seminars in 23 EU countries to raise awareness among national sports administrators on the threat of match-fixing. He directed the 'Preventing Criminal Risks Linked to the Sports Betting Market' project focused on the integrity of betting markets.

