

# Confronting the Threats to Integrity – Illegal Betting Markets and Disruptive Technology



## Foreword

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

Section One includes two major reports and Section Two includes articles taken from the Bulletins produced by the ARF Council from February 2023 to April 2024, which provides a collection of 18 articles written by the Council members. The collated reports and articles in this volume continue to show the range and depth of research by the ARF Council, which has led the way to explain how illegal betting markets are a major threat to integrity in racing and other sports.

The ARF Council continues to expand, having been established in 2017 and since then building thought leadership for this important subject area. The size of the ARF Council has increased to 25 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 is increasingly defining thinking in racing and other sports about how illegal betting affects integrity as well as a number of other aspects of the operation of the sport.

The members of the ARF Council are not only leading thinking in this critical area, but also presenting their work to global stakeholders in racing and other sports on issues such as integrity, anti-corruption, technology in betting, tax, and regulation. We aim to influence government policy makers, regulators, law enforcement agencies, as well as other sports leaders, at the same time demonstrating how horse racing leads the way in embracing integrity.

My thanks to the ARF Council members for their contribution to integrity in horse racing. I hope that this collection of articles helps you and your colleagues to think about how to combat illegal betting and protect our wonderful sport.

Winfried Engelbrecht-Bresges

Chairman, Asian Racing Federation

# Table of Contents

<b>4</b>	<b>Section One - Reports</b>
<b>5</b>	Variable Betting Duty and the Impact on Turnover, Illegal Betting and Taxation Revenues
<b>33</b>	How Organised Crime Operates Illegal Betting, Cyber-Scams and Modern Slavery in Southeast Asia
<b>78</b>	<b>Section Two – Bulletin articles</b>
<b>79</b>	Token Gestures – The Impact of Emerging New Technologies on Illegal Betting
<b>95</b>	The Displacement of Illegal Betting and Transnational Organised Crime
<b>100</b>	The Formation of Law Enforcement in Sports Integrity in Victoria
<b>103</b>	Transnational Crime, Money Laundering and Illegal Online Betting in Southeast Asia
<b>108</b>	INTERPOL – Combatting Illegal Betting and Money Laundering during the Qatar World Cup
<b>111</b>	How the World Lottery Association Approaches Illegal Betting and Works to Protect the Integrity of Sport
<b>116</b>	Cooperation between Racing and Other Sports with Law Enforcement Agencies
<b>120</b>	Recent Racing Integrity Cases Involving Betting: Britain - Danny Brock & Others; Australia - Tommy Berry & Others
<b>126</b>	Back to the Future - Macau Junkets and Illegal Betting
<b>130</b>	How Live Streaming is Boosting Illegal Betting

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## Table of Contents

- 136 Lessons from a Life Spent Protecting Racing from Illegal Betting – How Monitoring Betting Markets is the Key to Safeguard Racing Integrity
  - 139 Advertising of Betting Websites in India
  - 145 How Illegal Betting and Related Money Laundering Flourished despite 'Crypto Winter'
  - 155 New Research Shows the Massive Scale of Illegal Betting in South Korea
  - 162 The Model for Combatting Illegal Betting
  - 168 Franchise Wars – How Citibet and Asia's Other Biggest Bookmakers have 'McDonaldised' Illegal Betting
  - 178 Education, education, education: the Importance of Training in Combatting Illegal Betting
  - 181 Regulating the Legal Market and Preventing Illegal Betting
  - 185 About the ARF Council on Anti-illegal Betting and Related Financial Crime and ARF Council Members' Biographies
-

# **SECTION ONE - REPORTS**





# **Variable Betting Duty and the Impact on Turnover, Illegal Betting and Taxation Revenues**

*Martin Purbrick, November 2023*

## Table of Contents

7	Glossary of Terms
9	Executive Summary
11	Introduction
14	Betting Duty in Comparison
17	Australia
19	Hong Kong
22	Macau
23	Singapore
25	United Kingdom (UK)
27	USA
28	Conclusions
30	Annexure - Betting Duty Levels Around the World

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## Glossary of Terms

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Betting Duty	A tax levied by governments on the provider of betting services. The duty paid depends on the type of bet and where it is made, and varies between jurisdictions. In this report "Betting Duty" is used as an umbrella term to describe such taxes on betting and gambling.
Betting Exchange	A betting platform that does not take bets itself, but matches backers (those who believe an event will happen) with layers (those who believe it won't) and takes a commission on every trade. It is comparable to a stock exchange, with bid/ask equivalent to back/lay.
Fixed Odds	Betting odds that are fixed at the time the betting transaction is accepted. Odds can change depending on news or subsequent betting demand, but the customer will be paid at the price the odds were when he made his bet.
Gross Gaming Revenue (GGR)	The difference between the amount of money players wager minus the amount that they win, used as a metric by betting operators to show gross turnover less the amount paid out to customers as winnings.
Illegal Betting	Any sports betting activity whose type or operator is not allowed under the applicable law of the jurisdiction where the consumer is located. <sup>1</sup>
Point of Consumption	The approach to levying Betting Duty based on the location of the consumer rather than the location of the betting operator.
Problem Gambling	A repeated pattern of gambling behaviour where someone: <ul style="list-style-type: none"><li>• feels they have lost control</li><li>• continues to gamble despite negative consequences and</li><li>• sees gambling as more important to them than any other interest or activity.<sup>2</sup></li></ul>



Takeout Rate	The commission “taken out” by the operator of a totalisator betting pool to cover expenses such as taxes, betting duties and operating expenses.
Theoretical Margin	The margin built into fixed odds betting prices by betting operators to allow for profit and operating costs (including taxes).
Totalisator Betting	Also known as ‘Tote betting’ or ‘pari-mutuel betting’. A type of betting where all the amounts bet are combined in a pool, the bookmaker takes a cut, then the odds are calculated based on the proportions wagered on each outcome. Totalisator odds are different to fixed odds in that they are not set until the race begins, no more bets are accepted and the total amount in the pool is finalised.

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1 Council of Europe, Convention on the Manipulation of Sports Competitions, Article 3, 5a., 18 September 2014 (<https://rm.coe.int/16801cdd7e>)

2 Royal College of Psychiatrists, Gambling Disorder (<https://www.rcpsych.ac.uk/mental-health/problems-disorders/gambling-disorder>)

## Executive Summary

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- Higher Betting Duty leads to pressure for a higher takeout rate (for totalisator operators) and a higher theoretical margin (for fixed odds bookmakers) that results in higher prices passed on to customers, leading more of them to migrate to illegal betting markets where prices (odds) are better value because operators and customers do not pay any tax, and a consequent decrease in legal betting as well as decreased taxation.
- The highest rate of Betting Duty noted is in Hong Kong, at 75% of GGR.
- The lowest rate of Betting Duty noted is in South Africa, at 6% of GGR.
- The median rate of Betting Duty noted is in France, at 37.7% of GGR (MR = 40.5).
- The highest Betting Duty rate in Hong Kong exists with an estimated illegal market of USD 257 per head of population, with lessening illegal markets per head of population with correspondingly lower Betting Duty rates of USD 61 in Singapore (25% Betting Duty), USD 59 per head in South Africa (6.5%), USD30 in Australia (10% to 20%), and USD 11.44 in the USA (6.75% to 51%).
- Betting Duty rates have an impact on the turnover in betting markets, causing customers to potentially move from legal (licensed) to illegal (unlicensed) betting channels.
- Higher Betting Duty rates lead to an increased theoretical margin to betting odds (which betting operators build in to ensure a profit margin), consequent increases to the takeout rate of the operator, increased prices for the customer, and inevitably drive customers to illegal betting markets where odds are better value because of no take out rate.
- Illegal betting operators pay no Betting Duty or any other taxes and hence have no theoretical margin relating to taxation costs. There is hence a permanent price differential between the legal and illegal betting markets, with illegal markets consequently offering better odds (prices) to consumers. Betting customers, like the consumers of most products, are price sensitive and all things being equal prefer a cheaper betting product.
- Higher Betting Duty rates also have increasingly less impact on consumer protection (when intended to discourage betting and gambling in society) as raising rates has the impact of migrating customers from the more expensive legal to the less expensive illegal betting market.

- Government policy makers and gambling regulators should seek a commercially reasonable and stable Betting Duty rate that provides a balance between channelling gambling demand to the legal betting sector and allowing licensed betting operators to effectively compete with the illegal market.

## Introduction

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This report provides an analysis of variable Betting Duty (tax) rates on racing and sports betting operators to assess the impact on legal markets of higher rates and the related impact on betting turnover in the illegal betting markets.

'Betting Duty' is a tax levied by governments on the provider of betting services, and is used as an umbrella term in this report to describe such taxes on betting and gambling. There are other 'gambling duties' levied by governments on various gambling products, such as lottery duty, bingo duty, machine games duty, remote gaming duty (for Internet gambling and betting), as well as for certain sports (e.g. 'pool betting duty' usually applies to horse racing totalisator betting). The focus of this report is on tax on betting on horse racing and other sports.

The most common approach to betting (and other gambling) duties is as a tax on the net profits derived by the operator. This is usually calculated as 'Gross Gaming Revenue' (GGR), which is the difference between the amount of money players wager minus the amount that they win.

There has been a trend in countries where gambling and betting is well-regulated for an approach to taxation based on the point of consumption rather than the place of supply. This approach has been taken to effectively capture betting duty from operators based offshore from the regulating jurisdiction and force them to pay duty based on the point at which the bet is placed (i.e. the point of consumption). The clearest examples, detailed later in this report, are in Australia and the UK, where governments have taken the approach of clearly defining Betting Duty to be paid by offshore betting operators accepting bets from domestic consumers.

The point of consumption approach can work effectively when there is a developed legal licensed betting market, but if there is a strong illegal betting market, with offshore operators outside of the regulatory system, the tax collected will be diminished. 'Illegal betting' is clearly linked to the point of consumption by the consumer, and is best defined by the Council of Europe Macolin Convention on the Manipulation of Sports Competitions as follows:

*"illegal sports betting" means any sports betting activity whose type or operator is not allowed under the applicable law of the jurisdiction where the consumer is located.*<sup>3</sup>

Betting Duty is used as a tool to reduce the social harm from betting and gambling, but in the Internet age is inefficient for this purpose. Betting Duty was conceived in the early 20th century to tax betting on horse racing and other sports, along with other forms of gambling, to ensure a suitable price point for betting that was a deterrent to people to gamble. The deterrent effect of Betting Duty on gambling has far less impact after the advent of the Internet as betting on racing and other sports (as well as a plethora of other forms of gambling) is

readily available online provided by unlicensed illegal betting operators based remotely outside of regulated jurisdictions. Illegal betting via the Internet has rendered Betting Duty as an effective means of limiting consumer problem gambling redundant.

Illegal betting continues to grow around the world and has significant negative social impacts, including driving corruption in racing and other sports, a channel and platform for money laundering and other financial crime, and also leading to higher rates of problem gambling than legal betting.

There are clear indications that rates of problem gambling are higher for customers betting in illegal than in legal markets: "Research shows that use of offshore (Unlicensed and Unregulated, and Licensed but Under-Regulated) gambling is associated with greater experience of harms and gambling problems than domestically Licensed and Regulated websites."<sup>4</sup> Hence action to increase Betting Duty with the intended impact on betting demand intended to reduce social harm should be carefully balanced with the impact of driving consumers to the illegal market.

Betting Duty rates vary based on the social circumstances of each country, as well as the need for governments to raise revenue from betting as a taxable activity. There is an inherent contradiction in the value of Betting Duty as a means of deterring excessive levels of gambling in society and also as part of the suite of government taxation revenue streams. Governments have come to rely upon Betting Duty as a core part of taxation revenue, which contradicts the government objective to reduce social harm from gambling.

Betting Duty impacts consumer behaviour as a free market is not possible when duties vary. This is increasingly problematic as betting develops as a global business through the Internet. In this regard, Betting Duty can be considered as a distortive influence on an economy:

*A tax on a specific product is distortive. A commodity tax generally makes its product more costly to consumers and producers (the specific incidence depends on market elasticities), and although it may not cause all consumers to change their consumption, it will cause the marginal consumers to change their consumption pattern. This distorts the economic decisions that would be made in an efficient and tax free economy, and therefore lowers the economy from its maximum possible output.*<sup>5</sup>

The economic impact of excessive Betting Duty in the Internet age is to drive consumers to the illegal betting market. This has an excessively distortive impact on an economy as the legal and regulated betting and gambling products become less attractive to consumers because of the higher price differential with the illegal market.

There is an inevitable impact on prices in the legal regulated betting market when Betting Duty is increased. This is because Betting Duty has to be absorbed

by the betting operator as a direct business cost and passed on to customers in some way, such as changing the odds (prices) of bets or the amount of incentives (e.g. rebates, free bets) given to customers.

Betting operators do this by building in a theoretical margin to betting odds, hence the higher the betting duty, usually the higher the theoretical margin that the operator is required to build in. This margin is a higher takeout rate which in turn makes betting odds less attractive to customers. An increase in betting duty has to be passed on to consumers through higher prices. This is achieved in fixed odds betting by bookmakers calculating an 'overround' to build in a margin, and in totalisator betting by the operator taking out a percentage to cover operating costs. The higher the overround in fixed odds betting and the takeout rate in totalisator betting, the less is returned to customers, reducing the amount of money they can reinvest, resulting in reduced wagering turnover.

The higher the takeout rate, the less in winnings is returned to customers, which makes legal operators less competitive with the illegal betting market. Hence tax matters as a potential driver of the illegal betting markets, and a commercially reasonable balance is necessary so that the legal market can compete. Effective legal betting markets are important to combat the financial crime that comes from illegal markets, as well as the other areas of criminal activity that are funded by illegal betting (which the ARF Council has commented on in prior reports).

Illegal betting operators clearly pay no Betting Duty or any other taxes, and hence do not have to build in a theoretical margin to their betting their odds to cover these costs, resulting in better prices (odds) offered in the illegal betting market compared to legal markets.

There is hence a necessity for gambling regulators and government policy makers to recognise that illegal betting markets are easily accessible to all consumers via the Internet and that Betting Duty has an impact on driving customers away from legal licensed operators to bet with illegal unlicensed operators. This situation has the effect of increasing rates of problem gambling, which are higher for customers betting in illegal than in legal markets, and also reducing potential government taxation revenue as legal market betting volume is reduced.

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3 Council of Europe, Convention on the Manipulation of Sports Competitions, Article 3, 5a., 18 September 2014 (<https://rm.coe.int/16801cdd7e> )

4 Professor Sally Gainsbury, How the Use of Under-Regulated and Unregulated Betting Websites is Related to Gambling Problems, in the State of Illegal Betting Report, Asian Racing Federation Council on Anti-Illegal Betting & Related Financial Crime, May 2022, P.49 (<https://www.asianracing.org/publications/the-state-of-illegal-betting> )

5 Khalil S. Philander, A Normative Analysis of Gambling Tax Policy, University of Las Vegas Gaming Research & Review Journal, Vol. 17 Issue 2 (<https://digitalscholarship.unlv.edu/cgi/viewcontent.cgi?article=1280&context=grrj> )

## Betting Duty in Comparison

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A comprehensive list of Betting Duty rates in some of the largest betting markets in the world is shown at Annex A of this report. There remain considerable variations in Betting Duty rates around the world, leading to potential migration of consumers to alternative jurisdictions where lower Betting Duty rates result in better price offerings from operators.

There are a number of observations regarding Betting Duty rates from the global review, as follows:

- The highest rate of Betting Duty noted is in Hong Kong, at 75% of GGR.
- The lowest rate of Betting Duty noted is in South Africa, at 6% of GGR.
- The median rate of Betting Duty noted is in France, at 37.7% of GGR (MR = 40.5).
- The most common rates of Betting Duty noted are 10% (12 jurisdictions), 15% (9 jurisdictions), and 20% (5 jurisdictions).
- There are a greater number of jurisdictions with a Betting Duty rate below the median (36) than jurisdictions with a Betting Duty rate above the median (19).

It is not surprising that Betting Duty varies so considerably between jurisdictions as the approach to regulating and taxing betting and gambling is related to the social, economic, cultural and religious circumstances in each country. Betting and gambling are regarded as vices in many countries, often for cultural and religious reasons. For instance, in Indonesia,<sup>6</sup> Malaysia,<sup>7</sup> and Thailand<sup>8</sup> there are deep-rooted religious sensitivities to betting and gambling that have led to almost no legal products being available to consumers, but online illegal betting is hugely popular. In addition, in some jurisdictions such as Hong Kong and Singapore betting on horse racing and other sports is only legally allowed by licensed providers that channel their surplus back to society as taxation as well as charity rather than as profits for shareholders.

Hence assessing the impact of Betting Duty is not possible from simply looking at the tax rates, and the impact on legal as well as illegal betting market turnover is necessary. This study compares these data points in Australia, Hong Kong, New Zealand, Singapore (four jurisdictions where the illegal betting market has been assessed by the ARF Council), the UK, and USA. These were chosen because they are leading well-regulated markets with very strong culture and history of racing, freely accessible data in English and well-developed legal and financial crime regulatory structures.

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6 The Indonesia, *Indonesia Takes Down Half a Million Gambling Accounts*, 2 August 2022 (<https://www.theindonesia.id/unique/2022/08/02/140000/indonesia-takes-down-half-a-million-gambling-accounts> )

7 Balan Rathakrishnan and Sanju George, *Gambling in Malaysia: An Overview*, in *BJPsych Int.*, May 2021;18(2):32-34. (<https://www.ncbi.nlm.nih.gov/pmc/articles/PMC8274414/> )

8 Thailand Business News, *Thailand's Online Gambling Industry Size in 2022*, 11 July 2022 (<https://www.thailand-business-news.com/markets/91404-thailands-online-gambling-industry-size-in-2022> )

Assessing the size of the illegal betting market requires prolonged study for comparison of data. The ARF Council has conducted studies of illegal betting markets in Australia, Hong Kong and Singapore with data over several years for comparison, and the other jurisdictions are reported with data from a single point in time. Table 1 (below) shows a range of Betting Duty rates between the highest in Hong Kong (75%) to the lowest in South Africa (6%).

Country / Jurisdiction	Betting Duty* / Takeout Rate	Illegal Market Size (per annum) <sup>9</sup>	Illegal Market by head of population
Hong Kong	72.5% to 75% (racing) / 17.5% to 25% 50% (football)	USD 1.91 billion (margin)	USD 257
Singapore	25% / 18% to 25%	USD 336 million (margin)	USD 61
South Africa	6.5% (racing) 6.0% (sports) / 17.25% to 25%	USD 160 million (margin)	USD 59
Australia	10% to 20% / 14.25% to 25%	USD 780 million (margin)	USD 30
USA	6.75% to 51% / 15% to 25%	USD 3.8 billion <sup>10</sup> (margin)	USD 11.44
UK	15% / 19.25% to 30%	USD 3.49 billion <sup>11</sup> ("bets placed")	[Not calculated as no margin figure available]

Table 1 – Comparison of Betting Duty, legal betting, and illegal betting in sample markets

*\*All betting duty rates are the % of GGR (Gross Gaming Revenue, which is the difference between the amount of money players wager minus the amount that they win).*

The size of the illegal betting market in each jurisdiction is not a direct comparison as some estimates are of bets placed (i.e. turnover) and some are of betting operator margin (i.e. GGR). For instance, the estimated size of the illegal betting market as a margin (or profit) in Hong Kong is USD1.91 billion (HKD15 billion), which would possibly equate to 10 to 20 times that amount in turnover. However, turnover includes not only the first bet placed by a customer but also winnings that are also then bet, which is referred to as "churn" in betting markets. Estimating the margin amount (i.e. the profit of the betting operator) is hence a more accurate means of assessing the scale of the illegal betting market.

<sup>9</sup> ARF Anti-Illegal Betting Task Force, *Illegal Betting in an Asian Context*, March 2018 (<https://www.asianracing.org/aib/resources>)

<sup>10</sup> American Gaming Association, *Sizing the Illegal and Unregulated Gaming Markets in the U.S.*, 30 November 2022 (<https://www.americangaming.org/resources/sizing-the-illegal-and-unregulated-gaming-markets-in-the-u-s/>)

<sup>11</sup> PWC UK, *Review of unlicensed online gambling in the UK*, 3 February 2021 ([https://bettingandgamingcouncil.com/uploads/Downloads/PwC-Review-of-Unlicensed-Online-Gambling-in-the-UK\\_vFinal.pdf](https://bettingandgamingcouncil.com/uploads/Downloads/PwC-Review-of-Unlicensed-Online-Gambling-in-the-UK_vFinal.pdf))



A key factor in the ability of legal licensed betting operators' ability to compete with the illegal market is the impact of Betting Duty on the "takeout rate". The "takeout rate" is the totalisator betting operator's commission to cover taxes, expenses, and profits which is deducted from the pool to leave the net amount that is the pay-out for winning customers. Takeout rates vary at between 15% to 25% depending upon the amount of Betting Duty and profits tax that the operator has to pay as well as the other operating costs.

Whilst varying takeout rates may not seem to correlate with the estimated size of the illegal betting markets, the impact of the takeout rate on each operator depends upon the extent of the respective Betting Duty and also operating costs in every jurisdiction. Takeout rates have to be within a narrow range to prevent customers from switching between jurisdictions to bet and also from betting with illegal betting operators.

However, increasingly higher Betting Duty rates make it difficult for a legal betting operator to stay within this acceptable range of takeout rates and be able to balance the financial obligations of customer dividends and operating costs. Betting Duty at increasingly higher rates will inevitably lead to a tipping point after which operating betting on a totalisator will not be financially feasible or sustainable. Higher Betting Duty inevitably results in a higher takeout rate, less attractive dividend pay outs to customers, and migration of customers to the illegal betting markets.

# Australia

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Betting Duty in Australia is applied by state governments, not federal, and differs from state to state. For betting operators this is imposed as a 'Point of Consumption' tax on all bets made by customers located in the state, ranging from the lowest at 10% of GGR in Victoria to the highest of 20% of GGR in Queensland, with New South Wales, South Australia, Western Australia, and Tasmania levying 15% of GGR. However, the Victoria state government has decided to increase its rate of betting tax to 15% from 1st July 2024 to bring the rate into line with most other states.<sup>12</sup> Importantly, most of the revenue from the increase in tax will be channelled back into horse racing to ensure that the sport has long term funding certainty, with some also to be invested in hospitals and charities.<sup>13</sup>

The approach of a point of consumption tax by states closed the loophole caused by the growth of Internet based betting that led to few online betting operators paying any tax contribution as they were based outside of the state. Since the introduction of the point of consumption tax in New South Wales in 2019, the online betting market grew from 43.6% of the total market to 73.7% in 2021.<sup>14</sup>

In addition, retail betting operators, corporate bookmakers and on-course (racecourse) bookmakers are also required to pay race field fees/product fees to racing controlling bodies and sports controlling bodies, respectively, in relation to bets taken on their product. These fees are generally a percentage of turnover, or the greater of a percentage of turnover and gross margin and depend upon the relevant product.

Betting (and gambling) tax levels in states in Australia have varied historically, but have provided an important revenue stream for governments. In the 1970s, betting was the major source of government gambling revenue, by the early 1980s lotteries had become the main gambling tax source, and by the 1990s gaming machines and casinos displaced lotteries/lotto as the predominant revenue source.<sup>15</sup> By 2018-19, tax on gambling made up a significant share of state tax revenue as follows:<sup>16</sup>

- Australian Capital Territory, 3.1%
- New South Wales, 7.3%
- Northern Territories, 10.7%
- Queensland, 7.3%
- South Australia, 6.6%

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12 Victoria Government, State Revenue Office, Wagering and Betting Tax (<https://www.sro.vic.gov.au/wagering-and-betting-tax#:~:text=The%20wagering%20and%20betting%20tax%20applies%20at%20a%20rate%20of,threshold%20will%20remain%20at%20%241%2C000%2C000.> )

13 The Age, Online bookies hit with tax rise in Victoria, 2 May 2023 (<https://www.theage.com.au/politics/victoria/online-bookies-hit-with-tax-rise-in-victoria-20230502-p5d50n.html> )

14 New South Wales Government, NSW Treasury, Review of the Point of Consumption Tax, June 2022 ([https://www.treasury.nsw.gov.au/sites/default/files/2022-07/20220714\\_review-of-the-point-of-consumption-tax.pdf](https://www.treasury.nsw.gov.au/sites/default/files/2022-07/20220714_review-of-the-point-of-consumption-tax.pdf) )

15 Australian Institute for Gambling Research, Australian Gambling Comparative History and Analysis, October 1999 ([https://www.vgccc.vic.gov.au/sites/default/files/Australian\\_gambling\\_comparative\\_history\\_and\\_analysis\\_project\\_report\\_1999.pdf](https://www.vgccc.vic.gov.au/sites/default/files/Australian_gambling_comparative_history_and_analysis_project_report_1999.pdf) )

16 Australasian Gaming Council, A Guide to Australia's Gambling Industries, Chapter Five, Gambling Taxation in Australia, 2018/19 ([https://austgamingcouncil.org.au/sites/default/files/2021-10/AGC%20Guide\\_5\\_AU%20Taxation%202018-19.pdf](https://austgamingcouncil.org.au/sites/default/files/2021-10/AGC%20Guide_5_AU%20Taxation%202018-19.pdf) )

- Tasmania, 5.7%
- Victoria, 6.9%
- Western Australia, 2.3%

The illegal betting market margin (profits) in Australia was estimated in 2018 to be USD 780 million per annum, but growing faster than the legal market (4.3% compound annual growth rate compared to 3.2%).<sup>17</sup>

The illegal betting market in Australia has historically been offshore (i.e. Internet based). For instance, in 2018 it was estimated that over 56,000 Australians visited the horse racing offshore illegal betting exchange Citibet and its affiliate websites.

Australia is a key country for illegal betting operators not only for the customers who can be migrated from the legal market but also because of the importance of horse racing in the country as a strong betting product that can be sold to customers around the world. Illegal betting exchange Citibet was estimated in 2018 to have annual turnover on Australian horse racing of AUD 600 million (USD 400 million), illustrating the popularity of the Australian horse racing product around the world and the value for online illegal betting operators. Australia, Hong Kong, Japan, New Zealand and South Africa have been cited as the racing jurisdictions whose racing product is most commonly available to bet on with illegal betting operators.<sup>18</sup>

The issue of consumers migrating from legal markets to illegal betting and the resultant impact on problem gambling has also been noted in Australia. In a study in 2017, the Gambling Treatment and Research Clinic at the University of Sydney found that consumers using illegal offshore websites were significantly likely to engage in almost every form of gambling, gambled more frequently and for longer periods of time, thus putting themselves at risk of developing gambling disorder. Illegal offshore gamblers were also significantly more likely to be moderate-risk or problem gamblers than legal bettors (55.5% to 34.1%). Consumers in the legal market were more likely to be non-problem gamblers (40.3% legal to 21.5% illegal), compared to consumers in the illegal market.<sup>19</sup>

Although there are slight differences in state levels of point of consumption tax, there is a consistent national approach to combatting competition from illegal betting. From 2017, the Interactive Gambling Act made it illegal for groups outside Australia to provide gambling (or betting) services over the Internet to customers in Australia.

The Australian Communications and Media Authority (ACMA) investigates breaches of gambling rules and either refers to such breaches to the police for prosecution or takes civil action if appropriate. ACMA also directs Internet Service Providers (ISPs) to block the websites of offshore unlicensed betting operators offering bets to customers in Australia.

17 ARF Anti-Illegal Betting Task Force, *Illegal Betting in an Asian Context*, March 2018 (<https://www.asianracing.org/aib/resources>)

18 ARF Council, *State of Illegal Betting, Section One, An Analysis of Betting websites*, May 2022, P. 29 (<https://www.asianracing.org/publications/the-state-of-illegal-betting>)

19 Professor Sally Gainsbury, *How Behavioural Science Can Steer Bettors Away From Illegal Betting Websites*, in the ARF Council Bulletin, October 2021 (<https://www.asianracing.org/aib/bulletins>)

## Hong Kong

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Betting Duty in Hong Kong currently varies based on the betting product<sup>20</sup>, as follows:

- Horse racing – From 72.5% to 75%
- Football – 50% on the net stake receipts (i.e. GGR)
- Lotteries – 30% on the amount paid, contributed or subscribed

Before 2006, betting duty on horse racing in Hong Kong was on turnover with the duty rate on standard bets at 12% of turnover and the duty rate on exotic bets at 20% of turnover. After 2006 betting duty was charged on gross margin, which is defined as turnover minus takeout minus rebates (i.e. GGR). The duty rate on gross margin on horse racing betting is now tiered, starting at 72.5% of gross margin, rising to 75% of gross margin as income rises. In return for changes to the betting duty structure, the Hong Kong Government required the Hong Kong Jockey Club (HKJC) to undertake a taxation guarantee of HKD 8 billion per annum for three years. The actual government income from Betting Duty on horse racing after 2006 was in fact higher, as follows:

	2003-4	2004-5	2005-6	2006-7	2007-8	2008-9	2009-10
<b>Horse racing</b>	9,259	8,467	7,950	7,703	8,415	8,089	8,292

Table 2 – Government revenue from Betting Duty on horse racing (HKD millions)<sup>21</sup>

The change to betting duty calculated on gross margin led to the HKJC being able to reduce the takeout rate due to the lower taxation cost. This in turn enabled the HKJC to introduce a rebate on losing bets for customers, which was a key means of attracting customers and increased betting volume from the illegal betting market to the legal market.

The outcome of the change to betting duty on gross margin was a net increase in taxation revenue for the government as well as a real impact on suppressing the illegal betting market. This case illustrates the price elasticity of the betting market, and of customers, and how the legal market can be structured to effectively reduce the illegal market and its negative social impact.

In Hong Kong, the overall gambling participation rate of the local population has stayed on a continued downtrend over the past two decades, falling from a high of 80% in 2005 to 62% in 2016, and further to a record-low of just 40% in 2021. Mark Six Lottery remains the most popular gambling activity in 2021 (with a participation rate of 28%), followed by social gambling like mahjong and poker (19%), horserace betting (11%) and football betting (6%).<sup>22</sup>

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20 Hong Kong Inland Revenue Department, Betting Duty (<https://www.ird.gov.hk/eng/tax/bdu.htm>)

21 Hong Kong Government, question by the Hon Adrian Ho and a reply by the Secretary for Financial Services and the Treasury, Mr Christopher Hui, in the Legislative Council today (February 15), 15 February 2023 (<https://www.info.gov.hk/gia/general/202302/15/P2023021500272.htm>)

22 Legislative Council Secretariat, Research Office, Gambling and Betting Duty in Hong Kong, March 2023 ([https://app7.legco.gov.hk/rpdb/en/uploads/2023/ISSH/ISSH03\\_2023\\_20230322\\_en.pdf](https://app7.legco.gov.hk/rpdb/en/uploads/2023/ISSH/ISSH03_2023_20230322_en.pdf))

In the 2021/22 financial year legal betting turnover on horse racing was HKD 140.4 billion (USD 18 billion), resulting in gross margin of HKD 19.4 billion (USD 2.48 billion) and consequent betting duty of HKD 14.1 billion (72.7%) paid to the government.<sup>23</sup> This compares to betting duty on horse racing of HKD 8.352 billion (USD 1.07 billion) in 2004/05, hence an increase to annual government revenue of almost HKD 6 billion (USD 700 million) in 18 years.

Betting on football in Hong Kong was introduced in 2003, with the HKJC licensed to accept bets on all professional football leagues but no matches involving Hong Kong teams. Compared to the betting sports available from illegal betting operators and in wider betting markets this was a very narrow product range, but it did allow a starting point for competition with the illegal market on sports betting. This however remains limited to the single betting product of football, whilst the illegal betting market offers a wide range of global sports for betting.

In the 2021/22 financial year betting turnover on football was HKD 143.8 billion (USD 18.4 billion), resulting in HKD 19.7 billion (USD 2.53 billion) gross margin and betting duty of HKD 9.8 billion paid to the government (50%). This compares to betting duty on football of HKD 2.03 billion in 2004/05, hence an increase to annual government revenue of around HKD 7.5 billion (USD 960 million) in 18 years. There has been a correlation between implementing lower betting duty levels and increasing overall betting duty contributions in Hong Kong since 2006 for horse racing and 2003 with the introduction of legal betting on football.

From 2023, the Hong Kong Government will levy a special football betting duty of HKD 2.4 billion (USD 300 million) annually on the HKJC for a five-year period.<sup>24</sup> This additional Betting Duty is equivalent to 24% of the duty paid by the HKJC on football betting revenue in 2021-22.<sup>25</sup> This equates to an additional 24% of Betting Duty that at some point has to be passed on to consumers by the betting operator which, as noted earlier in this study, increases the theoretical margin to betting odds, consequently increases the takeout rate of the operator, increases the price to the customer, and inevitably drives customers to illegal betting markets where odds are better value because of no takeout rate.

The HKJC is the largest tax payer in Hong Kong, with HKD33.6 billion (USD 4.3 billion) paid in 2021/22.<sup>26</sup> In addition, the HKJC as a not for profit organisation donates most of its surplus to charities, with its Charities Trust donating an average of HK\$4.5 billion a year to the community.<sup>27</sup>

A major factor in this migration of customers to the illegal betting market in Hong Kong as tax increases is the thin operating margins on key bet types such as 'in-play' (i.e. bets taken during the race or run of play). Increasing betting duty to unreasonably high levels makes it harder for the operator to offer such bet types because of the high takeout rate and the excessive risk that can easily lead to losses.

23 Hong Kong Jockey Club, Building stronger communities together; Jockey Club returns record HKD 33.6 billion to the community in 2021/22, 8 September 2022 ([https://corporate.hkjc.com/corporate/corporate-news/english/2022-09/news\\_2022090802130.aspx](https://corporate.hkjc.com/corporate/corporate-news/english/2022-09/news_2022090802130.aspx))

24 Hong Kong Government, The 2023-24 Budget: Budget Speech (<https://www.budget.gov.hk/2023/eng/budget34.html>)

25 Legislative Council Secretariat, Research Office, Gambling and Betting Duty in Hong Kong, March 2023 ([https://app7.legco.gov.hk/rpdb/en/uploads/2023/ISSH/ISSH03\\_2023\\_20230322\\_en.pdf](https://app7.legco.gov.hk/rpdb/en/uploads/2023/ISSH/ISSH03_2023_20230322_en.pdf))

26 HKJC, Annual Report (<https://charities.hkjc.com/charities/english/charities-trust/index.aspx#:~:text=Annual%20Donation,292%20charity%20and%20community%20projects.>)

27 HKJC, The Charities Trust (<https://charities.hkjc.com/charities/english/charities-trust/index.aspx#:~:text=Annual%20Donation,292%20charity%20and%20community%20projects.>)

Illegal betting in Hong Kong has been a prolonged problem. The size of the illegal betting market in Hong Kong is estimated to be around HKD15 billion (USD 1.91 billion), which is the profit margin of illegal betting operators.

The turnover of the illegal betting market is estimated to be far higher. In 2021/22 the turnover of the legal betting market in Hong Kong (i.e. the amount bet by customers) was HKD 290 billion (USD 36.9 billion) and the profit margin on horse racing and sports betting was HKD39.1 billion (USD 4.98 billion). On the basis of the legal market ratio between betting turnover and margin, the illegal market turnover could be well over HKD 110 billion (USD 14 billion).

The trend of a growing illegal betting market has continued. During the Covid-19 pandemic, illegal betting on horse racing and other sports in Hong Kong is estimated to have increased between 10% to 20%, equivalent to illegal betting profits (margin) of HKD 2 to 3 billion to the current level of HKD 15 billion.<sup>28</sup> In 2020, there were significant increases in traffic to illegal betting websites from Hong Kong IP addresses (i.e. local consumers), with a 35% increase to sports betting websites and a 14.5% increase to illegal betting exchange Citibet.<sup>29</sup>

The prolonged scale of the illegal betting market in Hong Kong has led to a continued issue with problem gambling. It has been estimated that far more consumers are engaged in excessive betting in the illegal market than in the legal market. In 2018 it was estimated that 56% of consumers betting with illegal operators were classed as excessive bettors, far higher than in legal markets.<sup>30</sup> Credit betting and loan sharking are reported as common in illegal betting markets in Hong Kong and unmanageable debt is one of the key predictors of suicide risk in the city.<sup>31</sup>

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28 ARF Council, A Report of Illegal Betting Growth During the COVID-19 Pandemic, May 2021 (<https://www.asianracing.org/aib/resources> )

29 *Ibid.*

30 ARF Anti-Illegal Betting Task Force, Illegal Betting in an Asian Context, March 2018 (<https://www.asianracing.org/aib/resources> )

31 *Ibid.*

## Macau

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Given the proximity of the two cities, analysis of Hong Kong is not complete without detailing the legal and illegal betting situation in Macau. There is some similarity between the Hong Kong-Macau situation and the New York-New Jersey situation in regard to how betting tax and resultant pricing can impact customers migrating across boundaries to an alternative jurisdiction.

Hong Kong and Macau are separated by around 65 kilometres across the Pearl River Estuary, which is a one hour ferry ride for Hong Kong residents. Macau has been a continually popular destination for Hong Kong residents to travel to for gambling in casinos, but there is also an active horse racing and football betting market in the city that attracts customers. The betting markets are different as Hong Kong has a population of 7.4 million and Macau only 686,000.

The tax rate on sports betting in Macau is 25% of GGR, and the tax rate on horse racing betting is up to 10% of the amount wagered. Sports betting operators in Macau must pay a minimum annual “rent” of MOP 6 million (USD 742,000) on gross revenue up to MOP 30 million (USD 3.7 million), progressive rates from 20% to 25% levied on subsequent gross revenue up to MOP 100 million, and 25% on GGR over 100 million (USD 12.3 million).<sup>32</sup>

These tax rates are significantly lower than Betting Duty in Hong Kong, and present the risk of customer migration from Hong Kong to Macau. Analysis for this report by a comparison of games on Hong Kong and Macau betting operator websites found that sports betting prices (odds) offered in Macau are around 2.25% more attractive (i.e. lower prices) than in Hong Kong, indicating that the Betting Duty rate of only 25% in Macau has an impact on prices.

Since 2021 the sole licensed sports betting operator in Macau has lost its exclusive license and although there are as yet no other companies licensed by the government it is likely that the international casino operators would generate more betting revenue because of their ability to cross-sell casino gambling and sports betting to customers.

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. The criminal cases illustrate 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.<sup>33</sup>

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32 Macau Government, Gaming Inspection and Coordination Bureau, Excerpt from the deed signed between the Macao region and the Macau Lottery Co., Ltd. ([https://www.dicj.gov.mo/web/cn/contract/LI\\_LD/contratoLILD004.html](https://www.dicj.gov.mo/web/cn/contract/LI_LD/contratoLILD004.html))

33 ARF Council, Quarterly Bulletin, May 2022 ([https://assets-global.website-files.com/5f8e2bde2b2ef4841cd6639c/6290288fb547fe156d63c274\\_ARF%20Quarterly%20Bulletin\\_May%202022\\_.pdf](https://assets-global.website-files.com/5f8e2bde2b2ef4841cd6639c/6290288fb547fe156d63c274_ARF%20Quarterly%20Bulletin_May%202022_.pdf))

## Singapore

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Betting Duty in Singapore currently varies based on the betting product<sup>34</sup>, as follows:

- Horse racing parimutuel – 25% x (Amount of bets received - Winnings paid out - GST<sup>35</sup>)
- Football fixed odds – 25% x (Amount of bets received - Winnings paid out - GST)
- TOTO / lottery - 30% x (Amount of bets received - GST)

The majority of betting activity on horse racing and other sports is subject to a 25% Betting Duty payable on the gross betting profit generated from the bets received less the goods and services tax (GST) payable on such bets. Goods and Services Tax or GST is a broad-based consumption tax levied on the import of goods (collected by Singapore Customs), as well as nearly all supplies of goods and services in Singapore. There is a single legal licensed operator in Singapore authorised to operate betting on racing and other sports, which is Singapore Pools.

In 1968, the government established 'Singapore Pools', a wholly owned subsidiary of the Tote Board, as Singapore's only legal lottery operator to counter illegal betting and to channel proceeds of sales to benefit the community. Until 1999, legal gambling in Singapore was limited to lotteries operated by Singapore Pools, horse-racing conducted by the Singapore Turf Club, and certain types of gambling in private clubs (e.g. jackpot machines). All other forms of gambling were illegal. The betting market was widened in 1999 when Singapore Pools introduced legalised football betting on local league matches.

The illegal betting market in Singapore has been estimated to amount to SGD 461 million (USD 336 million) in 2015 (margin), equating to more than one third of the legal market, growing twice as fast as legal betting (8.6% compound annual growth rate compared to 3.5%), and costing the government the equivalent of USD 548 million in lost tax revenue.<sup>36</sup>

Horse racing has been assessed to be a particularly strong part of the illegal betting market in Singapore. Illegal betting exchange Citibet was estimated in 2016 to have turned over SGD 800 million a year. Singapore horse racing has also been an attractive betting product for illegal betting markets outside Singapore, with the average turnover per Singapore race on Citibet estimated as more than USD 600,000.<sup>37</sup>

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34 Singapore Government, Inland Revenue Authority, Betting and Sweepstake Duties (<https://www.iras.gov.sg/taxes/other-taxes/betting-and-sweepstake-duties> )

35 GST is Goods and Services Tax, currently levied at 8%

36 ARF Anti-Illegal Betting Task Force, Illegal Betting in an Asian Context, March 2018 (<https://www.asianracing.org/aib/resources> )

37 *Ibid.*



The Singapore authorities have strengthened their approach to combatting the illegal market. The Remote Gambling Act in 2014 made it an offence for offshore betting operators to take bets from Singaporean customers, and also an offence for Singaporeans to bet with them. Under the Remote Gambling Act, the Ministry of Home Affairs can block access to websites and payment transactions related to unlawful online betting activity, and issue access blocking orders to Internet Service Providers (ISPs) which require them to take reasonable steps to disable access to online betting websites identified by MHA. Any ISP failing to block any website specified in an access blocking order commits an offence. In addition, the Organised Crime Act of 2015 applies to organised crime groups that obtain financial or material benefit from gambling operations and related activities that take place in Singapore and consequently enhanced penalties.<sup>38</sup>

The Singapore Government also introduced a comprehensive blocking regime targeting websites that offer or promote illegal remote gambling, as well as electronic payments to operators. From enactment of legislation to block overseas betting websites in 2015 up to March 2018, the Ministry of Home Affairs reported that more than 800 websites, 200 bank accounts and SGD 7 million worth of transactions have been blocked.<sup>39</sup>

There has been a slow decline of problem and pathological gambling rates since 2005<sup>40</sup>, indicating that the control and education measures seem to have been effective in reducing the negative impact of illegal betting on society. The flat rate of Betting Duty on horse racing and other sports of 25% has also been a major part of allowing the legal licensed betting sector to compete with illegal markets as the takeout rate based on this level of taxation has not unduly hindered the operator.

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38 Rajah & Tann, Client Update, August 2015 (<https://eoasis.rajahtann.com/eoasis/lu/pdf/2015-08-Organised-Crime-Act-2015.pdf>)

39 Singapore Government, Joint Efforts Against Illegal Remote Gambling and Problem Gambling During World Cup 2018, 14 June 2018 (<https://www.mha.gov.sg/mediaroom/press-releases/joint-efforts-against-illegal-remote-gambling-and-problem-gambling-during-world-cup-2018/>)

40 Munidasa Winslow, Christopher Cheok, Mythily Subramaniam, Gambling in Singapore: an overview of history, research, treatment and policy, 6 May 2015 (<https://onlinelibrary.wiley.com/doi/10.1111/add.12931>)

## United Kingdom (UK)

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Betting Duty in the UK is charged as a percentage of profits. Profits may be calculated as stakes received (from UK people where appropriate) less winnings paid out (to UK people where appropriate), which is effectively GGR.<sup>41</sup> The current duty payable on betting in the UK is as follows:

- Fixed odds and totalisator bets – 15%
- Financial spread bets – 3%
- All other spread bets – 10%

In the UK in 1981 pool betting (totalisator betting) was subject to duty of 42.5% and off-course bets on horse racing at 8%. From 31 March 2002, the basis on which Pool Betting Duty is charged was changed, with duty now calculated as 15 per cent of the sum of the value of the stakes plus expenses and profit less winnings paid out. There is no liability to duty of pool betting benefits passed to the society for charitable purposes.<sup>42</sup>

From 2001, the government abolished tax on betting customers and implemented a tax of 15% of the gross profits of betting operators. The new tax system replaced the prior system of government collecting betting duty of 6.75% from betting operators which was passed on to customers as a 9% tax.<sup>43</sup>

In 2012, the UK Government announced a move to a tax regime aimed at ensuring that betting operators anywhere in the world pay gambling duties on gross profits generated from customers based in the UK. The UK Government claimed that this approach was in line with the actions of several other European countries, and was intended to prevent betting operators avoiding paying UK gambling duties by basing their operations abroad. The projected impact of the change to point of consumption on gambling duty revenue for the UK Government was minus £15 million in 2012-13, minus £20 million in 2013-14, plus £55 million in 2014-15, plus £240 million in 2015-16, and plus £270 million in 2016-17.<sup>44</sup> The long term impact on Betting Duty income for the UK Government was clearly higher.

In 2023 the duty rate for fixed odds and totalisator bets is 15% of GGR, compared to 1981 when it was 8% for general betting and 42.5% for pool (totalisator) betting. There has been a decrease in betting duty on totalisator (largely horse racing) of 27.5% during this period. Betting duty on Remote Gaming (e.g. online operators outside the UK) has been charged at 21% from 2019.

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41 UK Government, General Betting Duty, Pool Betting Duty and Remote Gaming Duty

(<https://www.gov.uk/guidance/general-betting-duty-pool-betting-duty-and-remote-gaming-duty> )

42 UK Government, Historical UK Betting and Gaming duty rates (<https://www.gov.uk/government/statistics/uk-betting-and-gaming-statistics/historical-uk-betting-and-gaming-duty-rates> )

43 UK Government, Historical UK Betting and Gaming Duty Rates, 28 October 2022 (<https://www.gov.uk/government/statistics/uk-betting-and-gaming-statistics/historical-uk-betting-and-gaming-duty-rates> )

44 UK Government, *2012 Budget* ([https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/247119/1853.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/247119/1853.pdf))

By 2022-23, the estimated government revenue from gambling duty was projected to be £3.3 billion.<sup>45</sup> In 2001, the total receipts from gambling duties were £1.509 billion.<sup>46</sup> There has been an increase in overall government betting duty revenue that corresponds with decreased and liberalised duties on betting products.

The UK illegal (unlicensed) gambling market size has been assessed to be around £2.8 billion in bets with around 260,000 consumers. The size of the online gaming and betting market in the UK has been estimated by PwC as 2.3% of the legal market in 2020,<sup>47</sup> and by the European Commission as 2% of the legal market in 2017.<sup>48</sup> These estimates are considered to be conservative as the latest is based on survey data, in which respondents are unlikely to be candid about their access to illegal online betting. In addition, the access to unlicensed online betting is reportedly increasing in the UK – Internet traffic to unlicensed operators increased by 85% from October 2018 to November 2020.<sup>49</sup> The estimated number of UK customers using unlicensed operators has reportedly increased from 2.2% to 4.5% from 2018 to 2020.<sup>50</sup> The indications from recent reporting are that the illegal betting market in the UK is growing, but not to the same extent as illegal betting markets in Asia where Betting Duty rates are generally far higher.

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45 UK Office for Budget Responsibility, Betting and Gaming Duties (<https://obr.uk/forecasts-in-depth/tax-by-tax-spend-by-spend/betting-gaming-duties/> )

46 UK National Audit Office, HM Customs and Excise Gambling Duties, 14 January 2005 (<https://www.nao.org.uk/wp-content/uploads/2005/01/0405188.pdf> )

47 PwC, Review of unlicensed online gaming in the UK, December 2020 ([https://bettingandgamingcouncil.com/uploads/Downloads/PwC-Review-of-Unlicensed-Online-Gambling-in-the-UK\\_vFinal.pdf](https://bettingandgamingcouncil.com/uploads/Downloads/PwC-Review-of-Unlicensed-Online-Gambling-in-the-UK_vFinal.pdf) )

48 *Ibid.*

49 *Ibid.*

50 *Ibid.*

## USA

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Betting Duty in the USA varies by state, as gambling and betting business is licensed and regulated at state level after changes to legislation in 2018 which gave individual states the ability to legalise sports betting. In May 2018, the U.S. Supreme Court ruled that the Professional and Amateur Sports Protection Act (PASPA), prohibited states from legalizing gambling on professional and college sports, was unconstitutional. PASPA was enacted by the US Congress in 1992 to prevent the expansion of sports wagering beyond Nevada in an effort to restrict the spread of related criminality. This effectively left Nevada with a monopoly on sports wagering until 2018, but enabled the growth of a huge illegal betting market elsewhere in the US. The 2018 Supreme Court ruling meant that states have the right to regulate sports betting within their own borders. This state-by-state approach has led to diverse regulatory approaches as well as Betting Duty levels, which can be instructive as it illustrates clearly different impacts on demand.

The full list of Betting Duty levels in US states is shown at the Annexure. The lowest Betting Duty rate in the US is 6.5% in Iowa. The highest Betting Duty rate in the US is 51% in New Hampshire, New York, and Rhode Island. There are substantial variations in Betting Duty levels between US states, which is likely to lead to cannibalisation of customers between states as betting operators use lower Betting Duty levels in some states to attract customers from states with higher rates.

The most obvious risk of this competition for customers between states due to major differentiation in Betting Duty levels is New York and New Jersey. Betting Duty in New York is 51% of GGR for mobile betting, whilst Betting Duty rates in New Jersey state are 8.5% of GGR for casino sports pool operations, 13% of GGR for casino online sports pool operations, 8.5% of GGR for racetrack sports pool operations, and 13% of GGR for racetrack online sports pool operations.

Despite high levels of betting revenue and duty in New York state since the commencement of legal sports betting, customers are likely to migrate to better priced betting in New Jersey due to the lower Betting Duty rate. In 2019, prior to legalisation of sports betting in New York state, there were estimates that 10% of betting customers of two major New Jersey licensed betting operators were customers residing in neighbouring New York state who travelled to New Jersey to wager.<sup>51</sup> There has been a surge in online betting in New Jersey since the 2018 change in law, but there have been continued reports of New York residents traveling to New Jersey to bet, with Flutter Entertainment Plc's FanDuel stating in 2020 that about 22% of its mobile betting customers are New York residents (mobile sports betting was launched in New York in January 2022).<sup>52</sup>

The illegal sports betting market in the US was estimated in 2022 to amount to USD 3.8 billion (margin), with a total of USD 63.8 billion bet (turnover).<sup>53</sup>

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51 Betting USA, NJ Betting Sites Claim 10% Of Their Customers From New York, 7 January 2019 (<https://www.bettingusa.com/nj-betting-sites-10-percent-customers-new-york/>)

52 Time, New Jersey's Train Stations Are Turning Into Gambling Hubs for New Yorkers, 6 January 2023 (<https://time.com/5759895/new-jersey-sports-betting/>)

53 American Gaming Association, Sizing the Illegal and Unregulated Gaming Markets in the U.S., 30 November 2022 (<https://www.americangaming.org/resources/sizing-the-illegal-and-unregulated-gaming-markets-in-the-u-s/>)

## Conclusions

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There are significantly different Betting Duty rates in countries around the world, and even within individual areas in certain countries. The lowest rate of Betting Duty noted is in South Africa, at 6% of GGR. The median rate of Betting Duty noted is in France, at 37.7% of GGR (MR = 40.5). The highest rate of Betting Duty noted is in Hong Kong, at 75% of GGR.

These huge variations in Betting Duty inevitably lead to distortions in the betting market in many countries as consumers go to betting options where prices are better on the racing and sports competition products that they seek to wager on. The outcome of this market distortion is continued huge growth in illegal betting.

The significantly different Betting Duty rates in countries around the world are often due to different social, cultural, religious and economic reasons. It is necessary for government policy makers and gambling regulators in each country to establish Betting Duty rates that are appropriate to the circumstances of each country, but which are commercially viable for legal betting operators.

There is a contradiction in government policy making when governments seek to limit the negative social impact of gambling on society by imposing higher rates of Betting Duty, but also seek taxation income from this duty as part of a broad based tax system. This contradiction has been heightened since the advent of the Internet age as Betting Duty rates are ineffective to restrict use of offshore online betting operators who can reach customers across national borders. Although governments have sought to counter the loss of taxation revenue from the growth of online Internet betting by adopting an approach to Betting Duty based on where is the point of consumption, this only impacts legal licensed betting operators and is overcome by the illegal betting market.

Higher Betting Duty leads to increased pressure on theoretical margin to betting odds, consequent increases to the takeout rate of the operator, increased prices for the customer, and inevitably driving customers to illegal betting markets where odds are better value because of no takeout rate.

Illegal betting operators make full use of the Internet to circumvent national laws, gambling regulations, and Betting Duty. Illegal betting operators pay no Betting Duty, or any other taxes. There is hence a permanent price differential between the legal and illegal betting markets, with illegal markets consequently offering better odds (prices) to consumers. Consequently, the use of Betting Duty as a means of limiting the negative social impact of gambling is failing and the value of Betting Duty as a tax revenue source is declining.

There are clear indicators of an inverse relationship between betting tax and legal betting revenue. When betting tax increases, legal betting revenue decreases. This is because it is almost inevitable that the operator will have to pass on tax increases to customers due to pressure on operating costs and hence a significant and potentially catastrophic decline in profit margin.

Higher Betting Duty rates also have increasingly less impact on consumer protection as raising rates has the impact of migrating customers from the more expensive legal to the less expensive illegal betting market, where there are no player protection measures and evidence in many countries indicates that more consumers suffer from gambling disorders.

There is a likelihood of predictable decline in legal betting turnover when Betting Duty is varied or increased, based on an inevitable migration of consumers to illegal markets. Because of this, government policy makers and gambling regulators should seek a commercially reasonable and stable Betting Duty rate that provides a balance between channelling gambling demand to the legal betting sector and allowing licensed betting operators to effectively compete with the illegal market. Governments should assess what is an appropriate baseline legal betting turnover that can be established with a commercially reasonable rate of Betting Duty that does not necessitate a takeout rate for legal betting operators that results in prices that drive consumers to the illegal market. This is a key part of efforts to combat illegal betting and its negative impact on society.

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## Annexure - Betting Duty Levels Around the World

\*GGR is Gross Gaming Revenue, which is the difference between the amount of money players wager minus the amount that they win.

Jurisdiction / Country	Betting Product	Betting Tax Rate
Hong Kong, China <sup>54 55</sup>	Horse Racing	72.5% to 75% of GGR*
	Football (soccer)	50% of GGR
	Annual Special Duty	HKD 2.4 billion per annum
Macau, China <sup>56</sup>	Horse Racing	Annual "rent" of 15 million patacas Progressive 0.5% to 10% of amount wagered
	Football (soccer)	Progressive 20% to 25% of GGR
	Basketball (NBA)	Progressive 20% to 25% of GGR
China (Mainland)	Football (soccer)	21% of amount wagered
Australia	Sports and horse racing	
<i>New South Wales</i> <sup>57</sup>		15% of GGR exceeding AUD 1 million
<i>South Australia</i> <sup>58</sup>		15% of GGR exceeding AUS\$150,000
<i>Western Australia</i> <sup>59</sup>		15% of GGR exceeding AUD 150,000
<i>Queensland</i> <sup>60</sup>		20% of GGR exceeding 300,000
<i>Victoria</i> <sup>61</sup>		10% of GGR exceeding AUD 1 million (rising to 15% from 1st July 2024)
<i>Tasmania</i> <sup>62</sup>		15% of GGR exceeding AUD 150,000
France <sup>63</sup>	Horse Racing	37.7% of GGR
	Sports	55.2% of GGR
Germany <sup>64</sup>		5.03% of amount wagered
Italy <sup>65</sup>	Horse racing	43% to 47% of GGR
	Sports	20% to 24% of GGR

54 Hong Kong Government, e-legislation ([https://www.elegislation.gov.hk/hk/cap108?xid=ID\\_1438402559988\\_002](https://www.elegislation.gov.hk/hk/cap108?xid=ID_1438402559988_002))

55 Hong Kong Government, The 2023-24 Budget (<https://www.budget.gov.hk/2023/eng/budget34.html>)

56 Macau Government, Gaming Inspection and Coordination Bureau, Excerpt from the deed signed between the Macao region and the Macau Lottery Co., Ltd. ([https://www.dicj.gov.mo/web/cn/contract/LI\\_LD/contratoLILD004.html](https://www.dicj.gov.mo/web/cn/contract/LI_LD/contratoLILD004.html))

57 New South Wales Government, Point of Consumption Tax (<https://www.revenue.nsw.gov.au/taxes-duties-levies-royalties/gaming-wagering-tax/point-of-consumption-tax>)

58 Government of South Australia, Betting Operations Tax (<https://www.revenuesa.sa.gov.au/betting-operations-tax>)

59 Western Australia Government, Betting Tax (<https://www.wa.gov.au/organisation/departments-of-finance/betting-tax>)

60 Queensland Government, Betting tax rate and threshold (<https://qro.qld.gov.au/betting-tax/rate-threshold/>)

61 Victoria Government, Wagering and Betting Tax (<https://www.sro.vic.gov.au/wagering-and-betting-tax>)

62 Tasmanian Government, Wagering Point of Consumption Tax (<https://www.treasury.tas.gov.au/liquor-and-gaming/fees/wagering-point-of-consumption-tax>)

63 International Betting Integrity Association, An Optimum Betting Market – France (<https://ibia.bet/an-optimum-betting-market/france/>)

64 European Commission, Taxes In Europe Database, Betting and Lottery Tax – Germany ([https://ec.europa.eu/taxation\\_customs/tedb/legacy/taxDetail.html?id=134/1424159159&taxType=Other+indirect+tax](https://ec.europa.eu/taxation_customs/tedb/legacy/taxDetail.html?id=134/1424159159&taxType=Other+indirect+tax))

65 International Betting Integrity Association, An Optimum Betting Market – Italy (<https://ibia.bet/an-optimum-betting-market/italy/>)

Japan		10% of amount wagered
Mexico <sup>66</sup>	Horse racing and sports	30% of GGR
New Zealand <sup>67 68</sup>		0% (local totalisator) 10% of GGR (offshore operators)
Korea (South)		No betting duty, operators subject to corporation tax
Portugal <sup>69</sup>	Horse racing (tote)	21% of amount wagered
	Horse racing (fixed odds)	8% of turnover
	Sports (fixed odds)	8% of turnover
Singapore <sup>70</sup>	Sports and horse racing	25% of GGR
South Africa <sup>71</sup>	Sports	6.5% of GGR
	Horse racing	6.0% of GGR
Spain <sup>72</sup>		20% of GGR
Sweden <sup>73</sup>		18% of GGR
Tanzania <sup>74</sup>		10% of GGR
UK <sup>75</sup>		15% of GGR
USA <sup>76 77</sup>	Sports and Horse Racing	
<i>Arizona</i>		10% online, 8% retail
<i>Arkansas</i>		Progressive 13% to 20% of GGR
<i>California</i>		Not legal
<i>Colorado</i> <sup>78</sup>		10% of GGR
<i>Connecticut</i> <sup>79</sup>		13.75% of GGR

66 International Betting Integrity Association, An Optimum Betting Market – Mexico (<https://ibia.bet/an-optimum-betting-market/mexico/>)

67 New Zealand Government, Inland Revenue, Totalisator Duty (<https://www.ird.govt.nz/duties/totalisator>)

68 New Zealand Government, Department of Internal Affairs, Point of Consumption Charges- Offshore Operator Guidance (<https://www.dia.govt.nz/Racing-Policy---Point-of-Consumption-Charges>)

69 International Betting Integrity Association, An Optimum Betting Market – Portugal (<https://ibia.bet/an-optimum-betting-market/portugal/>)

70 Singapore Government, Inland Revenue Authority, Betting and Sweepstake Duties (<https://www.iras.gov.sg/taxes/other-taxes/betting-and-sweepstake-duties>)

71 Kwa Zulu Natal Gaming and Betting Board, Bookmaking Statistics – Horse Racing / Sport Local 2021-22 ([https://www.kzngbb.org.za/wp-content/uploads/statistics/FY21\\_22\\_Betting.pdf](https://www.kzngbb.org.za/wp-content/uploads/statistics/FY21_22_Betting.pdf))

72 International Betting Integrity Association, An Optimum Betting Market – Spain (<https://ibia.bet/an-optimum-betting-market/spain/>)

73 International Betting Integrity Association, An Optimum Betting Market – Sweden (<https://ibia.bet/an-optimum-betting-market/sweden/>)

74 Tanzania Revenue Authority, Gaming Tax (<https://www.tra.go.tz/index.php/gaming-tax>)

75 UK Government, General Betting Duty, Pool Betting Duty and Remote Gaming Duty (<https://www.gov.uk/guidance/general-betting-duty-pool-betting-duty-and-remote-gaming-duty>)

76 Tax Foundation, Large Spread in Tax Treatment of Sports Betting Operators, 9 February 2022 (<https://taxfoundation.org/sports-betting-tax-treatment/>)

77 National Conference of State Legislatures, Sports Betting Tax Rates and Contributions to State Funds, 22 March 2023 (<https://www.ncsl.org/news/details/as-sports-betting-expands-its-easier-than-ever-to-place-your-bets>)

78 State of Colorado, General Assembly, Gaming and Sports Betting Taxes (<https://leg.colorado.gov/agencies/legislative-council-staff/gaming-and-sports-betting-taxes>)

79 State of Connecticut, Office of the Governor, Governor Lamont Announces State Collects \$1.7 Million From First Month of Sports Wagering and Online Casino Gaming, 12 January 2021 (<https://portal.ct.gov/Office-of-the-Governor/News/Press-Releases/2021/12-2021/Governor-Lamont-Announces-Collections-From-First-Month-of-Sports-Wagering-and-Online-Casino-Gaming>)



<i>Delaware</i> <sup>80</sup>		50% of revenue
<i>Illinois</i> <sup>81</sup>		Progressive 15% to 45% of GGR
<i>Indiana</i>		9.5% of revenue
<i>Iowa</i>		6.75% of revenue
<i>Kansas</i>		10% of revenue
<i>Louisiana</i>		15% online, 10% retail
<i>Maryland</i>		15% of revenue
<i>Michigan</i> <sup>82</sup>		8.4% of GGR
<i>Mississippi</i>		12% of revenue
<i>Montana</i>		8.5% of revenue
<i>Nebraska</i>		20% of GGR
<i>Nevada</i>		8.5% of sports GGR 14.25% of racetrack GGR
<i>New Hampshire</i>		51% of GGR
<i>New Jersey</i>		8.5% of GGR land-based 14.5% of GGR online
<i>New Mexico</i>		No legal online betting
<i>New York</i>		51% of GGR
<i>North Carolina</i>		Not legal
<i>Ohio</i>		10% of GGR
<i>Oregon</i>		8% of GGR
<i>Pennsylvania</i>		36% of GGR
<i>Rhode Island</i>		51% of GGR
<i>South Dakota</i>		9% of revenue
<i>Tennessee</i>		20% of GGR
<i>Virginia</i>		15% of GGR
<i>Washington DC</i>		10% of GGR
<i>Washington (state)</i>		Not legal
<i>West Virginia</i>		10% of GGR
<i>Wyoming</i>		10% of GGR
<i>District of Columbia (b)</i>		10% of GGR
<i>UK</i> <sup>83</sup>		15% of GGR 21% of GGR (remote operators)

80 American Gaming Association, Delaware Gambling Regulations and Statutory Requirements, 31 December 2022 ([https://www.americangaming.org/wp-content/uploads/2019/07/AGAGamingRegulatoryFactSheet\\_Delaware-2022.pdf](https://www.americangaming.org/wp-content/uploads/2019/07/AGAGamingRegulatoryFactSheet_Delaware-2022.pdf))

81 American Gaming Association, Illinois Gambling Regulations and Statutory Requirements, 31 December 2022 ([https://www.americangaming.org/wp-content/uploads/2019/07/AGAGamingRegulatoryFactSheet\\_Illinois-2022.pdf](https://www.americangaming.org/wp-content/uploads/2019/07/AGAGamingRegulatoryFactSheet_Illinois-2022.pdf))

82 Michigan Gaming Control Board, Revenues and Wagering Tax Information (<https://www.michigan.gov/mgcb/detroit-casinos/resources/revenues-and-wagering-tax-information>)

83 UK Government, General Betting Duty, Pool Betting Duty and Remote Gaming Duty (<https://www.gov.uk/guidance/general-betting-duty-pool-betting-duty-and-remote-gaming-duty>)



# **How Organised Crime Operates Illegal Betting, Cyber-Scams and Modern Slavery in Southeast Asia**

*James Porteous, October 2023*

## Table of Contents

35	Executive Summary
37	Background
38	1. Human Trafficking
44	2. Illegal Betting and Organised Crime
49	3. How human trafficking in Asia is linked to illegal betting
53	4. Regional examples and case studies
74	5. Conclusion

## Executive Summary

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This report examines human trafficking linked to organised crime groups involved in illegal betting and related criminal activity in four key regions in Southeast Asia. Research was primarily via desktop information gathering conducted in 2022/23, supplemented by the expertise and existing knowledge of the Mekong Club and the Asian Racing Federation Council on Anti-Illegal Betting and Related Financial Crime in human trafficking and illegal betting, respectively. Key findings are:

- Tens of thousands of people are being held in modern slavery conditions to work in organised illegal betting and cyber-scam operations across Southeast Asia.
- These operations, which are run by individuals with long histories of involvement in illegal betting and organised crime across Asia, are estimated to make at least USD 40 to 100 billion a year in illicit profits from such activity.
- Some individuals are recruited on false job advertisements, have their passports removed and are kept in dormitories attached to fully-contained casino compounds as forced labour to promote illegal betting websites and engage in industrial-scale cyber-fraud such as “pig butchering”,<sup>84</sup> romance scams, and cryptocurrency Ponzi schemes.
- Workers are typically not permitted to leave without paying large ransoms to their captors, and can be sold and traded between organised crime groups. Fines for breaking rules or failing to hit monetary targets are added to victims’ ransoms.
- Reports on victim testimony and online video shows ‘staff’ being beaten with iron bars, shocked with cattle prods, tied up, and subject to other forms of torture. Female victims have been forced into sex work for failing to meet targets.
- The groups running such operations have been active in organising and promoting gambling across Asia since at least the 1990s. Because many of the core activities in this business (e.g. movement of money across borders, violent debt collection, bribery of local officials, provision of related ‘entertainment’ such as narcotics and sex), are illicit, such operations have by necessity been closely associated with, or directly run by, individuals with organised crime backgrounds.
- In the early 2000s, this business was supercharged by the development of online gambling (both casino games and sports betting), run directly out of existing casinos or related properties, which massively increased the target market, and has grown to be a trillion-dollar illegal industry funding organised crime.

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<sup>84</sup> A Chinese term for the ‘fattening up’ of victims by careful long-term relationship building typically over chat apps, encouraging them to transfer money, then cutting off all contact

- Attempts to profit from this by governments in Southeast Asia, typically by licensing operators for a fee, has led to both the spread of such operations across the region, and had major negative impacts including widespread corruption. It has also concentrated operations in self-contained compounds and so-called special economic zones which local police are often unwilling or unable to enter or investigate.
- Hundreds of thousands of workers are required to serve the industry in marketing, customer recruitment, funds transfers, tech support and related fields.
- Pre-pandemic, demand for workers was usually satisfied by voluntary means, although an unknown percentage of 'voluntary' arrivals were held in modern-slavery like conditions, and there were related human trafficking aspects such as trafficking of sex workers to serve the industry.
- This began to change in 2018 as a result of China's growing concern over cross-border illegal betting, and change was accelerated massively by travel restrictions due to the pandemic, which cut off the supply of workers.
- At the same time, the organised criminal groups had a key business line – land-based casinos – essentially closed down because of travel restrictions. As a result, they greatly expanded and developed existing cyber-scam operations, leveraging their expertise and technology in areas such as social media marketing, customer recruitment and cryptocurrency, which were in place from their online illegal betting operations.
- Now, as the pandemic recedes, the organised crime groups running these operations have, in effect, hugely increased their potential revenue by complementing illegal betting with cyber-scam operations of comparable scale.
- The success of such operations has been an enormous financial boon to organised crime, for whom cyber-scams and illegal betting are just two of many illicit business lines including money laundering as a service, illicit wildlife trafficking and production and distribution of methamphetamine and heroin.
- The vast profits from such operations have provided plentiful ammunition to corrupt local authorities, and the operations in this group are frequently protected by powerful politicians and/or armed militias.
- Global attention on the issue has not eliminated this activity, just displaced it into even more vulnerable jurisdictions, leading some to fear the industry could lead to geo-political instability.

# Background

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## **About the Asian Racing Federation Council on Anti-Illegal Betting and Financial Crime**

The Asian Racing Federation Anti-Illegal Betting Taskforce was established in 2017 and now comprises 25 members from organisations engaged in horse racing and sports integrity, law enforcement, the UNODC, and academia.

In 2020, the Taskforce was renamed as the ARF Council on Anti-Illegal Betting & Related Financial Crime (“the Council”), whose purpose is to foster and enhance international cooperation among horse racing operators, regulators, intergovernmental organisations and government agencies in order to better combat the threat of illegal betting and other financial crimes to horse racing integrity in particular, and sport in general.

## **About the Mekong Club**

The Mekong Club is a non-profit organisation founded by CEO Matt Friedman 30 years ago that focuses on working with the private sector to address modern slavery and related crimes, such as human trafficking and forced labour.

## **About illegal betting and human trafficking**

This joint report by the ARF Council and Mekong Club focuses on human trafficking connected to organised criminal enterprises in Southeast Asia, highlighting the role of illegal betting as a key revenue stream supporting this criminality.

Illegal betting is one criminal enterprise of such groups, but not the only one – so-called “pig-butchering”, cryptocurrency frauds, wildlife trafficking, money-laundering-as-a-service, drug manufacturing and distribution are among others. But a key point is that the vast profits generated by illegal betting supports other criminality. And when the traditional illegal betting business model of such operators was disrupted by the pandemic, they had capital and technology from illegal betting to quickly pivot to or expand related modes of criminality, such as online and crypto fraud.

This report explores these factors with case studies from four key regions – the Philippines, Cambodia, Myanmar and Laos.

## **Methodology**

This report is primarily based on open-source desktop research and relies heavily on the excellent work carried out by on-the-ground journalists and NGOs in the region (see Acknowledgements).

# 1. Human Trafficking

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Human trafficking is the recruitment, transportation, transfer, harbouring or receipt of people through force, fraud or deception, with the aim of exploiting them for profit.<sup>85</sup> This global crime involves more than 50 million victims worldwide,<sup>86</sup> including men, women, and children.

Human trafficking victims can be found in a wide range of industries. Many victims are forced into sex work (otherwise known as sex trafficking), others are forced into labour on construction sites, on farms, in factories, or as cleaners. A significant number of industries across the world are impacted, with victims often hidden in plain sight.

Typically, human traffickers target vulnerable groups within society. These may be migrant workers in low-paid, high-risk industries, refugees or displaced people, or people with mental or physical disabilities. Traffickers will exploit these vulnerabilities for their own gain.

Often, the criminal groups that are engaged in human trafficking are operating cross-border. They are also often involved in multiple criminal activities such as drug smuggling, counterfeit goods, racketeering, and money laundering. In many cases, these criminals will use their victims to facilitate these crimes, for example by forcing victims to assist with dealing drugs, carrying drugs across borders, or laundering funds.

This report primarily focuses on one aspect of human trafficking in Southeast Asia, the trafficking of individuals to support the online illegal betting and related cyber-crime and scam industry.

Due to its nature, human trafficking is also often referred to as 'modern day slavery'.

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85 United Nations Office on Drugs and Crime (UNODC) (<https://www.unodc.org/unodc/en/human-trafficking/human-trafficking.html>)

86 International Labour Organisation (ILO) press release, 12 September 2022 ([https://www.ilo.org/global/about-the-ilo/newsroom/news/WCMS\\_855019/lang--en/index.htm](https://www.ilo.org/global/about-the-ilo/newsroom/news/WCMS_855019/lang--en/index.htm))

## How does it occur?

*A survivor's story – a Bangladeshi victim exploited in Malaysia:*

*"Back home in Bangladesh, a recruitment agent offered me a job in an oil plantation in Malaysia. He told me that I could easily pay back the USD 1500 recruitment fee that I needed to buy my place on the plantation. While I knew that the work was illegal, I needed the money so I accepted.*

*"When I arrived at the plantation I had to sleep on the floor. I was forced to work 16 hours a day, seven days a week, using dangerous chemicals with no safety equipment. My boss deducted most of my wages without giving me a reason, I was earning no money. After seven months I developed severe health problems. My family were told, if I was to come home alive, they would have to pay off my debts before I could leave."*

This story is one of millions of stories of exploitation and abuse. Each case is different, however most human trafficking cases share common themes and patterns. Traffickers often exploit their victims using the following methods:

### ***Fraud & Deception***

The most common approach traffickers use to recruit and secure victims is fraud and deception. About 90% of cases fall into this category. Traffickers gain a person's trust and lie about a possible employment or life opportunity. They might offer a young, vulnerable person who faces hardship and poverty the one thing that seems completely out of reach: a better life, an easier life, or a life that will not only benefit them but their entire family. They offer a dream, with little or nothing asked for in return.

Whether such promises relate to a good-paying job or a good marriage, the messages are nearly always the same: "If you do what I say, if you trust me, then your life will be infinitely better." Not sometime in the distant future, but "Today! Right now!" For those who seldom have access to any options at all, such offers are too tempting to pass up. They don't realise these fraudulent opportunities come with a price.



*A survivor's story – a Hong Kong victim exploited in Myanmar<sup>87</sup>*

*"I was in Thailand and agreed to take a job recommended by a Chinese acquaintance. After I flew to Mae Sot in Thailand in April 2022, armed soldiers took me to a camp in Myanmar.*

*"There were more than a dozen companies engaged in all sorts of scams, some involving gambling.*

*"I immediately asked to leave but they demanded a ransom I could not afford. I had to work 13 hours a day for four months ... eventually I got out after a friend paid them tens of thousands of Hong Kong dollars."*

### **Debt/Credit Bondage**

In this situation, traffickers enslave and hold a victim in place through one of two key mechanisms involving money: debt bondage or credit bondage. Debt bondage is a situation where advances in cash are paid from the trafficker to the victim, their family, or to others, which the victim must work to pay off. Whether through force, physical or mental abuse, or other coercion, the victim is maintained at the exploitation site until the debt is satisfactorily paid.

Many times, the lender uses false accounting methods or charges excessive interest, to ensure that the loan cannot be paid off. The bonded labourer, who may not speak the language or may be uneducated, does not know when the lender will consider the debt paid, so the length of service is undefined and arbitrary. Such debts provide the exploiter with justification for maintaining his or her victim in bondage.

Credit bondage is a situation where, over time, the trafficker does not pay the victim their wage. The victim remains at the exploitation site in the hope of recouping their earnings and minimising their losses. This process of waiting can take months or years. Sadly, many of these employers have no intention of ever paying the employee.

### **Selling of People**

In some cases, a trafficker delivers a person to an exploitation site and then receives a cash payment. In essence, victims are sold to the business. For victims to regain their freedom, they are expected to work off the amount of money the business owner paid for their purchase, along with additional fees added to the original amount. This impossible debt holds the person in place.

87 Case study adapted from media report: 呂穎嫻 & 李穎霖, '詐騙營調查 | 柬埔寨緬甸生還香港人 親述人口販賣跳車逃命經歷 HK01, 19 August 2022 (<https://www.hk01.com/article/804683> accessed 17 November 2022)

*A survivor's story – a Chinese person exploited in Cambodia.<sup>88</sup>*

*"I received a marketing job offer from a food delivery company in Cambodia in March 2021 promising a monthly salary of USD 1,000 and free air tickets. I flew to Phnom Penh but was taken to a walled-off apartment building to start 'training' on how to scam people online.*

*"After six months of this 'pig-butchering', I was asked to pay USD 7,000 to leave – I couldn't afford it, so was taken to a hotel-casino in Sihanoukville, where workers were brutally beaten. Weeks later, someone offered to get me out, but sold me to another gang.*

*"Although I hated my job which involved scamming people to transfer cryptocurrency, the only way to leave was to deceive enough people to get money to pay the ransom.*

*"I tried to escape but was caught and beaten and sold to another gang – and my ransom increased to USD 15,500. Eventually I managed to escape because the new gang occasionally let workers venture outside."*

### **Kidnapping**

While some human trafficking victims are abducted, this tactic is used less than most other approaches. It is much easier to transport a person who is willing, rather than to use force with those who are not. When people can be deceived into believing that they will benefit from going somewhere, transporting them is a much easier task. For example, compliant victims will help traffickers evade border police and customs officials. The victims will be unlikely to attempt an escape until it is too late. In contrast, kidnapping victims tend to fight, kick, and scream. This presents obvious risks for traffickers.

### **Threats & Violence**

Traffickers violate many laws and human rights during the process of recruiting, transporting, harbouring, selling, and maintaining the person. This can include torture, rape, beatings, threats of violence, threats of reprisals against family members, deprivation of food, and physical confinement.

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<sup>88</sup> Case study adapted from media report: Tara Anand, 'Human Trafficking's Newest Abuse: Forcing Victims Into Cyberscamming', ProPublica, 13 September 2022 (<https://www.propublica.org/article/human-traffickers-force-victims-into-cyberscamming>)

A survivor's story – a Laotian victim exploited in Laos:<sup>89</sup>

"I was lured by a Facebook advertisement promising a job in Kings Romans Casino paying USD 900 a month.

"I was put in a dormitory near the casino and made to work 14-16 hours a day seven days a week trying to scam rich English speakers. I was given a 'sales quota' and if unsuccessful, my pay was docked and they would threaten to sell me on.

"I was locked in a room, tasered, and beaten when I tried to go outside. I saw other victims thrown into solitary confinement, heard gunshots, saw people taken away who never returned, and other people jump to their deaths.

"I only got out after convincing my captors I knew police in Vientiane [capital of Laos] who could cause them a lot of trouble."

### The 11 Indicators

The '11 Indicators' (developed by the International Labour Organisation) can be used to detect a victim of human trafficking. Each victim's story is different; some may display all of these indicators, others just one or two. These can be a useful tool to help identify potential abuse and risk of trafficking.

1. **Abuse of vulnerability:** Traffickers prey on vulnerability as these people are often more likely to accept an offer that is too good to be true. This may be people vulnerable due to lack of economic opportunity or people who have been displaced from their homes due to war or climate change. There are many factors that may make a person vulnerable to falling prey to human traffickers.
2. **Deception:** Virtually all trafficking cases involve deception. Most victims have been lied to about the nature of the work they have signed up for, the pay, the conditions, amongst other things.
3. **Restriction of movement:** Traffickers restrict their victims' freedoms to ensure that they cannot escape and seek help. This may be physical restriction using bars and barbed wire, use of drugs and substances to hold a person in place, as well as psychological restriction caused by fear.
4. **Isolation:** Isolating a person from their friends, family, and wider community serves to further bring the victim under the traffickers' control.

<sup>89</sup> Case study adapted from media report: Nathan Paul Southern and Lindsey Kennedy, 'Laos' criminal casino empire: Chinese gangsters suspected of running brothels and online scams, and trafficking humans, animal parts and drugs', South China Morning Post, 15 October 2022 (<https://www.scmp.com/magazines/post-magazine/long-reads/article/3195932/laos-criminal-casino-empire-chinese-gangsters> accessed 3 November 2022)

5. **Physical & sexual violence:** Victims are often abused and hurt in order to keep them compliant and fearful of their captors.
6. **Intimidation & threats:** Threats may be made to the safety of the victim but also may be made towards the victims' families. This can be used to hold a person in place and break their resolve.
7. **Retention of ID documents:** Often traffickers will take their victims identification documents in order to keep them in place, without their IDs it can be challenging for the victims to seek help, especially when in a foreign location.
8. **Withholding of wages:** Victims may be promised that their wages will come after a period of time, but they may never see the money. In other cases, their wages may be deducted for fraudulent means, or they may be forced to hand their wages over shortly after receiving the money.
9. **Debt bondage:** High recruitment fees and other forms of monetary bondage can lead victims to fall into a spiral of debt that is controlled by their traffickers.
10. **Abusive living & working conditions:** Victims are usually housed in dangerous and unclean conditions with little regard for their humanity.
11. **Excessive overtime:** Victims are often forced to work very long hours without breaks and without proper pay.

## 2. Illegal Betting and Organised Crime

Illegal betting refers to online sports betting and casino gambling made available to customers where such products are illegal / unlawful or heavily restricted – which is most of Asia.

It is one important business line of the organised crime groups behind widespread human trafficking in Asia, but far from the only one. Due to its highly profitable nature, coupled with low priority for law enforcement action, illegal betting is a key pillar supporting such groups.

### Definitions and terminology

Due to the globalised nature of online betting, and the patchwork of legislation in different jurisdictions, much of it pre-internet, there is no universal definition of “illegal betting”.

The closest is the Council of Europe’s *“betting activity whose type or operator is not allowed under the applicable law of the jurisdiction where the consumer is located,”*<sup>90</sup> but this is not unanimously agreed.<sup>91</sup>

The transnational nature of online betting further complicates the issue. A typical operation in this report might involve a Hong Kong registered company with a licence from Cambodia to operate a land-based casino and/or a licence from the Philippines to offer online sports betting. But such licences confer no legality in core target markets such as Greater China,<sup>92</sup> Thailand, Vietnam, Indonesia, Malaysia, Singapore, South Korea and Japan.

The ARF Council’s *State of Illegal Betting Report* focused therefore on the key question of whether the betting operator is licensed by the jurisdiction *in which its customers are located*. ‘Licensed and Regulated’ betting operators only take bets from customers in jurisdictions in which the operator is licensed: legal betting. Illegal betting encompasses operators who have a licence from *certain* jurisdictions but take bets from anywhere, and operators who have no licence at all.<sup>93</sup> The online illegal betting run by organised criminal groups in this report is in the latter two categories and comprises both sports betting and online casino gambling.

90 Council of Europe Convention on the Manipulation of Sports Competitions, p.4 (<https://rm.coe.int/16801cdd7e> accessed 23 September 2022)

91 ‘Time to act: Europe’s political response to fighting the manipulation of sports competitions’, Parliamentary Assembly of the Council of Europe, Doc. 15116, 15 June 2020 (<https://assembly.coe.int/nw/xml/XRef/Xref-XML2HTML-en.asp?fileid=28648&lang=en> accessed 8 December 2022)

92 For the purposes of this report, encompassing Mainland China, Hong Kong, Macau and Taiwan, as well as the huge Chinese speaking diaspora across Southeast Asia. No political viewpoint is intended or implied.

93 ‘State of Illegal Betting Report’, Asian Facing Federation, 18 May 2022, p.18 ([https://assets-global.website-files.com/5f8e2bde2b2ef4841cd6639c/62844a249c7d1e17ec718f02\\_State-of-Illegal-Betting-2022\\_v11-RGB-opt.pdf](https://assets-global.website-files.com/5f8e2bde2b2ef4841cd6639c/62844a249c7d1e17ec718f02_State-of-Illegal-Betting-2022_v11-RGB-opt.pdf) accessed 29 September 2022)

## Why Asia is a hub for illegal betting

Around 80% of sports bets worldwide are made illegally<sup>94</sup> and the total amount bet annually may be as much as USD 1.7 trillion.<sup>95</sup> Asia is the world's largest betting market, legal and illegal, representing ~65% of global betting volume.<sup>96</sup> The illegal market may be as much as 10 times larger than the legal market.<sup>97</sup>

Greater China, given its population and cultural appetite<sup>98</sup> for gambling, is the biggest market for illegal betting in the world. Most entities described in this report primarily (but not only) target this market.

Illegal betting is so large in Asia because it has ~60%<sup>99</sup> of the world's population, many with an appetite for gambling,<sup>100</sup> yet a general lack of competitive legal, well-regulated betting options in many jurisdictions to meet this demand. Illegal operators linked to organised crime have long filled this supply-demand gap; the internet then supercharged a street-level activity into a globalised trillion-dollar industry.

Illegal betting is highly competitive against Licensed and Regulated operators because it can offer better prices (i.e. betting odds) since it is not subject to any taxation, and because it can offer a much wider selection of products (i.e. different sports to bet on, bet types) since it is not subject to any regulation.

Illegal operators heavily market and promote these advantages through, for example, social media 'spam' and chat apps. This marketing and recruitment strategy is one reason why demand for employees is so large; another is that extensive customer support is required to guide bettors to evade internet restrictions on betting websites, crypto apps and related payment processors. This need for employees is one of the key reasons illegal betting is linked to human trafficking.<sup>101</sup>

## The spread of organised crime linked to illegal betting across Asia

Illegal betting has been described as "a foundation upon which most other illicit activities are supported".<sup>102</sup> Massive wagering turnover coupled with relatively low prosecution priority and penalties from law enforcement make illegal betting

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94 Laurent Vidal, 'Protecting the Integrity of Sport Competition - The Last Bet for Modern Sport', May 2014, p.22 ([https://www.researchgate.net/publication/280112161\\_Protecting\\_the\\_Integrity\\_of\\_Sport\\_Competition\\_-\\_The\\_Last\\_Bet\\_for\\_Modern\\_Sport](https://www.researchgate.net/publication/280112161_Protecting_the_Integrity_of_Sport_Competition_-_The_Last_Bet_for_Modern_Sport) accessed 23 September 2022)

95 'Global Report on Corruption in Sport', United Nations Office on Drugs and Crime, 2021, p.259 ([https://www.unodc.org/res/safeguardingsport/grcs/22-03221\\_SPORTS\\_CORRUPTION\\_2021\\_Full\\_report.pdf](https://www.unodc.org/res/safeguardingsport/grcs/22-03221_SPORTS_CORRUPTION_2021_Full_report.pdf) accessed 6 September 2022)

96 'Global Report on Corruption in Sport', United Nations Office on Drugs and Crime, 2021, p.259 ([https://www.unodc.org/res/safeguardingsport/grcs/22-03221\\_SPORTS\\_CORRUPTION\\_2021\\_Full\\_report.pdf](https://www.unodc.org/res/safeguardingsport/grcs/22-03221_SPORTS_CORRUPTION_2021_Full_report.pdf) accessed 6 September 2022)

97 Ibid.

98 Sam Loule, 'Asian Gambling Addiction', Psychology Today, 10 July 2014 (<https://www.psychologytoday.com/us/blog/minority-report/201407/asian-gambling-addiction> accessed 29 September 2022)

99 'World Population Prospects 2022: Summary of Results', United Nations Department of Economic and Social Affairs, Population Division, 2022, p.9 ([https://www.un.org/development/desa/pd/sites/www.un.org.development.desa.pd/files/wpp2022\\_summary\\_of\\_results.pdf](https://www.un.org/development/desa/pd/sites/www.un.org.development.desa.pd/files/wpp2022_summary_of_results.pdf) accessed 29 September 2022)

100 Sam Loule, 'Asian Gambling Addiction', Psychology Today, 10 July 2014 (<https://www.psychologytoday.com/us/blog/minority-report/201407/asian-gambling-addiction> accessed 29 September 2022)

101 'Good Practices in Addressing Illegal Betting: A Handbook for Racing and Sports Organisations to Uphold Integrity', Asian Racing Federation, 19 October 2020, p.21, 29, 33 ([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) accessed 7 September 2022)

102 L Moodie, Organized Crime Section. Illegal Gambling, Paper presented at the Gambling, Law Enforcement Systems Issues Conference, University of Alberta, Edmonton, March 8 2002. As cited in Banks, Gambling Crime and Society, 2017

both a low-risk profitable enterprise in itself, and also a means to fund other criminal activity and launder their proceeds.<sup>103 104</sup>

In Asia, online illegal betting has long been associated with Macau casino junket operators, which in turn have close connections with Chinese organised crime groups (triad societies).<sup>105</sup> For the last c.30+ years, local illegal betting operations often protected by and/or directly run by triads have expanded from Macau and Hong Kong across Southeast Asia and beyond.

Macau is the only region of China where casino gambling is permitted and the junket industry grew to channel gamblers (and their money) to casinos, particularly the massive number of potential customers from Mainland China.

Because their core activities, such as evasion of capital controls and gambling debt enforcement, are illegal in Mainland China, junkets typically were protected and/or directly run by individuals with organised crime associations.<sup>106</sup> The biggest junkets made profits on the scale of Macau's casino operators and became transnational enterprises involved in a host of legitimate and illegitimate businesses alike.

#### *Case study – Suncity*

The scale of the Macau junket / organised crime nexus in transnational illegal betting and money laundering was illustrated in 2022-23 by court cases in Mainland China and Macau, and government inquiries into the casino industry in Australia.

Suncity was the largest Macau junket operator with average annual income equivalent to at least USD 2.3 to 2.6 billion,<sup>107 108</sup> until the arrest of its CEO, Alvin CHAU Cheok Wa, in November 2021.

In January 2022, CHAU was sentenced to 18 years in jail in Macau after being found guilty of 162 charges related to illegal betting, organised crime, and fraud. The trial followed another in Mainland China, where 36 people connected to Suncity were imprisoned on charges related to illegal betting, including in relation to Suncity's online betting operations

103 Australian Criminal Intelligence Commission – Organised Crime in Australia 2017, p.3 ([https://www.acic.gov.au/sites/default/files/2020-08/oca\\_2017\\_key\\_enablers.pdf](https://www.acic.gov.au/sites/default/files/2020-08/oca_2017_key_enablers.pdf) accessed 27 September 2022)

104 'Illegal betting in an Asian context', Asian Racing Federation, 18 December 2018, p.14 ([https://assets-global.website-files.com/5fbc2bde2b2ef4841cd6639c/5fd822759fef2e07d6c91c99\\_Illegal%20Betting%20in%20an%20Asian%20Context.pdf](https://assets-global.website-files.com/5fbc2bde2b2ef4841cd6639c/5fd822759fef2e07d6c91c99_Illegal%20Betting%20in%20an%20Asian%20Context.pdf) accessed 27 September 2022)

105 'State of Illegal Betting Report', Asian Facing Federation, 18 May 2022, p.11, 89 ([https://assets-global.website-files.com/5fbc2bde2b2ef4841cd6639c/62844a249c7d1e17ec718f02\\_State-of-Illegal-Betting-2022\\_v11-RGB-opt.pdf](https://assets-global.website-files.com/5fbc2bde2b2ef4841cd6639c/62844a249c7d1e17ec718f02_State-of-Illegal-Betting-2022_v11-RGB-opt.pdf) accessed 7 September 2022)

106 T. Wing Lo and Sharon Ingrid Kwok, 'Triad Organized Crime In Macau Casinos: Extra-Legal Governance And Entrepreneurship', British Journal of Criminology, 8 February 2016, p.7 ([https://www.academia.edu/36835699/TRIAD\\_ORGANIZED\\_CRIME\\_IN\\_MACAU\\_CASINOS\\_EXTRA\\_LEGAL\\_GOVERNANCE\\_AND\\_ENTREPRENEURSHIP](https://www.academia.edu/36835699/TRIAD_ORGANIZED_CRIME_IN_MACAU_CASINOS_EXTRA_LEGAL_GOVERNANCE_AND_ENTREPRENEURSHIP) accessed 27 September 2022)

107 'How China's Crackdown on Illegal Betting Impacts Global Betting Markets', Asian Racing Federation, 1 September 2021, p.6, 10 ([https://assets-global.website-files.com/5fbc2bde2b2ef4841cd6639c/61aed489a8a2fec2117b1184\\_How%20China%27s%20Crackdown%20on%20Illegal%20Betting%20Impacts%20Global%20Betting%20Markets\\_final\\_new%20cover.pdf](https://assets-global.website-files.com/5fbc2bde2b2ef4841cd6639c/61aed489a8a2fec2117b1184_How%20China%27s%20Crackdown%20on%20Illegal%20Betting%20Impacts%20Global%20Betting%20Markets_final_new%20cover.pdf) accessed 8 September 2022)

108 Kelsey Wilhelm, 'Alvin Chau defense: proxy betting revenue so low, illogical to risk conducting illegal operation', Asia Gaming Brief, 30 November 2022 (<https://bit.ly/3XOYine>)

in Southeast Asia. According to that trial, Suncity had more than 38,000 agents recruiting bettors across China.<sup>109</sup>

Previously, in 2019, a state media report had claimed that Suncity's online illegal betting operations in Cambodia, Vietnam and the Philippines had turnover in Mainland China alone that was equivalent to ~USD 145 billion a year, larger than the only legal form of betting in Mainland China, the state lotteries.<sup>110 111</sup>

The trials followed government inquiries into the casino industry in Australia in which CHAU and associates were named as having links to the 14K triad society. Those inquiries also concluded that cash transactions in the millions of dollars in Suncity's Australian casino VIP rooms were likely money laundering.<sup>112</sup>

Suncity had casino and online betting operations across the globe including in Australia, Cambodia, Isle of Man, the Philippines, Russia, South Korea, the United Kingdom and Vietnam,<sup>113 114 115 116</sup> as well as links with individuals, casino compounds and betting websites mentioned in this report which are reportedly connected to human trafficking.<sup>117 118</sup>

109 `周焯 跨境賭博犯罪集 骨干所涉三起案件一審宣判, 36人被判刑`, new.qq.com, 30 September 2022 (<https://new.qq.com/rain/a/20220930A06G6T00> accessed 27 October 2022)

110 王文志, `特大 網絡賭博平台深度滲透 內`, 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 12 December 2022)

111 `特大 網絡賭博平台深度滲透 內`, people.cn, 8 July 2019 (<http://finance.people.com.cn/n1/2019/0708/c1004-31218699.html> accessed 27 October 2022)

112 Report of the Inquiry under section 143 of the Casino Control Act 1992 (NSW), dated 1 February 2021 (Volumes One and Two) 'Bergin Report' <https://www.parliament.nsw.gov.au/la/papers/Pages/tabled-paper-details.aspx?pk=79129&houseCode=la>, Volume 1 page 232 paragraph 154 & page 237 paragraph 193&195

113 'Successful conclusion of the 'Suncity Group 10th Anniversary Night of Legends'', Hong Kong Business, 2018 (<https://web.archive.org/web/20211017061400/https://hongkongbusiness.hk/leisure-entertainment/more-news/successful-conclusion-%25E2%2580%259Csuncity-group-10th-anniversary-night-legends%25E2%2580%259D> accessed 12 December 2022)

114 Adam Luck and Nick Harris, 'MPs call for investigation into extraordinary story of 10 Premier League clubs with eight online betting partners targeting Asia, all linked to one company in the Isle of Man - and its mysterious ties to Chinese 'triad' who's just been jailed for 18 years', Daily Mail, 21 January 2023 (<https://www.dailymail.co.uk/sport/football/article-11661895/MPs-want-investigation-links-jailed-Chinese-billionaire-clubs-betting-partners.html> accessed 9 June 2023)

115 Philippe Auclair, 'Meet Mr Chau', Josimar, 16 June 2022 (<https://josimarfootball.com/2022/06/16/meet-mr-chau/> accessed 9 June 2023)

116 Steven Stradbroke, 'Online gambling mystery as 138.com shuts down', CalvinAyre.com, 28 May 2020 (<https://calvinayre.com/2020/05/28/business/online-gambling-mystery-138-com-shuts-down/> accessed 12 December 2022)

117 Newsdesk, 'Suncity Group to provide consultancy services for new Cambodian casino resort', Inside Asian Gaming, 5 September 2018 (<https://www.asgam.com/index.php/2018/09/05/suncity-group-to-provide-consultancy-services-for-new-cambodian-casino-resort/> accessed 14 April 2023)

118 'K99 Group Triumph City', Cyber Scam Monitor, 23 February 2023 (<https://cyberscammonitor.net/profile/k99-group-triumph-city/> accessed 14 April 2023)



Suncity's Alvin CHAU was reportedly early to spot the potential of online betting. From the early 2000s, junkets have been involved in online illegal betting – both online casino and sports betting – on a huge scale, both operating their own websites for profit, and using online betting as an underground banking channel to move client funds and launder proceeds of crime.<sup>119</sup> Such operations have spread and expanded across Asia in the last 20 years in response to various regulatory threats and opportunities.

Illegal betting operators first moved into the Philippines as so-called “licensed” online betting operators to give their operations an air of legitimacy.<sup>120</sup> In around 2016, in response to changes to the Philippines' regulatory environment, some expanded into Cambodia, which had legalised casino gambling in certain areas. In 2018, Cambodia suddenly made such activity illegal (although it continues), and operators expanded to even less-regulated jurisdictions such as Myanmar and Laos. And in around 2021-22, some operators have expanded even further afield, such as Dubai, to try to avoid attention from China's ongoing crackdown on illegal betting.

This expansion and displacement of illegal betting and organised crime is not *linear* but *overlapping* – organised crime linked illegal betting continues to operate in *all* of the regions mentioned, and there have been organised crime run casinos and related drug trafficking particularly in border regions along the Mekong since at least the 1990s.

In summary, while illegal betting is far from the *only* factor facilitating human trafficking across Southeast Asia, it remains an important, and growing illicit business line for many organised criminal groups involved in such trafficking, as the next section explains.

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119 'A Report of Illegal Betting Growth During the COVID-19 Pandemic', Asian Racing Federation, 1 May 2021, p.14 ([https://assets-global.website-files.com/5f8e2bde2b2ef4841cd6639c/61aed77b9cf4e8a8c96f8e65\\_ARF%20AIB%20Report%20Illegal%20Betting%20Growth%20During%20the%20COVID-19%20Pandemic\\_May%202021.pdf](https://assets-global.website-files.com/5f8e2bde2b2ef4841cd6639c/61aed77b9cf4e8a8c96f8e65_ARF%20AIB%20Report%20Illegal%20Betting%20Growth%20During%20the%20COVID-19%20Pandemic_May%202021.pdf) accessed 7 September 2022)

120 'The Displacement of Illegal Betting and Transnational Organised Crime', Martin Purbrick, Asian Racing Federation, 31 January 2023 (<https://www.asianracing.org/email/202301qb-the-displacement-of-illegal-betting-and-transnational-organised-crime> accessed 13 April 2023)

### 3. How human trafficking in Asia is linked to illegal betting

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The vast unmet demand for gambling in Asia has for decades encouraged entrepreneurs (often linked to organised crime) and regional governments (often vulnerable to corruption) to seek to profit from this demand. Online betting supercharged this, often with major negative externalities for societies involved.

According to the United Nations in 2019, there were 230 licensed casinos across Southeast Asia. This number had greatly increased in the previous five years due to the displacement from Macau and elsewhere, and did not include unlicensed operations.<sup>121</sup>

These casinos also typically offer online betting including sports betting and live-streaming of casino gambling. Online operations are far more lucrative than the land-based casinos on which licences supposedly are based – which makes intuitive sense given the addressable market online is orders of magnitude larger than the number of individuals who can physically travel to visit casinos.

Many casinos, the UN notes, are located in so-called Free Trade or Special Economic Zones (SEZs), often in areas where government authority is challenged by criminal influence; some of these SEZs and their casinos have become key nodes in the illicit trade of drugs, trafficking of illicit goods and laundering of organised crime revenues.

And because the same criminal groups who run the casinos are involved in drug trafficking and other criminal activity, these barely-regulated betting operations provide the perfect means to move, disguise, and legitimise proceeds of crime.<sup>122</sup>

Since that report<sup>123</sup> was published, the number of such casinos is estimated at 340,<sup>124</sup> and organised human trafficking can be added to that list of negative impacts.<sup>125</sup>

For the past c.15 years, there has been a huge demand for workers, especially Chinese speakers, to serve the gambling operators, both in casinos themselves, but also in contact centres hosting customer support and sales and recruitment teams, which also promote online illegal betting websites and sign customers. These individuals mockingly refer to themselves as “spinach farmers”, as ‘spinach’ (菠) sounds similar to ‘gambling’ (博) in Mandarin.

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121 UNODC, ‘Transnational Organized Crime in Southeast Asia: Evolution, Growth and Impact’, UNODC Research, 2019 ([https://www.unodc.org/roseap/uploads/documents/Publications/2019/SEA\\_TOCTA\\_2019\\_web.pdf](https://www.unodc.org/roseap/uploads/documents/Publications/2019/SEA_TOCTA_2019_web.pdf) accessed 13 April 2023)

122 Zsombor Peter, ‘UN Warns of Growing Criminal Threat from Mekong Region Casinos, SEZs’, Voice of America, 25 September 2022 (<https://www.voanews.com/a/un-warns-of-growing-criminal-threat-from-mekong-region-casinos-sezs/6762228.html> accessed 16 November 2022)

123 Ibid footnote 37

124 Ibid footnote 38.

125 Priscilla A. Clapp and Jason Tower, ‘Myanmar’s Criminal Zones: A Growing Threat to Global Security’, United States Institute of Peace, 9 November 2022 (<https://www.usip.org/publications/2022/11/myanmars-criminal-zones-growing-threat-global-security> accessed 16 November 2022)

Kidnappings and trafficking have been linked to the Asian gambling industry for decades, but mostly as an adjunct: ransoming individuals to pay gambling debts; providing sex workers for the mostly male teams of 'spinach farmers'; importing undocumented workers, for example.

Since around 2019, there has been a surge in transnational organised human trafficking linked to gambling compounds across Southeast Asia – while at the same time operators have complemented online betting with online scams in their business model.

The reasons for the growth in human trafficking include China's crackdown on cross-border gambling pre-pandemic, increased regulatory attention on Macau junket operators, the expansion of operators across Southeast Asia, and then the shutdown of travel from China for three years during the pandemic.

China's crackdown on cross-border gambling pre-pandemic had already seen exit visas for jurisdictions known to be harbouring online betting operators (Cambodia, Philippines, Myanmar, e.g.) to be heavily restricted,<sup>126 127</sup> tightening the supply of workers necessary to promote online betting websites, recruit customers, and serve as dealers and other staff in land-based operations.

Coupled with increasing law enforcement and geopolitical focus from China on online betting, operators began expanding existing or developing new business lines such as so-called pig-butcher and romance scams, crypto Ponzi schemes, and other cyber-fraud.

These were complementary business lines to online betting, requiring similar skills and technologies, such as distributed online infrastructure, proprietary cryptocurrency exchanges and payment apps, social media promotion, targeted customer relationship building and recruitment through messaging apps. They could also use existing physical infrastructure built to support online betting – the large-scale self-contained compounds with dormitories, call centres, restaurants, supermarkets and more.

The pandemic massively accelerated these developments because travel restrictions, particularly from China, cut off the supply of the core customer market to operators' land-based casinos, but even more importantly the supply of workers. Yet at the same time, demand for online entertainment, including betting<sup>128 129</sup> and also online social interaction of the type exploited by scams, surged.

126 'How China's Crackdown on Illegal Betting Impacts Global Betting Markets', Asian Racing Federation, 1 September 2021, p.6, 10 ([https://assets-global.website-files.com/5f8e2bde2b2ef4841cd6639c/61aed489a8a2fec2117b1184\\_How%20China%27s%20Crackdown%20on%20Illegal%20Betting%20Impacts%20Global%20Betting%20Markets\\_final\\_new%20cover.pdf](https://assets-global.website-files.com/5f8e2bde2b2ef4841cd6639c/61aed489a8a2fec2117b1184_How%20China%27s%20Crackdown%20on%20Illegal%20Betting%20Impacts%20Global%20Betting%20Markets_final_new%20cover.pdf) accessed 8 September 2022)

127 James Porteous, 'Notable recent Asian illegal betting cases and typologies - Bulletin of the ARF Council on Anti-Illegal Betting & Related Financial Crime October 2022', Asian Racing Federation, October 2022, p.18 ([https://assets-global.website-files.com/5f8e2bde2b2ef4841cd6639c/63560668509457073b7f6791\\_October%20Bulletin\\_final.pdf](https://assets-global.website-files.com/5f8e2bde2b2ef4841cd6639c/63560668509457073b7f6791_October%20Bulletin_final.pdf) accessed 9 December 2022)

128 'A Report of Illegal Betting Growth During the COVID-19 Pandemic', Asian Racing Federation, 1 May 2021, p.4, 5, 7, 12, ([https://assets-global.website-files.com/5f8e2bde2b2ef4841cd6639c/61aed77b9cf4e8a8c96f8e65\\_ARF%20AIB%20Report%20Illegal%20Betting%20Growth%20During%20the%20COVID-19%20Pandemic\\_May%202021.pdf](https://assets-global.website-files.com/5f8e2bde2b2ef4841cd6639c/61aed77b9cf4e8a8c96f8e65_ARF%20AIB%20Report%20Illegal%20Betting%20Growth%20During%20the%20COVID-19%20Pandemic_May%202021.pdf) accessed 7 September 2022)

129 'State of Illegal Betting Report', Asian Facing Federation, 18 May 2022, p.57 ([https://assets-global.website-files.com/5f8e2bde2b2ef4841cd6639c/62844a249c7d1e17ec718f02\\_State-of-Illegal-Betting-2022\\_v11-RGB-opt.pdf](https://assets-global.website-files.com/5f8e2bde2b2ef4841cd6639c/62844a249c7d1e17ec718f02_State-of-Illegal-Betting-2022_v11-RGB-opt.pdf) accessed 8 September 2022)

*"While governments in the region were preoccupied with vaccine roll-outs, border closures and quarantines, major [crime] syndicates running casinos adapted. They established user-friendly websites and smartphone apps, integrated sophisticated information and blockchain technology, and jumped on board with cryptocurrency trading and fourth-party payment providers to facilitate and obfuscate cross-border payments. And they [did] it at a pace most private companies would envy."<sup>130</sup>*

**- Jeremy Douglas, United Nations Office on Drugs and Crime,  
August 2022**

The huge demand for workers led to recruitment via fake job advertisements and even the snatching of Chinese speakers off the streets. There is increasing evidence of other nationalities also being trafficked to target customers across the globe, likely as recruitment tactics became better known in China and as operators began targeted victims across the globe.

For example, in June 2023, INTERPOL took the rare step of issuing a global warning that human trafficking fuelled fraud "is escalating rapidly, taking on a new global dimension, and that the crime trend is likely much more entrenched than previously thought" and represents "a serious and imminent threat to public safety".<sup>131</sup>

INTERPOL noted that while initial human trafficking victims were Chinese-speaking, drawn from China, Malaysia, Thailand or Singapore, victims have since been trafficked to the region from as far afield as South America, East Africa and Western Europe. "What began as a regional crime threat has become a global human trafficking crisis," said Jürgen Stock, INTERPOL Secretary General.<sup>132</sup> Victims report similar experiences: applying for jobs in response to advertisements which turn out be fake, having their passports confiscated, being forced to work scamming victims / recruiting online betting customers, and being punished with physical, mental and even sexual torture for failing to meet targets. 'Workers' are essentially enslaved: they are held against their will and must pay ransoms to be released, and are sold or traded between operators.<sup>133</sup>

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130 Jeremy Douglas, 'How Covid-19 pandemic forced Southeast Asia's casino criminals to be on tech – and win', South China Morning Post, 7 August 2022 (<https://www.scmp.com/comment/opinion/asia/article/3187800/how-covid-19-pandemic-forced-southeast-asias-casino-criminals> accessed 14 December 2022)

131 INTERPOL issues global warning on human trafficking-fueled fraud, 7 June 2023, (<https://www.interpol.int/en/News-and-Events/News/2023/INTERPOL-issues-global-warning-on-human-trafficking-fueled-fraud>)

132 *ibid*

133 Zsombor Peter, 'UN Warns of Growing Criminal Threat from Mekong Region Casinos, SEZs', Voice of America, 25 September 2022 (<https://www.voanws.com/a/un-warns-of-growing-criminal-threat-from-mekong-region-casinos-sezs/6762228.html> accessed 16 November 2022)

The issue has become so large, that several foreign embassies have warned citizens of travel to such regions, and consulates and international bodies have directly criticised certain jurisdictions for seemingly turning a blind eye. Unfortunately, recent global attention appears only to have further displaced such activity into even less well-regulated jurisdictions. The following section outlines some common modes of operations and key actors involved.

## 4. Regional examples and case studies

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This section highlights examples of trafficking linked to the Asian illegal betting industry broadly following the displacement of the industry from the Philippines to Myanmar described above. The intent is not to cover every part of Asia: similar operations exist in Thailand<sup>134</sup> and Vietnam, for example, but are not covered here.

### The Philippines

The Philippines has been involved since 2003 in issuing licences for online gambling in SEZs, and in 2016 former Philippines President Rodrigo DUTERTE consolidated this under his own office via state gambling regulator PAGCOR.<sup>135</sup> It should be noted that these licences do not confer any legality in the core target markets across Asia of such 'licensed operators'.

PAGCOR licences online sports and casino betting operators known as Philippine Offshore Gaming Operators (POGOs), and hundreds of associated technology and business process outsourcing<sup>136</sup> companies which support operations.<sup>137</sup> PAGCOR also operates its own casinos and online betting, which some highlight as a conflict of interest. Some POGO licensees are also Macau junket operators – Suncity's massive illegal online betting operations were POGO-licensed for example.

The liberalisation of gambling benefited some sectors in the Philippines such as commercial real estate owners, but some believe the costs have outweighed the benefits, not least in terms of criminality. There have been repeated calls from some politicians to shut down the offshore betting industry, most recently in 2023.

The Philippines' own Anti-Money Laundering Council has estimated that about a quarter of transactions related to POGOs were linked to suspicious activities,<sup>138</sup> while for years billions a year in tax revenue has reportedly not been paid by operators.<sup>139</sup>

In 2019, the last normal year of operations pre-pandemic, the government collected the equivalent of USD 154 million from POGO operations,<sup>140</sup> a sum viewed as relatively paltry by some officials and politicians given the massive turnover of such operations (recall Suncity's annual turnover in Mainland China alone was USD 145 billion), and the costs in terms of criminality, corruption and vice.

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134 'China's triads and corrupt Thai cops undermined national security', ThaiPBS World, 13 March 2023 (<https://www.thaipbsworld.com/chinas-triads-and-corrupt-thai-cops-undermined-national-security/> accessed 13 April 2023)

135 Martin Purbrick, 'The Displacement of Illegal Betting and Transnational Organised Crime', Asian Racing Federation, February 2023 (<https://www.asianracing.org/email/202301qb-the-displacement-of-illegal-betting-and-transnational-organised-crime> accessed 25 April 2023)

136 i.e. Call centres, customer support, accounting, etc. This is a major industry in the Philippines, providing cheap labour to overseas companies.

137 'What are POGOs and who is allowed to play on them?', Focus Gaming News, 31 March 2021 (<https://focusgn.com/asia-pacific/what-are-pogos-and-who-is-allowed-to-play-on-them> accessed 15 December 2022)

138 Republic of the Philippines Anti-Money Laundering Council announcement, 11 February 2020 (<http://www.amlc.gov.ph/16-news-and-announcements/202-statement-on-philippine-offshore-gaming-operators-pogos>)

139 Alexander B. Cabrera, 'Is P200 billion in taxes yearly leaking from POGOs?', PWC Philippines, 14 June 2020 (<https://www.pwc.com/ph/en/as-easy-as-abc/column/is-php200bn-in-taxes-yearly-leaking-from-pogos.html> accessed 21 April 2023)

140 'Philippines rejects China's call to ban online gambling', Inside Asian Gaming, 6 September 2019 (<https://www.asgam.com/index.php/2019/09/06/philippines-rejects-chinas-call-to-ban-online-gambling/> accessed 19 December 2022)

There were 35<sup>141</sup> licensed POGOs as of March 2023, down almost 50% from pre-pandemic<sup>142</sup> levels, but also reportedly at least 175<sup>143</sup> unlicensed ones. Both are typically referred to as POGOs in the Philippines, and both have the same business model: promoting online betting to customers in jurisdictions where it is illegal. Unlicensed operators rely solely on illegal workers and pay zero tax, while many licensed operators rely primarily on illegal workers and might pay some tax if unavoidable.

According to a Philippines Senate inquiry, from 2017 to 2020 there were 4 million visitors to the country from China, a marked increase compared to the pre-POGOs norm<sup>144</sup>, with the inquiry arguing that these were clearly not tourists, but online betting staff illegally working on tourist visas<sup>145</sup> thanks to systemic corruption of the immigration process by organised crime.<sup>146 147</sup> As recently as September 2022,<sup>148</sup> 40,000 illegal Chinese online betting workers were deported, despite the relative slowdown of the local industry because of the pandemic.

Most of the hundreds of thousands of “spinach farmers” come willingly, but some have been subject to modern slavery-like conditions, even in the licensed sector.

In 2018, Mainland Chinese news outlets reported that thousands of POGO workers in one operation were in modern slavery-like conditions, with their passports seized, one day off per month, housed up to a dozen per room,<sup>149</sup> and hit with exorbitant fines or even beatings for failing to meet targets, or taking breaks longer than 30 minutes. The specific operator referred to in this report denied the allegations, continues to be licensed, and supplies its gambling software to many thousands of illegal betting websites.<sup>150</sup>

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141 'List of Offshore Gaming Licensees', The Philippine Amusement and Gaming Corporation (PAGCOR), 31 March 2023 (<https://www.pagcor.ph/regulatory/pdf/offshore/List-of-Approved-Philippine-Offshore-Gaming-Operators.pdf> )

142 In November 2019 the number was 60

143 Joyce Balancio, 'DOJ says shutdown ordered of 175 POGOs linked to crimes', ABS-CBN News, 26 September 2022 (<https://news.abs-cbn.com/business/09/26/22/175-pogos-linked-to-crimes-ordered-shut-says-doj> accessed 13 April 2023)

144 Senate of the Philippines press release, October 20, 2020 ([https://legacy.senate.gov.ph/press\\_release/2020/1020\\_hontiveros4.asp](https://legacy.senate.gov.ph/press_release/2020/1020_hontiveros4.asp))

145 Michael Abad, 'Magkano at hanggang kanino?': Hontiveros reveals bribery in entry of POGO workers', The Rappler, 17 February 2020 (<https://www.rappler.com/nation/252003-hontiveros-reveals-bribery-entry-pogo-workers/> accessed 19 December 2022)

146 Michael Abad, 'LOOK: How syndicates, airport officials split P10,000 bribe from POGO workers', The Rappler, 17 February 2020 (<https://www.rappler.com/nation/252049-how-syndicates-airport-officials-split-bribe-pogo-workers/> accessed 19 December 2022)

147 Paolo Romero, 'POGOs abet human trafficking - Ang-See', Philstar, 13 February 2020 (<https://www.philstar.com/headlines/2020/02/13/1992779/pogos-abet-human-trafficking-ang-see> accessed 15 December 2022)

148 'Philippines to deport 40,000 Chinese workers in online gaming crackdown', ABS-CBN News, 27 September 2022 (<https://news.abs-cbn.com/news/09/27/22/ph-to-deport-40000-chinese-workers-in-gambling-crackdown> accessed 13 April 2023)

149 Chenyu Liang, 'Report: Chinese in Philippines Forced to Work in Gambling Dens', Sixth Tone, 15 August 2018 (<https://www.sixthtone.com/news/1002760> accessed 13 April 2023)

150 Chenyu Liang, 'Report: Chinese in Philippines Forced to Work in Gambling Dens', Sixth Tone, 15 August 2018 (<https://www.sixthtone.com/news/1002760> accessed 13 April 2023)

In 2023, PAGCOR cancelled the accreditation of an entire POGO complex in a special economic zone housing multiple operations as well as a casino over alleged criminal activities such as cryptocurrency investment scams, illegal detention and human trafficking activities. The POGO licence of the main service provider was also revoked for illegal activity.<sup>151</sup> Over 1,000 human trafficking victims were rescued from the property from China, Hong Kong, Indonesia, Malaysia, Myanmar, Nepal, Taiwan, Thailand and Vietnam.<sup>152</sup>

While there is some visibility and public attention on licensed POGOs, there is little on operators licensed in SEZs far from the capital, and zero on unlicensed operations. Given licensed operators such as the above have been accused of human trafficking, it may be assumed that the situation is worse among the unlicensed – in 2016, 1,300 individuals were rescued from one such operation.<sup>153</sup> The gambling industry also became notorious for kidnappings, with 80 victims abducted (31 involving POGOs,<sup>154</sup> the rest land-based casinos) from c. 2017 to 2020.<sup>155</sup>

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151 Ben Blaschke, 'PAGCOR cancels accreditation of entire Sun Valley Clark POGO hub', Inside Asian Gaming, 31 May 2023 (<https://www.asgam.com/index.php/2023/05/31/pagcor-cancels-accreditation-of-entire-sun-valley-clark-pogo-hub/> accessed 9 June 2023)

152 Kelsey Wilhelm, 'PAGCOR cancels CGC Tech POGO license and ends Sun Valley Clark hub', Asia Gaming Brief, 30 May 2023 (<https://agbrief.com/news/philippines/30/05/2023/pagcor-cancels-cgc-tech-pogo-license-and-ends-sun-valley-clark-hub/> accessed June 9 2023)

153 'Philippines detains hundreds of Chinese in casino raid', Rappler, 29 November 2016 (<https://www.rappler.com/nation/153998-philippines-detain-chinese-casino-raid/> accessed 13 April 2023)

154 Sheila Crisostomo, 'POGO Piracy War Behind 'Fake' Kidnap Claims', One News, 29 September 2022 (<https://www.onenews.ph/articles/pogo-piracy-war-behind-fake-kidnap-claims> accessed 16 December 2022)

155 Katrina Domingo, 'POGO workers' influx to PH 'directly' linked to rise in criminality – police', ABS-CBN, 5 March 2020 (<https://news.abs-cbn.com/news/03/05/20/senate-hearing-on-pogos-police-count-215-victims-of-crimes-related-to-offshore-gaming> accessed 19 December 2022)



### *Case study –sex trafficking, forced labour and corruption in POGOs*

A Philippines Senate committee report<sup>156</sup> in 2022 highlighted organised trafficking of women to serve as sex workers catering to POGOs, forced labour, and systematic corruption of Philippines immigration officials. The two-year probe said it saw “a clear link” between the POGO industry and sex trafficking.

It found that in 2019, 199 women were rescued from prostitution, including one minor,<sup>157</sup> the majority of whose clientele were POGO employees.<sup>158</sup> Police officials,<sup>159</sup> politicians,<sup>160</sup> non-governmental organisations,<sup>161</sup> and the Senate concluded that the rise in sex trafficking was directly linked to POGOs.<sup>162</sup>

The inquiry also found forced labour, citing the example of a Taiwanese woman recruited to work for a non-existent advertising company, who arrived on a tourist visa and had her passport taken away. She was moved to an online betting company, whose bosses sexually assaulted her and threatened her with supposed connections to a close associate of President DUTERTE (there is no information to suggest such claims were true).<sup>163</sup>

The Senate report also details claims of systemic corruption of immigration officials, who allegedly received daily lists from superiors of visitors to be let into the country without the usual checks. The price to POGOs was 10,000 pesos (~USD 180) per head.

156 "A Resolution Urging The Senate Committee On Women, Children And Family Relations And Gender Equality To Conduct An Investigation In Aid Of Legislation On The Recent Rescues Of Sexual Trafficking Victims And Probe Into The Prostitution Rings In The Country And To Examine The Circumstances That Push Women To Work Under Exploitative Conditions With The End In View Of Crafting Legislation And Policies That Will Address The Root Cause That Drove These Women Into Employment That Does Not Respect And Fully Utilize Their Potential" ([https://Legacy.Senate.Gov/Ph/Lisdata/3716233512!.Pdf](https://legacy.senate.gov/Ph/Lisdata/3716233512!.Pdf) Accessed 14 April 2023)

157 Katrina Domingo, 'POGO workers' influx to PH 'directly' linked to rise in criminality – police', ABS-CBN, 5 March 2020 (<https://news.abs-cbn.com/news/03/05/20/senate-hearing-on-pogos-police-count-215-victims-of-crimes-related-to-offshore-gaming> accessed 19 December 2022)

158 Nosa Omoigui, 'Phillipine report finds “clear link” between POGOs and human trafficking', iGB, 1 February 2022 (<https://igamingbusiness.com/legal-compliance/legal/phillipine-report-finds-clear-link-between-pogos-and-human-trafficking/> accessed 15 December 2022)

159 Katrina Domingo, 'POGO workers' influx to PH 'directly' linked to rise in criminality – police', ABS-CBN, 5 March 2020 (<https://news.abs-cbn.com/news/03/05/20/senate-hearing-on-pogos-police-count-215-victims-of-crimes-related-to-offshore-gaming> accessed 19 December 2022)

160 Janella Paris, 'Hontiveros sees link between influx of POGO workers, rise of sex trafficking in Manila', Rappler, 28 January 2020 (<https://www.rappler.com/nation/250444-hontiveros-sees-link-influx-pogo-workers-sex-trafficking/> accessed 19 December 2022)

161 Ratziel San Juan, 'Rise in sex trafficking coincides with POGO boom — NGO', Phil Star, 28 January 2020 (<https://www.philstar.com/headlines/2020/01/28/1988474/rise-sex-trafficking-coincides-pogo-boom-ngo> accessed 19 December 2022)

162 Nosa Omoigui, 'Phillipine report finds “clear link” between POGOs and human trafficking', iGB, 1 February 2022 (<https://igamingbusiness.com/legal-compliance/legal/phillipine-report-finds-clear-link-between-pogos-and-human-trafficking/> accessed 15 December 2022)

163 Katrina Domingo, 'Taiwanese POGO worker cries trafficking, tags 'protector' in gov't', ABS-CBN News, 12 February 2020 (<https://news.abs-cbn.com/news/02/12/20/taiwanese-pogo-worker-cries-trafficking-tags-protector-in-govt> accessed 13 April 2023)

China has blamed Philippines-based online illegal betting operations for causing huge capital outflows from China,<sup>164</sup> and in late 2019 called on the Philippines to issue a blanket ban on online gambling.<sup>165</sup> This was rejected,<sup>166</sup> but had a chilling effect, with PAGCOR suspending issuance of new licenses and ordering a review of POGO operations.<sup>167</sup>

The build-up of local and international political pressure, coupled with somewhat more vigorous oversight from PAGCOR, pushed some groups to expand / diversify into other Southeast Asian jurisdictions.<sup>168 169</sup>

As the industry tries to return to its pre-pandemic norm, there have been signs of a return of criminality. There were 17 POGO-related kidnapping cases from January to September in 2022,<sup>170</sup> a report of a group of Vietnamese women being sex trafficked to serve POGO employees.<sup>171</sup>

Many believe that the Philippines is on China's gambling travel blacklist, although the Chinese consulate in Manila denies this.<sup>172</sup> It does appear as if travel restrictions may be constricting supply of workers and leading to similar trafficking modus operandi as elsewhere.

In two incidents<sup>173</sup> in September 2022, for example, 162 people including Chinese, Malaysians, Vietnamese and Filipinos were rescued after having been forced to work in two online betting operations, one a licensed POGO and one unlicensed (underlining that there is sometimes little difference in such operations); in the former report, workers had also been forced to engage in online investment scams. The May 2023 case mentioned above is another example.

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164 'China threat to crackdown on Philippines gaming industry "could be a positive for Macau"', Inside Asian Gaming, 11 August 2019 (<https://www.asgam.com/index.php/2019/08/11/china-threat-to-crackdown-on-philippines-gaming-industry-could-be-a-positive-for-macau/> accessed 19 December 2022)

165 'Philippines rejects China's call to ban online gambling', Inside Asian Gaming, 6 September 2019 (<https://www.asgam.com/index.php/2019/09/06/philippines-rejects-chinas-call-to-ban-online-gambling/> accessed 19 December 2022)

166 'Philippines rejects China's call to ban online gambling', Inside Asian Gaming, 6 September 2019 (<https://www.asgam.com/index.php/2019/09/06/philippines-rejects-chinas-call-to-ban-online-gambling/> accessed 19 December 2022)

167 Muhammad Cohen, 'Online outage', Inside Asian Gaming, 1 October 2019 (<https://www.asgam.com/index.php/2019/10/01/online-outage/> accessed 19 December 2022)

168 Martin Purbrick, 'The Displacement of Illegal Betting and Transnational Organised Crime', Asian Racing Federation Quarterly Bulletin, February 2023 (<https://www.asianracing.org/email/202301qb-the-displacement-of-illegal-betting-and-transnational-organised-crime>)

169 Kelsey Wilhelm, 'PAGCOR head says POGOs left country for Cambodia, Vietnam and Laos', Asia Gaming Brief, 27 August 2021 (<https://agbrief.com/news/philippines/27/08/2021/pagcor-head-says-pogos-left-country-for-cambodia-vietnam-and-laos/> accessed 20 December 2022)

170 Kurt Dela Peña, "'Burning the house to kill the rat?": Lawmakers weigh Pogo pros, cons', Inquirer.net, 5 October 2022 (<https://newsinfo.inquirer.net/1675622/burning-the-house-to-kill-the-rat-lawmakers-weigh-pogo-pros-cons> accessed 15 December 2022)

171 '5 Vietnamese women victims of alleged sex trafficking rescued; Chinese suspect arrested', PLN Media, 30 November 2022 (<https://plnmedia.com/5-vietnamese-sex-trafficking-rescued-chinese-arrested/> accessed 19 December 2022)

172 Jauhn Etienne Villaruel, 'Zubiri on Chinese embassy's remark on blacklist issue: 'Misinformation' tag is incorrect', ABS-CBN News, 12 October 2022 (<https://news.abs-cbn.com/news/10/12/22/as-china-denies-blacklisting-ph-zubiri-says-maybe-lost-in-translation> accessed 13 April 2023)

173 Ben Blaschke, 'PAGCOR shuts down two POGOS as 140 more foreign workers rescued from detainment', Inside Asian Gaming, 19 September 2022 (<https://www.asgam.com/index.php/2022/09/19/pagcor-shuts-down-two-pogos-as-140-more-foreign-workers-rescued-from-detainment/> accessed 24 April 2023)

As of Q1 2023,<sup>174</sup> the Philippines Senate Ways and Means Committee was investigating the implementation of Philippines laws, including taxes collected, in connection to the POGOs industry. As part of this investigation, PAGCOR, the gambling regulator, terminated its relationship<sup>175</sup> with its accountant responsible for assessing tax owed, after evidence that the auditor was unfit for purpose and had been awarded its PHP 6 billion (USD 110 million) contract in 2017 at least in part through fraud.<sup>176</sup>

Finally, there is increasing evidence that Filipinos are being targeted by traffickers in other Asian countries to work in gambling compounds. Filipinos are especially attractive because they do not need visas to enter ASEAN countries and often have excellent English and Chinese ability.<sup>177</sup>

Two hundred Filipinos have been rescued from Mekong-region casinos run by organised crime, according to the Philippines government,<sup>178</sup> with fears many more may still be trapped. Again, the reports point to systemic corruption in the immigration department, only this time in the other direction, with potential recruits instructed to exit via a specific booth at a particular airport – it may be assumed that some of the same organisations so successful at trafficking illegal workers into the Philippines are now employing similar networks and corruption techniques to traffic workers out.<sup>179</sup>

In March 2023, a Philippines senator called for the complete and permanent shutdown of the POGOs industry because of such issues,<sup>180</sup> calls which were reiterated in May 2023 in the wake of the trafficking case mentioned above.

174 'Senate resumes hearing on POGOs; Gatchalian to dig deeper into implementation of laws', Senate of the Philippines, 23 January 2023 ([https://legacy.senate.gov.ph/press\\_release/2023/0123\\_gatchalian1.asp](https://legacy.senate.gov.ph/press_release/2023/0123_gatchalian1.asp) accessed 13 April 2023)

175 'Press statement on GLOBAL COMRCI Notice of Termination', The Philippine Amusement and Gaming Corporation (PAGCOR), 9 March 2023 (<https://www.pagcor.ph/press-releases/press-statement-on-global-comrci-notice-of-termination.php> accessed 13 April 2023)

176 Hannah Torregoza, 'Gatchalian: Senate to pursue probe on POGOs despite termination of PAGCOR, third party auditor contract', Manila Bulletin, 12 March 2023 (<https://mb.com.ph/2023/3/12/gatchalian-senate-to-pursue-probe-on-pog-os-amid-termination-of-pagcor-third-party-auditor-contract> accessed 13 April 2023)

177 Raissa Robles, 'English-speaking Filipinos tricked into working at Chinese-run crypto scams: whistle-blowers', South China Morning Post, 2 February 2023 (<https://www.scmp.com/week-asia/people/article/3208905/english-speaking-filipinos-tricked-working-chinese-run-crypto-scams-whistle-blowers> accessed 13 April 2023)

178 'Press statement on GLOBAL COMRCI Notice of Termination', The Philippine Amusement and Gaming Corporation (PAGCOR), 9 March 2023 (<https://www.pagcor.ph/press-releases/press-statement-on-global-comrci-notice-of-termination.php> accessed 13 April 2023)

179 Raissa Robles, 'English-speaking Filipinos tricked into working at Chinese-run crypto scams: whistle-blowers', South China Morning Post, 2 February 2023 (<https://www.scmp.com/week-asia/people/article/3208905/english-speaking-filipinos-tricked-working-chinese-run-crypto-scams-whistle-blowers> accessed 13 April 2023)

180 Newsdesk, 'Push for immediate ban on POGOs gains momentum', Inside Asian Gaming, 27 March 2023 (<https://www.asgam.com/index.php/2023/03/27/push-for-immediate-ban-on-pogogs-gains-momentum/> accessed 13 April 2023)

## Cambodia

Cambodia has become an epicentre for trafficking linked to organised-crime run online betting and cyberscams, although in late 2022 authorities finally took some action, perhaps prompted by global media coverage.

Beginning in around 2016<sup>181</sup> and accelerating in 2018,<sup>182</sup> organised crime groups operating online betting began relocating/expanding to Cambodia from the Philippines.

The SEZ of Sihanoukville was an extremely popular (but not the only) location<sup>183</sup> because casino licences were easy to obtain and taxation was low. This transformed the beachside town,<sup>184</sup> and by early 2019, there were close to 100 casinos,<sup>185</sup> huge, often poorly regulated construction projects, and a massive influx of mostly Chinese people,<sup>186 187</sup> 500,000 at the peak according to one report.<sup>188 189</sup>

The Cambodia licence in theory is for land-based casinos, but operators typically also operate online betting and/or provide technical and customer support for betting websites in large self-contained compounds. Several are run by people convicted of illegal betting in China, who have close ties to Cambodian elites (examples below).

With casinos and online betting came the same sort of negative impacts as discussed in relation to Philippines: kidnappings, debt bondage, trafficking of workers, and ancillary violence / prostitution and other criminality. Cambodia's 2019 decision to suddenly declare online betting illegal (under pressure from China), followed by the impact of COVID, radically altered industry dynamics.

The ban was perfunctory and short-lived at best, but drove activity at least temporarily underground; betting operators used their staff and infrastructure to pivot to / expand cyber scams.<sup>190 191</sup> This became so profitable that more and more workers were required which were difficult to obtain because of pandemic-related travel restrictions.

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181 Martin Purbrick, 'The Displacement of Illegal Betting and Transnational Organised Crime', Asian Racing Federation Quarterly Bulletin, February 2023 (<https://www.asianracing.org/email/202301qb-the-displacement-of-illegal-betting-and-transnational-organised-crime>)

182 'South-East Asia is sprouting Chinese enclaves', The Economist, 30 January 2020 (<https://www.economist.com/asia/2020/01/30/south-east-asia-is-sprouting-chinese-enclaves> accessed 14 April 2023)

183 Sihanoukville is a city in the Preah Sihanouk Province in Cambodia but media has also used 'Sihanoukville' to refer to the province.

184 Julie Zaugg, 'How Cambodia's backpacker haven became a Chinese casino mecca', CNN, 4 October 2019 (<https://edition.cnn.com/2019/10/04/asia/cambodia-chinese-investment-intl-hnk/index.html> accessed 20 December 2022)

185 Daryl Lim, 'The revival of Sihanoukville, Cambodia's "Gold Rush" city', Think China, 18 July 2022 (<https://www.thinkchina.sg/revival-sihanoukville-cambodias-gold-rush-city> accessed 19 December 2022)

186 Lan Hui, 'Sihanoukville eyes a bright future to become "Shenzhen of Cambodia"', Global Times, 24 February 2020 (<https://www.globaltimes.cn/content/1180622.shtml> accessed 20 December 2022)

187 Amanda Gore, Lindsey Kennedy, Nathan Southern, Daan van Uhm, 'ASIAN ROULETTE Criminogenic casinos and illicit trade in environmental commodities in South East Asia', Global Initiative against Transnational Organized Crime, July 2022 (<https://globalinitiative.net/wp-content/uploads/2022/08/GITOC-APA-Obs-Asian-roulette-Criminogenic-casinos-and-illicit-trade-in-environmental-commodities-in-South-East-Asia.pdf> accessed 14 April 2023)

188 Hannah Ellis-Petersen, 'No Cambodia left': how Chinese money is changing Sihanoukville', The Guardian, 31 July 2018 (<https://www.theguardian.com/cities/2018/jul/31/no-cambodia-left-chinese-money-changing-sihanoukville> accessed 14 April 2023)

189 Yuebing Gu, '逃离柬埔寨“网赌之城”', Sina News, 17 February 2023 (<https://web.archive.org/web/20220319180052/https://news.sina.com.cn/c/2022-02-17/doc-ikyakumy6420297.shtml> accessed 14 April 2023)

190 'Report claims 63 Sihanoukville casinos have closed down or temporarily suspended staff in 2020', Inside Asian Gaming, 8 October 2020 (<https://www.asgam.com/index.php/2020/10/08/report-claims-63-sihanoukville-casinos-have-closed-down-or-temporarily-suspended-staff-in-2020/> accessed 14 November 2022)

191 Enno Hinz, 'Cambodia: Human trafficking crisis driven by cyberscams', Deutsche Welle, 12 September 2022 (<https://www.dw.com/en/cambodia-human-trafficking-crisis-driven-by-cyberscams/a-63092938> accessed 14 November 2022)

Around 2021, the scale of trafficking and modern slavery to serve these operations started to become apparent from news reports, first in Chinese then in global media. A lurid example was the claim that a man in one compound was held prisoner to harvest his blood.<sup>192 193</sup> This was denied by authorities although one month later Thai police described a separate similar case involving a Thai victim who had escaped.<sup>194</sup>

Again, Cambodian authorities denied that claim, but regardless, the shocking nature of the claims drew international attention, and the sheer volume of victim testimony of trafficking and enslavement became too much for local authorities to ignore. Officials admit as many as 100,000 people may have been involved in illegal betting.

#### *Case Study: Sihanoukville's China Project*

*(Note: this section draws heavily on investigative work at cyberscammonitor.net)*

An area of Sihanoukville named Otres is home to sprawling casino compounds mainly staffed by Chinese people, which has led to the district being labelled Chinatown or 'the China Project' locally. The area is centred around a massive hotel development known as Golden Sky, flanked by several compounds which have been source of many public reports of trafficking, enslavement and other criminality.<sup>195</sup>

Two, Jinshui (金水), and Kaibo (凱博), are among the most notorious. The walled-off complexes have apartments, offices, supermarkets and other facilities, and are guarded by armed security whose job is to keep people in, according to reports in Chinese state media and elsewhere.

According to victim testimony, staff must work 12 hours a day, six days a week and cannot leave without a ransom. Staff are sold between operators, with ransoms increasing on each occasion. Videos and photographs online in 2021 showed people being physically threatened, beaten with sticks, and struck with electric batons.<sup>196</sup>

Among the duties of staff are to support operations for betting websites, including according to reports, Yabo Sports (亞博体育) (which some believe is the biggest illegal betting operation targeting Greater China), BOB Sports and Boya Group (博雅集), also known as KOK Sports (KOK 体育).<sup>197</sup>

192 Mech Dara, Cindy Liu, 'Trafficking Victim Alleges His Blood Was Harvested in Sihanoukville', VOD, 17 February 2023 (<https://vodenglish.news/trafficking-victim-alleges-his-blood-was-harvested-in-sihanoukville/> accessed 14 April 2023)

193 Mech Dara, Danielle Keeton-Olsen, 'Crimes in Shadows: Sihanoukville's Grisly Reports, Pressure on Journalists', VOD, 11 March 2023 (<https://vodenglish.news/crimes-in-shadows-sihanoukville-grisly-reports-pressure-on-journalists/> accessed 14 April 2023)

194 Mech Dara, 'Thai Police Tell of Another 'Blood Slave' Case in Cambodia', VOD, 11 March 2023 (<https://vodenglish.news/crimes-in-shadows-sihanoukville-grisly-reports-pressure-on-journalists/> accessed 14 April 2023)

195 Yuebing Gu, '逃离柬埔寨“网赌之城”', Sina News 17 February 2023 (<https://web.archive.org/web/20220319180052/https://news.sina.com.cn/c/2022-02-17/doc-ikyakumy6420297.shtml> accessed 14 April 2023)

196 Mary Ann Jolley, David Boyle, 'Cambodia's Cyber Slaves', AL JAZEERA, 11 August 2022 (<https://www.aljazeera.com/features/longform/2022/8/11/meet-cambodia-cyber-slaves> accessed 14 April 2023)

197 '淘金者想逃离“中国城”：没人用真名 不赚钱就被骂', Beijing Youth Daily, 2 April 2022 (<https://mrnews.cc/220402/57.html> accessed 14 April 2023)

One report<sup>198</sup> details a mode of operation of the sports betting groups. Operating in teams of 8-10, some co-ordinate with commentators and broadcasters of live sport (presumably on pirate streams) to promote live chat groups marketing betting websites during games. Others act as relationship managers to encourage customers to continue betting and others as direct customer recruitment agents.

Separately,<sup>199</sup> an online post from one individual shows the importance of sports betting: he claims he was held against his will in summer 2021 because the Euro 2020 football championship – a major betting demand driver – was taking place.<sup>200</sup>

As well as online betting, staff promote “pig-butcher” scams and crypto frauds. Reports on these mode of operations describe highly sophisticated technologies involving customised software to output every phone number in a city, and the ability to simultaneously log into 20 to 30 messaging accounts and instantaneously translate messages into victims’ languages.

According to one report, at its peak the Chinatown complex held as many as 12,000 people and depending on the season as many as 8-10,000 people might be in “bonded captivity”,<sup>201</sup> most of whom are Chinese, but also nationals from all over Asia and Africa.

At the heart of the development, is Golden Sun Sky, a massive casino and hotel complex developed by a Chinese property company. The development covers 23 hectares, or 40+ football fields. Media reports<sup>202</sup> claim the chairman of the company developing this casino is also the ultimate owner of some or all of the gambling/scam compounds around it, but the company strenuously denies being involved in illegal activity.<sup>203 204</sup>

Public information does show that this individual has a history of links to betting, as do his associates.

According to the *Beijing Youth Daily*, this individual was involved with Hong Kong investors in casinos in the border regions of Myanmar-Yunnan as early as 1998, which also operated online illegal betting, and was convicted of operating an illegal casino in his hotel in 2007,<sup>205</sup> yet only received a suspended sentence. Chinese court records show he has been linked in at

198 ‘淘金者想逃離「中國城」：沒人用真名 不賺錢就被轟’ Beijing Youth Daily, 2 April 2022 (<https://mrnews.cc/220402/57.html> accessed 14 April 2023)

199 ‘公司哪管你急不急 要走？不僅賠付還要卡 照！’ phhua, 15 June 2021 (<https://bbs.phhua.com/thread-180720-1-1.html> accessed 14 April 2023)

200 ‘公司哪管你急不急 要走？不僅賠付還要卡 照！’ phhua, 15 June 2021 (<https://bbs.phhua.com/thread-180720-1-1.html> accessed 14 April 2023)

201 Husain Haider, ‘Sihanoukville’s dirty secret: Dark rumours and inside information raise questions about The China Project’, Khmer Times, 6 September 2021 (<https://www.khmertimeskh.com/50929672/sihanoukville-dirty-secret-dark-rumours-and-inside-information-raise-questions-about-the-china-project> accessed 14 April 2023)

202 Mary Ann Jolley, David Boyle, ‘Cambodia’s Cyber Slaves’, AL JAZEERA, 11 August 2022 (<https://www.aljazeera.com/features/longform/2022/8/11/meet-cambodia-cyber-slaves> accessed 14 April 2023)

203 ‘Yunnan Jingcheng Group Co., Ltd strongly deny charges of “human trafficking, fraud, cyber fraud”’, Khmer Times, 23 August 2022 (<https://www.khmertimeskh.com/501137150/yunnan-jingcheng-group-co-ltd-strongly-deny-charges-of-human-trafficking-fraud-cyber-fraud/> accessed 14 April 2023)

204 ‘Association Disputes ‘Crime Haven’ Tag as Trafficking Reports Mount’, VOD, 24 August 2022, (<https://vodenglish.news/association-disputes-crime-haven-tag-as-trafficking-reports-mount/> accessed 14 April 2023)

205 Pei Liu, Yinling Lü, ‘暴眼 | “邊境王”帝 垮塌 豪 豹子 牌覆 “云 N11111” 到 “云 N99999”’, ifeng, 16 December 2022 (<https://finance.ifeng.com/c/8LmnPd7ZOuJ> accessed 14 April 2023)

least seven cases<sup>206 207 208 209 210 211 212</sup> involving illegal betting and bribing public officials, yet never prosecuted.<sup>213</sup>

He became a Cambodian citizen in 2014, has been photographed multiple times with Cambodian Prime Minister HUN Sen,<sup>214</sup> and provided a private jet to fly HUN to a United Nations meeting in 2018.<sup>215</sup> He has close ties with family of a late Cambodian senator who are involved in several of the gambling compounds.<sup>216</sup>

Other close associates of these individuals have similar backgrounds. One is Suncity's Alvin CHAU, the imprisoned Macau junket leader mentioned earlier, who in 2018 signed a USD 360 million agreement for Suncity to provide "consultancy and management services" of unknown nature to the Golden Sun Sky casino.<sup>217</sup>

Another was a partner in the above-mentioned Myanmar border casinos<sup>218</sup><sup>219 220 221</sup> and is currently associated with at least two border-town casinos in Cambodia, on the borders with Thailand and Vietnam.<sup>222</sup> These have been subject of many allegations of trafficking and modern-day slavery.<sup>223 224 225</sup>

Born in Guangdong Province, in China, this individual has both Myanmar and Cambodian citizenship<sup>226 227 228</sup> and has been linked to court cases in Mainland China in Hong Kong involving illegal betting out of these casinos. One of which in 2008 was described by Chinese media as (then) the

- 206' 楊躍 貪污受賄案一審刑事判決書', China Judgments Online, 8 October 2020 (<https://cyberscammonitor.net/wp-content/uploads/2022/09/jinshui-Case-001.pdf> accessed 14 April 2023)
- 207' 李某甲等四人開設賭場一案判決書', China Judgments Online, 8 October 2020 (<https://cyberscammonitor.net/wp-content/uploads/2022/09/jinshui-Case-002.pdf> accessed 14 April 2023)
- 208' 孟必光受賄案一審刑事判決書', China Judgments Online, 8 October 2020 (<https://cyberscammonitor.net/wp-content/uploads/2022/09/jinshui-Case-003.pdf> accessed 14 April 2023)
- 209' 尹寧華受賄一審刑事判決書', China Judgments Online, 8 October 2020 (<https://cyberscammonitor.net/wp-content/uploads/2022/09/jinshui-Case-004.pdf> accessed 14 April 2023)
- 210' 劉新光一審刑事判決書', China Judgments Online, 8 October 2020 (<https://cyberscammonitor.net/wp-content/uploads/2022/09/jinshui-Case-005.pdf> accessed 14 April 2023)
- 211' 劉明受賄一審刑事判決書', China Judgments Online, 8 October 2020 (<https://cyberscammonitor.net/wp-content/uploads/2022/09/jinshui-Case-006.pdf> accessed 14 April 2023)
- 212' 段培相受賄一審刑事判決書', China Judgments Online, 8 October 2020 (<https://cyberscammonitor.net/wp-content/uploads/2022/09/jinshui-Case-007.pdf> accessed 14 April 2023)
- 213' Guanqi Zhao, '柬埔寨詐騙 | 曾在中國捲入賭博詐騙案 轉投西港成黑金勢力三巨頭', HK01, 18 August 2022 ([https://www.hk01.com/%E5%8D%B3%E6%99%82%E4%B8%AD%E5%9C%8B/805328/%E6%9F%AC%E5%9F%94%E5%AF%A8%E8%A9%90%E9%A8%99-%E6%9B%BE%E5%9C%A8%E4%B8%AD%E5%9C%8B%E6%8D%B2%E5%85%A5%E8%B3%AD%E5%8D%9A%E8%A9%90%E9%A8%99%E6%A1%88-%E8%BD%89%E6%8A%95%E8%A5%BF%E6%B8%AF%E6%88%90%E9%BB%91%E9%87%91%E5%8B%A2%E5%8A%9B%E4%B8%89%E5%B7%A8%E9%A0%AD?utm\\_medium=Social&utm\\_source=fbpost&utm\\_campaign=mama&fbclid=IwAR1e3g5bzw3zjRo7v8za5NoSsdwcB7X1SGpZvGUQonnuawQd8ZVaiJtcy8](https://www.hk01.com/%E5%8D%B3%E6%99%82%E4%B8%AD%E5%9C%8B/805328/%E6%9F%AC%E5%9F%94%E5%AF%A8%E8%A9%90%E9%A8%99-%E6%9B%BE%E5%9C%A8%E4%B8%AD%E5%9C%8B%E6%8D%B2%E5%85%A5%E8%B3%AD%E5%8D%9A%E8%A9%90%E9%A8%99%E6%A1%88-%E8%BD%89%E6%8A%95%E8%A5%BF%E6%B8%AF%E6%88%90%E9%BB%91%E9%87%91%E5%8B%A2%E5%8A%9B%E4%B8%89%E5%B7%A8%E9%A0%AD?utm_medium=Social&utm_source=fbpost&utm_campaign=mama&fbclid=IwAR1e3g5bzw3zjRo7v8za5NoSsdwcB7X1SGpZvGUQonnuawQd8ZVaiJtcy8) accessed 14 April 2023)
- 214' 董勳成董事 拜 柬埔寨首相洪森夫人文拉妮', Jingcheng Group, 11 June 2018 (<https://web.archive.org/web/20190113224211/http://www.jcjtgs.com/content-9-1154-1.html> accessed 14 April 2023)
- 215' 柬埔寨首相洪森致信感謝董勳成董事', Jingcheng Group, 18 October 2018 (<https://web.archive.org/web/20220516060737/http://www.jcjtgs.com/content-9-1244-1.html> accessed 14 April 2023)
- 216' ANTHONY SPAETH, 'Sex, Drugs and The Roll of Dice', Time Asia, 27 September 1999 (<https://web.archive.org/web/20010125004800/http://www.time.com/time/asia/magazine/99/0927/ruili.html> accessed 14 April 2023)
- 217' VOLUNTARY ANNOUNCEMENT STRATEGIC PARTNERSHIP WITH GOLDEN SUN SKY ENTERTAINMENT CO., LTD. (<https://www1.hkxnews.hk/listedco/listconews/sehk/2018/0905/ltm20180905525.pdf> accessed 14 April 2023)
- 218' 走進金三角: 在佤邦搶東西者槍斃每 男人都有槍', Sina News, 18 February 2003 (<https://news.sina.com.cn/c/2003-02-18/0311911800.html> accessed 14 April 2023)
- 219' 邊境賭城: 難以割舍的体外毒癮', Sina News, 12 March 2009 (<http://news.sina.com.cn/o/2009-03-12/150715299321s.shtml> accessed 14 April 2023)
- 220' 形形色色洗錢', People's Bank of China, 2013 (<https://www.wooribankchina.com/data/tosend/resource/upload/20210610/2013%E5%B9%B4%E5%8F%8D%E6%B4%97%E9%92%B1%E5%AE%A3%E4%BC%A0%E8%B5%84%E6%96%99-%E4%BA%BA%E8%A1%8C%E5%8D%B0%E5%88%B6.pdf> accessed 14 April 2023)
- 221' Yanting Mai, '一港男中緬邊境非法經營賭場洗黑被判監四年', RFI, 10 April 2010 (<https://www.10Apfffff.fr/tw/中國/20100410-一港男中緬邊境非法經營賭場洗黑被判監四年> accessed 14 April 2023)
- 222' 'Yongyuan Casino', Cyber Scam Monitor, 31 January 2023 (<https://cyberscammonitor.net/profile/yongyuan-casino/> accessed 14 April 2023)
- 223' Thanh Ha, Tien Trinh, Dan Thuan, 'Hell 4.0': Exploited Vietnamese workers escape Cambodia, implicate compatriots', Tuoi Tre News, 25 August 2022 (<https://tuoitrenews.vn/news/society/20220825/hell-40-exploited-vietnamese-workers-escape-cambodia-implicate-compatriots/68768.html> accessed 14 April 2023)
- 224' Le Tan, 'Vietnamese parents buy back children from Cambodian casino mafia', VnExpress, 28 August 2022 (<https://e.vnexpress.net/news/news/families-pay-ransom-to-buy-back-teens-from-cambodian-mafia-4504965.html> accessed 14 April 2023)
- 225' Vinh Tho, Dan Thuan, Tien Trinh, 'Man prosecuted for allegedly trafficking 4 Vietnamese teens to Cambodia', Tuoi Tre News, 31 August 2022 (<https://tuoitrenews.vn/news/society/20220831/man-prosecuted-for-allegedly-trafficking-4-vietnamese-teens-to-cambodia/68845.html> accessed 14 April 2023)
- 226' Ping Xie, '緬甸 胞王勇捐款 百萬建家鄉村道 促文明村建', chinaqw, 29 March 2006 (<http://www.chinaqw.com/news/2006/0329/68/22152.shtml> accessed 14 April 2023)
- 227' 他是 白首富, 白手起家 身 万富豪, 為家鄉捐資 2000 万!', Sohu, 21 January 2018 ([https://www.sohu.com/a/218068753\\_641885](https://www.sohu.com/a/218068753_641885) accessed 14 April 2023)
- 228' 粵西首富的金三角往事', 163, 13 August 2021 (<https://www.163.com/dy/article/GH9H672M0541MN0Z.html> accessed 14 April 2023)

biggest illegal betting case in the country's history, involving the equivalent of around USD 1.2 billion. Social media pages and court judgements show promotion of online football betting and casino betting via these casinos.<sup>229</sup> One casino is possibly linked to Citibet,<sup>230</sup> the largest illegal betting exchange specialising in racing, but this is not confirmed.

Still another is XU Aimin, born in Guangzhou, China, but who became a Cambodian citizen in 2005. According to a Hong Kong High Court judgment, he is a fugitive who in 2013 was sentenced by China (in absentia) to 10 years in jail for an illegal betting operation worth USD 1.75 billion operated out of Cambodia, is wanted in Hong Kong on related money laundering charges,<sup>231</sup> and was subject of an INTERPOL 'Red Notice' (essentially an international arrest warrant). He is linked through corporate records to the Kaibo compound<sup>232 233</sup> mentioned above. Chinese authorities are seeking his arrest and deportation, according to an investigative report in 2021.<sup>234</sup>

Throughout 2021-2022, the scale of the trafficking and modern slavery linked to such casino compounds received widespread international attention, leading to Cambodia being downgraded to the lowest tier on the United States Trafficking in Persons Report,<sup>235</sup> and demands from the China embassy in Cambodia<sup>236</sup> for action.

In response, authorities began to take action in August 2022, raiding many small 'gambling dens'. In late September, government officials began admitting that as many as 100,000 people may have been working in illegal gambling, and were claiming that "90% or more" of such operations had stopped.

Those on the ground are sceptical, with sources claiming that these raids were only against small operators and that the largest compounds likely received advance warning of raids. According to reports, the Jinshui and Kaibo compounds described above appeared to halt operations and clear out overnight and appeared empty as of September 2022,<sup>237</sup> though as of May 2023 reporters on the ground indicated that they may have reactivated.<sup>238</sup> Several reports suggest operations have moved to Myanmar and Laos.<sup>239</sup>

229' 季某甲等四人開設賭場一案判決書', China Judgements Online, 8 October 2020 (<https://cyberscammonitor.net/wp-content/uploads/2022/09/jinshui-Case-002.pdf>)

230' Bavet Moc Bai Casino', Cyber Scam Monitor, 31 January 2023 (<https://cyberscammonitor.net/profile/bavet-moc-bai-casino/> accessed 14 April 2023)

231 MISCELLANEOUS PROCEEDINGS NO 1072 OF 2016 (ON INTENDED APPEAL FROM HCMP 3237 OF 2013) ([https://legalref.judiciary.hk/lrs/common/search/search\\_result\\_detail\\_frame.jsp?DIS=105697&QS=%2B%7C%28HCMP%2C1072%2F2016%29&TP=JU](https://legalref.judiciary.hk/lrs/common/search/search_result_detail_frame.jsp?DIS=105697&QS=%2B%7C%28HCMP%2C1072%2F2016%29&TP=JU))

232' Cambodian Minister of Interior says efforts underway to rescue human trafficking victims, three Chinese fugitive tycoons behind major underground gambling hubs in Southeast Asia', Dimsumdaily Hong Kong, accessed 20 August 2022 (<https://www.dimsumdaily.hk/cambodian-minister-of-interior-says-efforts-underway-to-rescue-human-trafficking-victims-three-chinese-fugitive-tycoons-behind-major-underground-gambling-hubs-in-southeast-asia/> accessed 14 April 2023)

233 Jack Davies et al., 'Wanted Chinese Kingpin Owns Casino With Cambodian Senator's Son-In-Law', Radio Free Asia, 22 June 2021 (<https://www.rfa.org/english/news/special/hunsen-family/xu-aimin.html> accessed 15 November 2022)

234 Jack Davies et al., 'Wanted Chinese Kingpin Owns Casino With Cambodian Senator's Son-In-Law', Radio Free Asia, 22 June 2021 (<https://www.rfa.org/english/news/special/hunsen-family/xu-aimin.html> accessed 15 November 2022)

235 'TRAFFICKING IN PERSONS REPORT', United States Department of State Office to Monitor and Combat Trafficking in Persons, July 2022 (<https://www.state.gov/wp-content/uploads/2022/10/20221020-2022-TIP-Report.pdf> accessed 14 April 2023)

236' 中 駐柬埔寨使館 言人就柬媒体報道西哈努克省“中 城”有關情 表談話', Embassy of the People's Republic of China in the Kingdom of Cambodia, 8 September 2021 ([http://kh.china-embassy.gov.cn/dssghd/202109/t20210908\\_9614236.htm](http://kh.china-embassy.gov.cn/dssghd/202109/t20210908_9614236.htm) accessed 14 April 2023)

237' 獨家重磅！西港中 城凱博金水全部對外開放', The Diplomat, 19 September 2022 (<https://thediplomat.com/2023/02/focus-on-human-trafficking-shifts-from-cambodia-to-myanmar/> accessed 14 April 2023)

238 Nathan Paul Southern 'Just months after Kaibo/Chinatown slavery compound was shut down by Cambodian authorities. At least two buildings in this mega complex are in operation again. We were chased out quick by some delightful Chinese gangsters and Cambodian guards. Cyber slavery continues to grow.' April 24 2023 (<https://twitter.com/NathanPSouthern/status/1650467656989044736>)

239 Luke Hunt, 'Focus on Human Trafficking Shifts From Cambodia to Myanmar', The Diplomat, 7 February 2023 (<https://thediplomat.com/2023/02/focus-on-human-trafficking-shifts-from-cambodia-to-myanmar/> accessed 14 April 2023)



## Myanmar

Several of Myanmar's China border towns have since at least the 1990s housed casinos targeting Chinese customers, which also offered online betting when the technology became available.

Beginning around the 2010s, operators with experience and local relationships from such developments began developing Cambodia-style gambling and cyber-scams compounds in Myanmar, and this was accelerated by Cambodia's brief crackdown on online gambling, then the Myanmar coup in 2021. Some see in this a dangerous combination of organised crime and armed militias acting in concert which has been taking place since before the coup.<sup>240</sup>

In 2019, for example, the regional representative of the United Nations Office on Drugs and Crime (UNODC) in Southeast Asia and the Pacific warned that the "displacement" of organised crime linked to Macau was a threat to the rule of law in Southeast Asian countries with "the most visible example [in] Myanmar, where organised crime groups collaborate extensively with militias and armed groups that operate in the country's lawless border regions."<sup>241</sup>

As noted by the UNODC in a 2019 report on Transnational Organised Crime, "SEZs in Lao PDR and Myanmar have become major gambling centres identified as key nodes in the illicit trade of drugs, precursors, and wildlife products."<sup>242</sup>

A 2020 report by a U.S. NGO<sup>243</sup> highlighted three "spinach cities" in Myanmar operating in SEZs and run by organised crime – Yatai New City in Shwe Kokko, and Huanya International and Saixigang in Myawaddy. There are links between these and triad societies, corporate entities in Hong Kong, casino operators in Cambodia, blockchain developers in Singapore and elsewhere, and armed militia groups.<sup>244</sup>

The mode of operation of these compounds is the same as detailed in the Cambodia section and there have been many similar reports of trafficking and enslavement. Individual victim accounts tell a depressingly familiar story: a Burmese man who believed he was starting a casino job but was ushered into a building guarded by soldiers and private Chinese security guards and forced to scam people;<sup>245</sup> Malaysian victims only released after paying

240 Priscilla A. Clapp & Jason Tower, 'Myanmar's Criminal Zones: A Growing Threat to Global Security', United States Institute of Peace, 9 November 2022 (<https://www.usip.org/publications/2022/11/myanmars-criminal-zones-growing-threat-global-security> accessed 20 December 2022)

241 Jeremy Douglas, 'Asian organized crime doubles down on casinos', CNN International, 14 February 2019 (<https://edition.cnn.com/2019/02/13/opinions/casinos-southeast-asia-intl/index.html> accessed 14 April 2023)

242 UNODC, 'Transnational Organized Crime in Southeast Asia: Evolution, Growth and Impact', UNODC Research, 2019 ([https://www.unodc.org/roseap/uploads/documents/Publications/2019/SEA\\_TOCTA\\_2019\\_web.pdf](https://www.unodc.org/roseap/uploads/documents/Publications/2019/SEA_TOCTA_2019_web.pdf) accessed 14 April 2023)

243 Jason Tower, Priscilla Clapp, 'Myanmar's Casino Cities: The Role of China and Transnational Criminal Networks', July 2020 ([https://www.usip.org/sites/default/files/2020-07/20200727-sr\\_471-myanmars\\_casino\\_cities\\_the\\_role\\_of\\_china\\_and\\_transnational\\_criminal\\_networks-sr.pdf](https://www.usip.org/sites/default/files/2020-07/20200727-sr_471-myanmars_casino_cities_the_role_of_china_and_transnational_criminal_networks-sr.pdf) accessed 14 April 2023)

244 Jason Tower, Priscilla Clapp, 'Myanmar's Casino Cities: The Role of China and Transnational Criminal Networks', July 2020 ([https://www.usip.org/sites/default/files/2020-07/20200727-sr\\_471-myanmars\\_casino\\_cities\\_the\\_role\\_of\\_china\\_and\\_transnational\\_criminal\\_networks-sr.pdf](https://www.usip.org/sites/default/files/2020-07/20200727-sr_471-myanmars_casino_cities_the_role_of_china_and_transnational_criminal_networks-sr.pdf) accessed 14 April 2023)

245 Frontier and Gavin Gao, 'Scam City: How the coup brought Shwe Kokko back to life', Frontier Myanmar, 23 June 2022 (<https://www.frontiermyanmar.net/en/scam-city-how-the-coup-brought-shwe-kokko-back-to-life/> accessed 7 November 2022)

ransoms;<sup>246</sup> Laotian victims regularly beaten with tasers, iron rods and heavy ropes;<sup>247</sup> a young man lured to meet his 'girlfriend' in a romance scam, then forced to work in online scams at a casino, who died of an infection in his heart and lungs.<sup>248</sup>

### *Case study – Shwe Kokko SEZ and SHE Zhijiang*

In August 2022, a Chinese national named SHE Zhijiang who also has Cambodian citizenship and has been a fugitive from an illegal betting conviction in China since 2014, was arrested in Thailand.

SHE, who has at least four aliases,<sup>249 250</sup> was a key principal in one of Myanmar's most notorious "spinach cities", Myanmar Yatai Shwe Kokko Special Economic Zone ('Shwe Kokko').

The project, in development since 2017<sup>251 252</sup> and falsely claimed to be part of China's 'Belt and Road' global infrastructure plan,<sup>253 254</sup> lies on the banks of the Moei River, separating Thailand from Myanmar. Investors are the Karen State Border Guard Force ('BGF'), an ethnic militia aligned with Myanmar's army, and Yatai International Holdings Group ('Yatai'), the Myanmar subsidiary of a Hong Kong company ultimately owned by SHE Zhijiang.<sup>255</sup>

The development is in Karen State, which has seen conflict between the military and ethnic minority rebels for more than six decades. According to reports, SHE Zhijiang secured rights to the land on the spot by making a down payment of USD 300,000 in cash to the BGF leader in 2017, after which land began to be confiscated from villagers.<sup>256</sup>

The project was launched with great fanfare amid promises of a USD 15 billion "blockchain smart city" with industrial, tourism, entertainment and ecological zones, but reports state that it is little more than a centre for

246 The Associated Press, 'Malaysian dad pleads help for scam victims after son died', The Associated Press, 22 September 2022 (<https://www.asahi.com/ajw/articles/14724950> accessed 7 November 2022)

247 'Four Laotian trafficking victims freed from Myanmar casino faced regular beatings', Radio Free Asia, 16 February 2023 (<https://www.rfa.org/english/news/laos/casino-02162023163151.html> accessed 14 April 2023)

248 The Associated Press, 'Malaysian dad pleads help for scam victims after son died', The Associated Press, 22 September 2022 (<https://www.asahi.com/ajw/articles/14724950> accessed 7 November 2022)

249 'Gambling Away Our Lands – Naypyidaw's 'Battlefields to Casinos' Strategy in Shwe Kokko', Karen Peace Support Network, March 2020, p.29 (<https://progressivevoicemyanmar.org/wp-content/uploads/2020/03/Gambling-Away-Our-Lands-English.pdf> accessed 7 November 2022)

250 Andrew Nachemson, 'The mystery man behind the Shwe Kokko project', Frontier Myanmar, 7 July 2020 (<https://www.frontiermyanmar.net/en/the-mystery-man-behind-the-shwe-kokko-project/> accessed 9 November 2022)

251 Plato Cheng, 'Shwe Kokko Special Economic Zone / Yatai New City', The People's Map of Global China, 31 March 2021 (<https://thepeoplesmap.net/project/shwe-kokko-special-economic-zone-yatai-new-city/> accessed 7 November 2022)

252 'Gambling Away Our Lands – Naypyidaw's 'Battlefields to Casinos' Strategy in Shwe Kokko', Karen Peace Support Network, March 2020, p.5 (<https://progressivevoicemyanmar.org/wp-content/uploads/2020/03/Gambling-Away-Our-Lands-English.pdf> accessed 7 November 2022)

253 'Gambling Away Our Lands – Naypyidaw's 'Battlefields to Casinos' Strategy in Shwe Kokko', Karen Peace Support Network, March 2020, p.29-31 (<https://progressivevoicemyanmar.org/wp-content/uploads/2020/03/Gambling-Away-Our-Lands-English.pdf> accessed 7 November 2022)

254 'China supports Myanmar in handling the Shwe Kokko New City issue in accordance with laws and regulations', Embassy of the People's Republic of China in the Republic of the Union of Myanmar, 25 August 2020 ([http://mm.china-embassy.gov.cn/eng/xwdt/202008/t20200825\\_1391985.htm](http://mm.china-embassy.gov.cn/eng/xwdt/202008/t20200825_1391985.htm) accessed 9 November 2022)

255 'Gambling Away Our Lands – Naypyidaw's 'Battlefields to Casinos' Strategy in Shwe Kokko', Karen Peace Support Network, March 2020, p.5 (<https://progressivevoicemyanmar.org/wp-content/uploads/2020/03/Gambling-Away-Our-Lands-English.pdf> accessed 7 November 2022)

256 Jason Tower, Priscilla Clapp, 'Myanmar's Casino Cities: The Role of China and Transnational Criminal Networks', Fox News, July 2020 ([https://www.usip.org/sites/default/files/2020-07/20200727-sr\\_471-myanmars\\_casino\\_cities\\_the\\_role\\_of\\_china\\_and\\_transnational\\_criminal\\_networks-sr.pdf](https://www.usip.org/sites/default/files/2020-07/20200727-sr_471-myanmars_casino_cities_the_role_of_china_and_transnational_criminal_networks-sr.pdf) accessed 14 April 2023)

dozens of betting operators, many of whom appear to be the same or linked to the Cambodia-based operators – Yatai had advertised to such operators inviting them to relocate during Cambodia’s 2019 crackdown.<sup>257 258 259 260</sup>

The trafficking and exploitation of workers in Shwe Kokko emulates that in Cambodia, although may be, if anything, even more egregious and the 2021 coup gave local militia latitude to greatly expand operations, local media and NGOs state.<sup>261</sup> An estimated 10,000 people may be housed in the development.<sup>262</sup>

Victims are trafficked from across Asia and beyond, given precise instructions on how to find scam targets on social media, win their trust, and convince them to transfer funds. They face beatings, electric shocks or starvation for failing to meet targets.<sup>263</sup> Women may be forced into sex work to pay for their freedom,<sup>264</sup> with two Thai women who escaped across the river to Thailand claiming that around 300 women were held in such circumstances.

Yatai partnered with a Singapore company to develop its own encrypted payment app and blockchain protocol. This was also used in Yatai’s Philippines operations and in Cambodia,<sup>265</sup> and in 2018 claimed to be the “leading player in cross-border payments for online gambling in Macau, Laos, Cambodia, and the Philippines.”<sup>266</sup>

Supposedly, this would provide the “blockchain infrastructure” for all of Yatai’s “smart city” technology.<sup>267</sup> In reality, it seems likely that the “smart city” only used blockchain technology to launder profits from online betting, crypto scams and other illicit activities.<sup>268</sup> Developers of this specific app insist they exited Myanmar as soon as there was any suspicion of illegal activity.

257 ‘Gambling Away Our Lands – Naypyidaw’s ‘Battlefields to Casinos’ Strategy in Shwe Kokko’, Karen Peace Support Network, March 2020, p.6, 25 (<https://progressivevoicemyanmar.org/wp-content/uploads/2020/03/Gambling-Away-Our-Lands-English.pdf> accessed 7 November 2022)

258 Freddie Carver et al., ‘Border Towns, Markets and Conflict’, Cross-Border Conflict: Evidence, Policy and Trends, March 2022, p.65 ([https://asiafoundation.org/wp-content/uploads/2022/06/Border-Towns-Markets-and-Conflict\\_report.pdf](https://asiafoundation.org/wp-content/uploads/2022/06/Border-Towns-Markets-and-Conflict_report.pdf) accessed 9 November 2022)

259 ‘Gambling Away Our Lands – Naypyidaw’s ‘Battlefields to Casinos’ Strategy in Shwe Kokko’, Karen Peace Support Network, March 2020, p.17-18 (<https://progressivevoicemyanmar.org/wp-content/uploads/2020/03/Gambling-Away-Our-Lands-English.pdf> accessed 7 November 2022)

260 ‘Gambling Away Our Lands – Naypyidaw’s ‘Battlefields to Casinos’ Strategy in Shwe Kokko’, Karen Peace Support Network, March 2020, p.32-33 (<https://progressivevoicemyanmar.org/wp-content/uploads/2020/03/Gambling-Away-Our-Lands-English.pdf> accessed 7 November 2022)

261 Gavin Gao, ‘Scam City: How the coup brought Shwe Kokko back to life’, Frontier Myanmar, 23 June 2022 (<https://www.frontiermyanmar.net/en/scam-city-how-the-coup-brought-shwe-kokko-back-to-life/> accessed 14 April 2023)

262 NAING YAN, ‘Controversial China-Backed New City is Myanmar’s Human Trafficking Hub’, The Irrawaddy, 6 September 2022 (<https://www.irrawaddy.com/opinion/guest-column/controversial-china-backed-new-city-is-myanmars-human-trafficking-hub.html> accessed 14 April 2023)

263 Chris Lau, Tony Cheung, ‘Human-trafficking crisis: captive Hongkonger tells how trip to Thailand turned into 3-month nightmare under forced labour’, South China Morning Post, 25 August 2022 (<https://www.scmp.com/news/hong-kong/law-and-crime/article/3190076/human-trafficking-crisis-captive-hongkonger-tells-how> accessed 14 April 2023)

264 Gavin Gao, ‘Scam City: How the coup brought Shwe Kokko back to life’, Frontier Myanmar, 23 June 2022 (<https://www.frontiermyanmar.net/en/scam-city-how-the-coup-brought-shwe-kokko-back-to-life/> accessed 14 April 2023)

265 Zwan Ross Lee, ‘Fincy Helps Leapfrog Cambodia’s Fintech Industry’, B2B CAMBODIA, 3 November 2020 (<https://www.b2b-cambodia.com/articles/fincy-helps-leapfrog-cambodias-fintech-industry/> accessed 14 April 2023)

266 Jason Tower and Priscilla Clapp, ‘Myanmar: Casino Cities Run on Blockchain Threaten Nation’s Sovereignty’, United States Institute of Peace, 30 July 2020 (<https://www.usip.org/publications/2020/07/myanmar-casino-cities-run-blockchain-threaten-nations-sovereignty> accessed 14 April 2023)

267 THIHA, ‘This Singapore startup is set to turn Myanmar’s Yatai City to a blockchain-powered smart city’, 8 October 2019, Consult Myanmar, 6 October 2019 (<https://www.consult-myanmar.com/2019/10/08/this-singapore-startup-is-set-to-turn-myanmars-yatai-city-to-a-blockchain-powered-smart-city/> accessed 14 April 2023)

268 Andrew Ong, ‘Shadow Capital at Myanmar’s Margins: Shwe Kokko New City and its Predecessors’, ISEAS-Yusof Ishak Institute, 1 December 2020 ([https://www.iseas.edu.sg/wp-content/uploads/2020/11/ISEAS\\_Perspective\\_2020\\_136.pdf](https://www.iseas.edu.sg/wp-content/uploads/2020/11/ISEAS_Perspective_2020_136.pdf) accessed 14 April 2023)

In August 2022, Thai authorities arrested Yatai's key figure SHE Zhijiang under an INTERPOL Red Notice. Chinese investigative magazine *Caixin* in 2020<sup>269</sup> had detailed his extensive criminal background in relation to illegal betting.

Part of the reason SHE Zhijiang is wanted by China is the setting up of 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>270</sup>

Despite being a fugitive, he became a Cambodian citizen, and in 2017 established a similar "development" to Yatai in the coastal province of Koh Kong. This was subject to many similar allegations of online scams and trafficking,<sup>271</sup> and a similar MO of evicting natives, bespoke payment apps, and false claims to be associated with China's Belt and Road. As an aside, Macau junket operator Century Entertainment, run by alleged triad NG Man Sun, is active in this development.<sup>272</sup>

In May 2023, SHE was reportedly set to be extradited to China.<sup>273</sup> Regardless, operations at Shwe Kokko appear not to have been impacted, according to multiple reports,<sup>274</sup> notably a June 2023 first-hand testimony from a worker in the online betting operations.<sup>275</sup>

Shwe Kokko is far from the only example of the confluence of organised crime, illegal betting, trafficking and scams in Myanmar.

SHE Zhijiang is also associated with a separate "digital industrial park"<sup>276</sup> nicknamed KK Park downriver from Shwe Kokko. This compound, according to reports, has an estimated population of up to 8,000, and it has been claimed that it is involved in organ harvesting.<sup>277</sup> The police force in Yunnan, China, bordering northeast Myanmar, revealed images of victims who had escaped from detention, with one having had four fingers and half of his palm chopped off.<sup>278</sup>

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269 TANG AILIN, FAN WENJUN, LIANG SHUTING, HAN WEI, 'A fugitive Chinese businessman's high-profile bet in Myanmar', *Nikkei Asia*, 27 October 2020 (<https://asia.nikkei.com/Spotlight/Caixin/A-fugitive-Chinese-businessman-s-high-profile-bet-in-Myanmar> accessed 14 April 2023)

270 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/>

271 'Long Bay', *Cyber Scam Monitor*, 31 January 2023 (<https://cyberscammonitor.net/profile/long-bay/> accessed 14 April 2023)

272 'Macau's seedy casino war turns to gold', *Sydney Morning Herald*, 22 September 2009 (<https://www.smh.com.au/business/macaus-seedy-casino-war-turns-to-gold-20090921-fyn5.html> accessed 14 April 2023)

273 '泰法院判 余智江引渡回中' *UDNThai*, 26 May 2023 ([https://mp.weixin.qq.com/s/hL9OAOLE1drob\\_PLxuoKzA](https://mp.weixin.qq.com/s/hL9OAOLE1drob_PLxuoKzA))

274 DOMINIC FAULDER, 'Chinese underworld floods to Thailand-Myanmar river border', *Nikkei Asia*, 13 December 2022 (<https://asia.nikkei.com/Spotlight/Asia-Insight/Chinese-underworld-floods-to-Thailand-Myanmar-river-border> accessed 14 April 2023)

275 *Frontier Myanmar*, 'A day in the life of a Shwe Kokko scammer', 1 June 2023 (<https://www.frontiermyanmar.net/en/a-day-in-the-life-of-a-shwe-kokko-scammer/> accessed 9 June 2023)

276 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)

277 Eunice Lam, 'Five arrested in human trafficking jobs scam', *The Standard*, 22 August 2022 (<https://www.thestandard.com.hk/section-news/section/11/244833/Five-arrested-in-human-trafficking-jobs-scam> accessed 14 April 2023)

278 Ezra Cheung, 'At least 38 Hong Kong victims in growing human-trafficking trend, with seventh suspect arrested over job scams luring people to Southeast Asia', *South China Morning Post*, 23 August 2022 (<https://www.scmp.com/news/hong-kong/law-and-crime/article/3189841/least-38-hong-kong-victims-growing-human-trafficking> accessed 14 April 2023)

Still another operation is Saixigang Industrial Zone, which is run by convicted triad leader WAN Kuok Koi, also known as Broken Tooth.<sup>279</sup> Saixigang's name in Chinese characters (賽西港) means "surpass Sihanoukville" and it explicitly aims to emulate the Cambodian model. WAN is chairman of the zone's key company, Dongmei Group, which has pledged a total investment of USD 18 billion into projects that include a casino, nightclub, and various entertainment facilities.<sup>280</sup>

WAN was Macau's most notorious triad leader, who was imprisoned by Macau authorities in 1999 for, among other crimes, suspicion of trying to assassinate the head of Macau's police with a car bomb.

WAN and his company Dongmei Group have been sanctioned by the United States for his alleged role as leader of the 14k triad society, which engages in drug trafficking, illegal gambling, human trafficking, and other criminal activities.<sup>281</sup>

He has long-standing links to Southeast Asia, including alleged arms-trafficking in Cambodia<sup>282</sup> and a reported relationship with a local militia in Myanmar.<sup>283</sup> He has also been involved in crypto / gambling schemes in Malaysia and as far afield as Palau in the South Pacific, to the point where some see him as a "super-connector" linking transnational organised crime across the region. He reportedly received USD 750 million in a cryptocurrency launch in 2018.<sup>284</sup>

One NGO estimates as many as 100,000 foreign nationals could be trapped inside Myanmar along the Moei River, though some are incredulous that the number could be so high.<sup>285</sup>

"It is next to impossible to help these trapped people," Jeremy Douglas, the regional representative in Bangkok of the UNODC, told *Nikkei Asia*. "The other side of the Moei might as well be on another planet. The situation is a governance nightmare – it is out of control."<sup>286</sup>

279 Jason Tower and Priscilla Clapp, 'Myanmar's' Casino Cities: The Role of China and Transnational Criminal Networks', United States Institute of Peace, July 2020, p.6 ([https://www.usip.org/sites/default/files/2020-07/20200727-sr\\_471-myanmars\\_casino\\_cities\\_the\\_role\\_of\\_china\\_and\\_transnational\\_criminal\\_networks-sr.pdf](https://www.usip.org/sites/default/files/2020-07/20200727-sr_471-myanmars_casino_cities_the_role_of_china_and_transnational_criminal_networks-sr.pdf) accessed 28 December 2022)

280 Jason Tower and Priscilla Clapp, 'Myanmar's' Casino Cities: The Role of China and Transnational Criminal Networks', United States Institute of Peace, July 2020, p.11 ([https://www.usip.org/sites/default/files/2020-07/20200727-sr\\_471-myanmars\\_casino\\_cities\\_the\\_role\\_of\\_china\\_and\\_transnational\\_criminal\\_networks-sr.pdf](https://www.usip.org/sites/default/files/2020-07/20200727-sr_471-myanmars_casino_cities_the_role_of_china_and_transnational_criminal_networks-sr.pdf) accessed 28 December 2022)

281 'Treasury Sanctions Corrupt Actors in Africa and Asia', U.S. Department of the Treasury, 9 December 2020 (<https://home.treasury.gov/news/press-releases/sm1206> accessed 28 December 2022)

282 Bertil Lintner, 'Why the US bit back at China's 'Broken Tooth'', Asia Times, 12 December 2020 (<https://asiatimes.com/2020/12/why-the-us-bit-back-at-chinas-broken-tooth/> accessed 21 April 2023)

283 Jason Tower and Priscilla Clapp, 'Myanmar's' Casino Cities: The Role of China and Transnational Criminal Networks', United States Institute of Peace, July 2020, p.11 ([https://www.usip.org/sites/default/files/2020-07/20200727-sr\\_471-myanmars\\_casino\\_cities\\_the\\_role\\_of\\_china\\_and\\_transnational\\_criminal\\_networks-sr.pdf](https://www.usip.org/sites/default/files/2020-07/20200727-sr_471-myanmars_casino_cities_the_role_of_china_and_transnational_criminal_networks-sr.pdf) accessed 28 December 2022)

284 Karen Zhang, 'Former Macau gangster 'Broken Tooth' signs poker deal with secretive Chinese firm after raising US\$750 million in ICO', South China Morning Post, 14 July 2018 ([https://www.scmp.com/news/hong-kong/community/article/2155218/former-macau-gangster-broken-tooth-signs-poker-deal?module=perpetual\\_scroll\\_0&pgtype=article&campaign=2155218](https://www.scmp.com/news/hong-kong/community/article/2155218/former-macau-gangster-broken-tooth-signs-poker-deal?module=perpetual_scroll_0&pgtype=article&campaign=2155218) accessed 21 April 2023)

285 DOMINIC FAULDER, 'Chinese underworld floods to Thailand-Myanmar river border', Nikkei Asia, 13 December 2022 (<https://asia.nikkei.com/Spotlight/Asia-Insight/Chinese-underworld-floods-to-Thailand-Myanmar-river-border> accessed 14 April 2023)

286 DOMINIC FAULDER, 'Chinese underworld floods to Thailand-Myanmar river border', Nikkei Asia, 13 December 2022 (<https://asia.nikkei.com/Spotlight/Asia-Insight/Chinese-underworld-floods-to-Thailand-Myanmar-river-border> accessed 14 April 2023)

In March 2023, according to Chinese media, the Chinese Ambassador to Myanmar met with Myanmar's Home Affairs Minister to urge a crackdown on online gambling and internet fraud; it remains to be seen if such pressure will be successful.<sup>287</sup>

## Laos

Laos is a long-standing facilitator of trafficking and other illicit activity, but also a potential *future* expanded threat / hub. For 15 years, Laos's Golden Triangle Special Economic Zone has been a reported haven of criminality, and US sanctions on its key principal have seemingly had zero impact.

Laos is also reportedly considering a POGOs-style online betting licensing regime, which would instantly attract operators because regulatory oversight would in all likelihood be even more lax than in the Philippines or Cambodia, yet with a more stable environment than Myanmar. Such relocation has already been seen in response to illegal betting and trafficking crackdowns in Manila and Sihanoukville.<sup>288 289</sup>

### *Case study: The Golden Triangle SEZ and ZHAO Wei*

The Golden Triangle SEZ is a 100-square kilometre area established in 2007 bordering Thailand and Myanmar which has been described as "the world's worst SEZ" and "a one-stop shop for criminals".<sup>290 291</sup>

Its key principal is ZHAO Wei, a Chinese national, and his Hong Kong registered company Kings Roman Group. According to the US Department of the Treasury's Office of Foreign Assets Control, these are part of a transnational criminal organisation which engages "in drug trafficking, human trafficking, money laundering, bribery, and wildlife trafficking, much of which is facilitated through the Kings Romans Casino located within the SEZ."<sup>292</sup>

Reported trafficking and exploitation of workers follow familiar modes as discussed in previous sections, although local authorities appear even more unwilling to take action than in other jurisdictions. The US sanctions state that trafficking – including child prostitution – has been taking place in the SEZ for years. Examples from the past two years alone include:

287 'China, Myanmar eye greater cooperation in fight against cross-border internet fraud, gambling', Global Times, 24 March 2023 (<https://www.globaltimes.cn/page/202303/1287893.shtml> accessed 14 April 2023)

288 Kelsey Wilhelm, 'PAGCOR head says POGOs left country for Cambodia, Vietnam and Laos', Asia Gaming Brief, 27 August 2021 (<https://agbrief.com/news/philippines/27/08/2021/pagcor-head-says-pogos-left-country-for-cambodia-vietnam-and-laos/> accessed 20 December 2022)

289 Jintamas Saksornchai and Cindy Liu, 'Scam Workers Relocated From Cambodia to Laos, Myanmar', VOD, 24 October 2022 (<https://vodenglish.news/scam-workers-relocated-from-cambodia-to-laos-myanmar/> accessed 20 December 2022)

290 Amanda Gore, Linsey Kennedy, Nathan Southern, Daan van Uhm, 'Asian Roulette – Criminogenic casinos and illicit trade in environmental commodities in South East Asia', Global Initiative, July 2022, p.22 (<https://globalinitiative.net/wp-content/uploads/2022/08/GITOC-APA-Obs-Asian-roulette-Criminogenic-casinos-and-illicit-trade-in-environmental-commodities-in-South-East-Asia.pdf> accessed 17 October 2022)

291 'Golden Triangle Special Economic Zone', Investment Promotion Department (<https://investlaos.gov.la/where-to-invest/special-economic-zone-sez/golden-triangle-special-economic-zone/> accessed 31 October 2022)

292 'Treasury Sanctions the Zhao Wei Transnational Criminal Organization', U.S. Department of the Treasury, 30 January 2018 (<https://home.treasury.gov/news/press-releases/sm0272> accessed 17 October 2022)

\*In February 2021, at least 430 women were employed as sex workers inside Kings Romans Casino.<sup>293</sup>

\*In December 2021, a Laos woman who escaped claimed she was duped into a call centre job pitching shares in SEZ companies to casino customers, then threatened with forced prostitution for failing to meet sales targets, and that hundreds of women were in the same situation.<sup>294</sup> Those not deemed suitable for sex work were subjected to other forms of slavery such as menial labour. The SEZ also holds employees liable for so-called debts for the fees paid for middlemen to recruit them, COVID-19 tests and quarantine, fines for 'misbehaviour' and more.<sup>295</sup>

\*In February 2022, more than a dozen women were rescued after escaping through a fence and told the same story about conditions inside.<sup>296</sup>

\*In March 2022, new evidence claimed that if enslaved workers in the SEZ were uncooperative, they would be fined, physically abused, sold to another employer, have their documents confiscated, thrown into solitary confinement without food, or even shot.<sup>297 298 299</sup>

\*In May 2022, police said they rescued 477 trapped workers, including around 200 women, over the previous year. Most reported being lured to the area and being forced to work as scammers and detained against their will, with women forced into sex work for failing to meet targets or pay off 'debts'.<sup>300 301</sup>

\*In May 2022, a male escapee told reporters that victims were locked in rooms and tasered or beaten for failing to hit romance scam targets or breaking rules such as taking photographs.

\*In October 2022, it was estimated that around 700 Malaysian migrant workers are forcefully detained in the area.<sup>302</sup>

293 Nathan Paul Southern and Lindsey Kennedy, 'Laos' criminal casino empire: Chinese gangsters suspected of running brothels and online scams, and trafficking humans, animal parts and drugs', South China Morning Post, 15 October 2022 (<https://www.scmp.com/magazines/post-magazine/long-reads/article/3195932/laos-criminal-casino-empire-chinese-gangsters> accessed 14 April 2023)

294 Philip Conneller, 'Kings Romans Casino in Laos Scams Call Center Women into Prostitution: Report', Casino.org, 21 December 2021 (<https://www.casino.org/news/notorious-kings-romans-casino-laos-scamming-women-into-prostitution/> accessed 17 October 2022)

295 'Debt-trapped Lao 'chat girls' forced to sell sex in China-run economic zone', Radio Free Asia, 19 December 2022 (<https://www.rfa.org/english/news/laos/sez-trafficking-12192021113055.html> accessed 14 April 2023)

296 '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> accessed 14 April 2023)

297 Eugene Whong, 'Another 3 Thais rescued from Laos' Golden Triangle', Radio Free Asia, 18 March 2022 (<https://www.rfa.org/english/news/laos/sez-0318202220222.html> accessed )

298 Nathan Paul Southern and Lindsey Kennedy, 'Laos' criminal casino empire: Chinese gangsters suspected of running brothels and online scams, and trafficking humans, animal parts and drugs', South China Morning Post, 15 October 2022 (<https://www.scmp.com/magazines/post-magazine/long-reads/article/3195932/laos-criminal-casino-empire-chinese-gangsters> accessed 3 November 2022)

299 Richard Finney, '700 Malaysian workers stranded, held for ransom in Lao SEZ', Radio Free Asia, 3 October 2022 (<https://www.rfa.org/english/news/laos/ransom-10032022143444.html> accessed 3 November 2022)

300 Roseanna Gerin, 'Lao authorities rescue nearly 500 workers from Golden Triangle SEZ', Radio Free Asia, 21 June 2022 (<https://www.rfa.org/english/news/laos/human-trafficking-06212022163113.html> accessed 31 October 2022)

301 Roseanne Gerin, '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> accessed 31 October 2022)

302 Richard Finney, '700 Malaysian workers stranded, held for ransom in Lao SEZ', Radio Free Asia, 3 October 2022 (<https://www.rfa.org/english/news/laos/ransom-10032022143444.html> accessed 3 November 2022)

Police seem unwilling to enter the SEZ, although on occasion appear to have been spurred into action by public criticism. Various reports describe the SEZ as controlled by ZHAO's own security forces,<sup>303</sup> with police requiring permission to enter.<sup>304</sup>

ZHAO Wei is from Heilongjiang in China's northeast and reportedly was involved in the timber trade before becoming involved in casinos in Macau in the 1990s, and then in the early 2000s in the rebel-held Myanmar region of Mong La on the border with China, which has been controlled by a warlord drug trafficker since the 1990s.<sup>305 306 307</sup>

Like the other Myanmar border casinos run by individuals mentioned in the previous section on Cambodia, these catered exclusively to Chinese citizens who could travel across the border without visas and access a vast range of illicit products such as gambling, narcotics, endangered wildlife and underage prostitutes.<sup>308 309</sup> These casinos also provide(d) online gambling to customers across China.<sup>310</sup>

In 2005, China sent soldiers across the border to shut down these casinos, and ZHAO<sup>311</sup> moved to Laos. He signed an agreement with the Laotian government in 2007 to begin developing the SEZ and in 2010 a 99-year lease was signed by Laos's Prime Minister, with ZHAO's Kings Romans Group having an 80% stake and the government the remaining 20%.<sup>312</sup>

It is not clear where ZHAO's funds came from. The United States claims he stores and distributes narcotics for illicit networks including the United Wa State Army,<sup>313</sup> the rebel militia which controls the region of Myanmar where ZHAO's casinos were.<sup>314</sup>

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303 Roseanna Gerin, 'Lao authorities rescue nearly 500 workers from Golden Triangle SEZ', Radio Free Asia, 21 June 2022 (<https://www.rfa.org/english/news/laos/human-trafficking-06212022163113.html> accessed 31 October 2022)

304 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 1 November 2022)

305 Joshua Berlinger, 'Is an alleged drug kingpin from China investing millions in a port in Laos?', CNN International, 7 December 2020 (<https://edition.cnn.com/2020/12/07/asia/laos-ban-mom-port-zhao-wei-intl-hnk-dst/index.html> accessed 14 April 2023)

306 Paul Vrieze, 'Inside Mong La, the Myanmar Town Where You Can Buy Drugs, Sex, and Endangered Animals', VICE NEWS, 14 December 2015 (<https://www.vice.com/en/article/avyq3g/inside-mong-la-the-myanmar-town-where-you-can-buy-drugs-sex-and-endangered-animals> accessed 14 April 2023)

307 Tom Fawthrop, 'High stakes as Laos turns to casinos', South China Morning Post, 23 January 2011 (<https://www.scmp.com/article/736471/high-stakes-laos-turns-casinos> accessed 14 April 2023)

308 STEVE FINCH and MONG LA, 'Burma's 'Wild East' Is a Debauched Land of Drugs and Vice That Reforms Forgot', Time, 9 March 2014 (<https://time.com/17651/burmas-wild-east-is-a-debauched-land-of-drugs-and-vice-that-reforms-forgot/> accessed 14 April 2023)

309 Andrew Jacobs, 'A Border City on the Edge of the Law', The New York Times International, 24 February 2014 (<https://www.nytimes.com/2014/02/25/world/asia/a-border-city-on-the-edge-of-the-law.html> accessed 14 April 2023)

310 Michael Black and Roland Fields, 'Virtual gambling in Myanmar's drug country', Asia Times, 26 August 2006 ([https://web.archive.org/web/20061019063956/http://www.atimes.com/atimes/Southeast\\_Asia/HH26Ae01.html](https://web.archive.org/web/20061019063956/http://www.atimes.com/atimes/Southeast_Asia/HH26Ae01.html) accessed 14 April 2023)

311 Paul Vrieze, 'Inside Mong La, the Myanmar Town Where You Can Buy Drugs, Sex, and Endangered Animals', VICE NEWS, 14 December 2015 (<https://www.vice.com/en/article/avyq3g/inside-mong-la-the-myanmar-town-where-you-can-buy-drugs-sex-and-endangered-animals> accessed 14 April 2023)

312 'Sin City - Illegal wildlife trade in Laos' Golden Triangle Special Economic Zone', Environmental Investigation Agency, March 2015, p.3 (<https://eia-international.org/wp-content/uploads/EIA-Sin-City-FINAL-med-res.pdf> accessed 17 October 2022)

313 'Treasury Sanctions the Zhao Wei Transnational Criminal Organization', U.S. Department of the Treasury, 30 January 2018 (<https://home.treasury.gov/news/press-releases/sm0272> accessed 17 October 2022)

314 JOE KUMBUN, 'Protected by China, Wa Is Now a de Facto Independent State', The Irrawaddy, 23 April 2019 (<https://www.irrawaddy.com/opinion/guest-column/protected-by-china-wa-is-now-a-de-facto-independent-state.html> accessed 14 April 2023)



ZHAO says such claims are “malicious rumour-mongering”,<sup>315</sup> although the expansion of the Golden Triangle SEZ does correlate with a rise in the methamphetamine trade. The UNODC estimates that the East Asian and Pacific trade rose from about USD 15 billion in 2010 to between USD 30 billion and USD 61 billion in 2019, with most coming from the Golden Triangle region.

Many reports show evidence that other illicit activities take place openly in the SEZ and its casino, including a tiger and bear farm raising the animals for slaughter for customers to consume (some traditional Chinese medicine beliefs ascribe rejuvenating and aphrodisiac properties to parts of these and other endangered animals).<sup>316</sup> ZHAO stated in an interview in 2011 that sports betting would be one business line within the development, although it is unclear if this ever came to pass.<sup>317</sup>

Despite the US sanctions in January 2018, and extensive international media coverage of apparent criminal activity in the SEZ for years, ZHAO and the SEZ appear to have been completely unaffected.

ZHAO has met Laos’s president<sup>318</sup> and other government officials<sup>319</sup> on several public occasions since the sanctions were announced – and even received a Medal of Bravery from the government in October 2022.<sup>320</sup>

315 Jasmina Yap, ‘Lao Casino Operator Zhao Wei Rejects US Sanctions’, The Lao Times, 7 February 2018 (<https://laotiantimes.com/2018/02/07/lao-casino-operator-zhao-wei-rejects-us-sanctions/> accessed 31 October 2022)

316 ‘Sin City: Illegal wildlife trade in Laos’ Special Economic Zone’, Environmental Investigation Agency, March 2015 (<https://eia-international.org/wp-content/uploads/EIA-Sin-City-FINAL-med-res.pdf> accessed 14 April 2023)

317 `趙偉：奮鬥在金三角經濟特區’，China Talk, 4 May 2011 ([http://fangtan.china.com.cn/2011-05/04/content\\_22492727.htm?show=t](http://fangtan.china.com.cn/2011-05/04/content_22492727.htm?show=t) accessed 14 April 2023)

318 Xiao Cui, ‘金三角經濟特區趙偉主席赴萬象拜會老撾國家領導人並赴川壩等省開展投資考察’，The Global Online, 22 August 2020 (<https://bit.ly/3U5X9VE> accessed 31 October 2022)

319 Joshua Berlinger, ‘Is an alleged drug kingpin from China investing millions in a port in Laos?’, CNN World, 7 December 2020 (<https://edition.cnn.com/2020/12/07/asia/laos-ban-mom-port-zhao-wei-intl-hnk-dst/index.html> accessed 31 October 2022)

320 Phontham Visapra, ‘Laos Government Presents Medal to Chinese Casino Operator’, The Lao Times, 3 October 2022 (<https://laotiantimes.com/2022/10/03/laos-government-presents-medal-to-chinese-casino-operator/> accessed 31 October 2022)

The Golden Triangle SEZ is not the only such project in Laos, but is highlighted as the most egregious. Laos's government does not seem concerned by reports of illegal activity there, and key infrastructure in the region is expanding.

These include a USD 50 million river port further up the Mekong in the heart of the Golden Triangle, which campaigners insist makes little business sense except as a transshipment point for heroin and methamphetamine,<sup>321 322</sup> and an international airport near the SEZ which was scheduled to open in May 2023,<sup>323</sup> financed at a cost of USD 175 million by a Hong Kong company. It appears that ZHAO Wei is behind these projects – he attended the ground-breaking ceremony for the port alongside the provincial governor,<sup>324</sup> and a Hong Kong entity linked to him has been named as an investor in the airport.<sup>325</sup>

Finally, reports in July 2022 suggest that Laos established the 'Laos Offshore Gaming Authority' to set up an offshore online betting licensing regime on similar lines to the Philippines POGOs system.<sup>326</sup> It is not clear what the current status of these plans are, nor if any licences have been issued, but if plans develop such a licence would be attractive to the type of organised crime-linked illegal betting operators who prefer a lax regulatory environment in which to conduct their business.

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321 Joshua Berlinger, 'Is an alleged drug kingpin from China investing millions in a port in Laos?', CNN International, 7 December 2020 (<https://edition.cnn.com/2020/12/07/asia/laos-ban-mom-port-zhao-wei-intl-hnk-dst/index.html> accessed 14 April 2023)

322 Eugene Whong, 'Chinese Casino Kingpin Behind New Mekong Port to Serve Golden Triangle SEZ in Laos', Radio Free Asia, 7 October 2020 (<https://www.rfa.org/english/news/laos/port-10072020195319.html> accessed 17 October 2022)

323 'Golden Triangle airport opens this year', TTR WEEKLY, 21 March 2023 (<https://www.ttrweekly.com/site/2023/03/golden-triangle-airport-opens-this-year/> accessed 14 April 2023)

324 Jasmina Yap, 'Osiano Trading to Develop Port at Ban Mom', Laotian Times, 6 October 2020 (<https://laotiantimes.com/2020/10/06/osiano-trading-to-develop-port-at-ban-mom/> accessed 14 April 2023)

325 CAPA Profiles (<https://centreforaviation.com/data/profiles/newairports/bokeo-international-airport> accessed 14 April 2023)

326 'Laos move to take share of Philippines' POGO pie', INTERGAMING, July 2022, p.36 (<https://edition.pagesuite.com/html5/reader/production/default.aspx?pubname=&edid=fd9bddd3-8e60-48cd-8782-56b620e6d419&pnum=36> accessed 21 December 2022)

## 5. Conclusion

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Given the covert nature of modern slavery, it is impossible to know exactly how many people may currently be held in the type of conditions described above in Southeast Asia, nor to accurately estimate the dollar amount of the illegal betting, cyber-fraud, crypto scams and related scams. What is clear is that both numbers are very large, with tens of thousands of people likely working against their will in the four jurisdictions discussed in this paper alone, in an industry making tens of billions of dollars a year in profits for organised crime groups.

From various public estimates, somewhere between 75,000 to 250,000 people likely work in the offshore betting and related cyber-scam industry across these four jurisdictions in Southeast Asia alone.<sup>327 328 329 330</sup> This does not account for similar operations elsewhere in Asia, and beyond.

Most of these individuals will be working voluntarily, although there are blurred lines and exploitative practices even in supposedly licensed operations. If even 10% are in modern slavery conditions, which seems reasonable if not conservative given the size and scale of the type of compounds mentioned (the Laos SEZ is larger in area than the entire city of Macau, which has a population of nearly 700,000), then the baseline is 7,500 to 25,000 people.

In terms of profits involved, the global illegal betting market has been estimated as high as USD 1.7 trillion a year in total turnover. Sources believe Greater China accounts for at least 50% of this volume. If the operations in jurisdictions described in this report drive half again – likely a small estimate – turnover could be in the region of USD 425 billion (USD 1.7 trillion \* 50% \* 50%).

Since one individual operation (Suncity's) in Mainland China alone was reported to have turnover in the region of USD 145 billion, the estimate of USD 425 billion does not seem unreasonable and may understate the scale. Assuming a very simplified profit margin on betting turnover of 4-9%, this would equate to ~ USD 12 to 38 billion a year in illegal profits from online betting in these four jurisdictions alone.

The related scam and fraud operations contribute further billions. Using details of staff targets reported by victims, we can estimate average revenue per employee – according to reports, the targets for each employee range from

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327 Based on estimates from public officials where possible and NGOs / media reports where not available. Numbers of people at peak (i.e. not concurrently but overlapping): Philippines: 100,000 to 376,000 people, Cambodia, 100,000 to 500,000, Myanmar and Laos 50,000 to 100,000, combined estimate rounded down = 75,000 to 250,000.

328 Iris Gonzales, 'Special Report : Inside a Philippine offshore gaming company', Philstar, 17 June 2019 (<https://www.philstar.com/business/2019/06/17/1927013/special-report-inside-philippine-offshore-gaming-company> accessed 14 April 2023)

329 Gabriel Pabico Lalu, 'Banning POGOs will just push workers underground – Salceda', INQUIRER, 27 September 2022 (<https://newsinfo.inquirer.net/1671650/banning-pogoes-would-just-push-workers-underground-salceda> accessed 14 April 2023)

330 Mech Dara, 'Officials Speak Out on Compounds: As Many as 100,000 Foreign Nationals Came to Cambodia', VOD, 30 September 2022 (<https://vodenglish.news/officials-speak-out-on-compounds-as-many-as-100000-foreign-nationals-came-to-cambodia/#:~:text=Though%20reluctant%20to%20call%20the,in%20Cambodia%20for%20the%20work.> accessed 14 April 2023)

USD 15,000 to USD 30,000 of scammed 'investments' per month.<sup>331</sup> If 100,000 people are hitting such targets, that could equate to USD 27 billion a year. The Global Anti-scam Alliance estimates that USD 55 billion<sup>332</sup> was lost to cyber-scams in 2022, although their methodology is not clear.

In summary, it is highly likely that combined profits from online illegal betting and related cyber fraud in the type of trafficking compounds described in this report are in the region of USD 40 to 100 billion a year in these four jurisdictions alone. In 2023, indications are that this overlap of online betting, fraud, modern slavery, forced prostitution, drug trafficking and other criminality is not only continuing, but likely expanding across Asia and beyond.

A further worry is that these operations have potentially destabilising effects on the entire region, and even beyond. Operators often falsely claim to be associated with state-level projects such as China's Belt and Road project to lend themselves credibility, which has led to geopolitical issues such as US lawmakers branding such operations (wrongly) as state-sponsored.

Meanwhile, the vast sums of money flowing into the hands of warlords, sanctioned individuals, corrupt officials and criminals has already had corrosive effects in terms of corruption, and some regional NGOs even fear could lead to further turmoil in regions such as Myanmar and Laos.

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331 Mary Ann Jolley and David Boyle, 'Cambodia's Cyber Slaves', Al Jazeera, 11 August 2022 (<https://www.aljazeera.com/features/longform/2022/8/11/meet-cambodia-cyber-slaves> accessed 21 April 2023)

332 'About GASA', Global Anti-Scam Alliance (<https://www.gasa.org/about-1> accessed 14 April 2023)

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## **SECTION TWO – BULLETIN ARTICLES**

# Token Gestures – The Impact of Emerging New Technologies on Illegal Betting

James Porteous, February 2023

## Executive Summary

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Emerging new technologies are changing how betting operators deliver their products and how customers see betting, less as a vice and more as part of the entertainment around racing and other sports. As betting operators package their products to appeal to their customers' desire for enhanced entertainment, the nature of betting is likely to change. As a consequence, gambling regulators will need to keep pace to understand how racing and other sports entertainment games may in fact be betting. Many emerging new technologies are also likely to be utilised first by 'start up' illegal betting operators as they seek to capture customers before legal licensed operators can catch up with the pace of development.

Emerging new technologies that could be used for betting, or construed as betting, take varied forms. These include Web3, which includes growing new technology areas such as NFTs, the Metaverse, and GameFi.

Web3 is hailed as anything from the next generation of the internet to the digital future of society – sceptics argue this is hype. This article examines how Web3 is impacting racing & other sports, and the blurring of boundaries between aspects of Web3 and illegal betting. Web3 loosely refers to the internet's next stage, typically involving decentralisation and blockchain technology.<sup>333</sup> It is a reaction to Web 2.0 (the current internet) in which, Web3 advocates argue, power has centralised into Big Tech's<sup>334</sup> hands. Advocates believe Web3 will give power and privacy back to users.<sup>335</sup> Critics argue Web3 is just a marketing buzzword.<sup>336</sup>

### NFTs

NFTs (non-fungible tokens) are digital assets (pictures, videos, songs, anything represented by code) whose ownership and provenance is recorded on a blockchain, which is an (in theory) unchangeable record of who owns the asset, how much they bought it for, and from whom.<sup>337</sup>

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333 Gilad Edelman, 'The Father of Web3 Wants You to Trust Less', Wired, 29 Nov 2021 (<https://www.wired.com/story/web3-gavin-wood-interview/> accessed 25 October 2022)

334 Usually used to refer to Google, Amazon, Apple, Meta (Facebook) and Microsoft but also encompassing large technology companies in general

335 Taylor Locke, 'To Elon Musk, Web3 seems more like a 'marketing buzzword' than a reality', CNBN, December 2021 (<https://www.cnbc.com/2021/12/20/elon-musk-web3-seems-more-marketing-buzzword-than-reality-right-now.html> accessed 25 October 2022)

336 Gilad Edelman, 'Paradise at the Crypto Arcade: Inside the Web3 Revolution', Wired, 10 May 2021 (<https://www.wired.com/story/web3-paradise-crypto-arcade/> accessed 25 October 2022)

337 Sam Dean, '\$69 million for digital art? The NFT craze explained', Los Angeles Times, 11 March 2021 (<https://www.latimes.com/business/technology/story/2021-03-11/nft-explainer-crypto-trading-collectible> accessed 25 October 2022)



“Fungible” means interchangeable with other representatives of that asset:<sup>338</sup> a dollar bill is fungible with all dollar bills, but thoroughbred racehorses or the Mona Lisa are non-fungible assets. Cryptocurrencies like Bitcoin are ‘fungible tokens’.

NFTs rose to prominence during the pandemic, fuelled by social media endorsements from celebrities. ‘Unique’ jpegs of ‘Bored Apes’<sup>339</sup> traded for as much as USD 3.4 million in cryptocurrency, as bemused sceptics pointed out that these could be copied with a mouse-click, regardless of who the ‘true’ owner was.

At its height, the market was estimated at USD 41 billion according to one estimate.<sup>340</sup> But as of late 2022, there was debate over whether the market has completely collapsed along with a wider decline in crypto and other assets, or is primed for a more sustainable long-term comeback.<sup>341</sup>

NFT adoption is particularly high in ARF jurisdictions according to research from September 2021, with the table below showing that six of the top 10 jurisdictions have ARF members. One reason for this is NFT-based ‘play-to-earn’ games, explained below.

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338 Louis DeNicola, ‘What to know about non-fungible tokens (NFTs) – unique digital assets built on blockchain technology’, Business Insider, 1 September 2021 (<https://www.businessinsider.com/nft-meaning> accessed 25 November 2021)





















339 KC Ifeanyi, ‘The Bored Ape Yacht Club apes into Hollywood’, 18 January 2022 (<https://www.fastcompany.com/90706534/the-bored-ape-yacht-club-apes-into-hollywood> accessed 25 October 2022)

340 Natasha Dailey, NFTs ballooned to a \$41 billion market in 2021 and are catching up to the total size of the global fine art market, Business Insider, January 7 2022 (<https://markets.businessinsider.com/news/currencies/nft-market-41-billion-nearing-fine-art-market-size-2022-1>)

341 Paul Vigna, ‘NFT Sales Are Flatlining’, The Wall Street Journal, 3 May 2022 (<https://www.wsj.com/articles/nft-sales-are-flatlining-11651552616> accessed 25 October 2022)

## NFT adoption by country in 2021

The percentage of adults who own NFTs

Countries and regions	% have NFT	% Planning to buy	Forecast adoption
 Philippines	32.0%	9.5%	41.5%
 Thailand	26.6%	7.9%	34.5%
 Malaysia	23.9%	10.5%	34.4%
 United Arab Emirates	23.4%	11.5%	34.9%
 Vietnam	17.4%	11.6%	29.1%
 Nigeria	13.7%	21.7%	35.4%
 Brazil	12.1%	9.9%	22.0%
 Hong Kong	10.7%	10.4%	21.1%
 Venezuela	10.6%	13.5%	24.1%
 Peru	9.9%	14.5%	24.4%
 Colombia	8.4%	11.9%	20.3%
 South Africa	8.3%	9.4%	17.7%
 Argentina	7.4%	8.7%	16.1%
 Singapore	6.8%	11.0%	17.8%
 Canada	5.6%	6.2%	11.8%
 Australia	4.6%	7.1%	11.7%
 Germany	4.0%	3.4%	7.4%
 United States	2.8%	3.9%	6.7%
 United Kingdom	2.5%	3.3%	5.8%
 Japan	2.2%	2.4%	4.6%
<b>Average</b>	<b>11.6%</b>	<b>9.4%</b>	<b>20.9%</b>

Source: Finder's survey of 28,723 adults was conducted in September 2021



### The Metaverse

The metaverse is typically associated with Web3 as something of a catch-all for applications involving virtual reality<sup>342</sup> and/or augmented reality,<sup>343</sup> often involving blockchain. A leading advocate is Mark Zuckerberg, who in October 2021 rebranded Facebook as Meta to focus on such technologies.<sup>344</sup>

But the term is very loosely applied, and in the case of several 'metaverse' horse racing products described below, it is essentially a buzzword for 'video game with crypto elements'.

342 An entirely simulated, 3D virtual world perceived through goggles

343 An overlay of digital imagery onto the real world by e.g. smart glasses or through a smartphone screen

344 'Introducing Meta: A Social Technology Company', Meta, 28 October 2021 (<https://about.fb.com/news/2021/10/facebook-company-is-now-meta/> accessed 25 October 2022)

Advocates argue that the metaverse will transform everyday life, with, for example, one forecast that 30% of business meetings will take place in the metaverse by 2026.<sup>345</sup> Sceptics argue that real-world applications are limited and that there are many barriers to widespread adoption.

### 'GameFi': Play to Earn NFT and 'metaverse' gaming

GameFi (gaming + finance), describes video games typically involving blockchain, NFTs and/or the metaverse. They are also, crucially in the context of betting, 'play to earn'.<sup>346</sup>

Play to earn (P2E) means users are rewarded for playing, with cryptocurrency issued by the game and/or with in-game items (weapons, costumes, etc) which are themselves NFTs.<sup>347</sup> A fee, in the form of NFT purchases, is required to play, which as explained below means P2E may constitute gambling.

Leading GameFi examples include Axie Infinity, The Sandbox and Decentraland.

Axie Infinity users earn cryptocurrency by breeding and battling NFT 'pets'. At its height in mid-2021, the game was some people in Asia's primary income,<sup>348</sup> despite entry NFTs costing USD 1,000 or more.<sup>349</sup> Axie had more than 2 million users and USD 1.2 billion in revenue.<sup>350</sup> Since then, one of its cryptocurrency tokens has lost 99% of peak value, leading to an exodus of users and criticisms of Ponzi-like economic dynamics.<sup>351</sup>

The Sandbox and Decentraland are virtual reality metaverses in which players can buy land, build properties and start businesses to earn cryptocurrencies. Parcels of 'land' have sold for millions of dollars,<sup>352</sup> and users can take out crypto mortgages. The platforms' developers make money via transaction fees.

345 Conn Stamford, 'Gartner Predicts 25% of People Will Spend At Least One Hour Per Day in the Metaverse by 2026', Gartner, 7 February 2022 (<https://www.gartner.com/en/newsroom/press-releases/2022-02-07-gartner-predicts-25-percent-of-people-will-spend-at-least-one-hour-per-day-in-the-metaverse-by-2026> accessed 25 October 2022)

346 'A beginner's guide to the GameFi ecosystem', Cointelegraph, (n.d.) (<https://cointelegraph.com/metaverse-for-beginners/a-beginners-guide-to-the-gamefi-ecosystem> accessed 25 October 2022)

347 'What is GameFi? 'Play-to-Earn' Gaming Explained', Crypto, 3 August 2022 (<https://crypto.com/university/what-is-gamefi-play-to-earn-gaming-explained> accessed 25 October 2022)

348 Christian Nunley, 'People in the Philippines are earning cryptocurrency during the pandemic by playing a video game', CNBC, 14 May 2021 (<https://www.cnbc.com/2021/05/14/people-in-philippines-earn-cryptocurrency-playing-nft-video-game-axie-infinity.html> accessed 25 October 2022)

349 Miles Kruppa, Tim Bradshaw, 'Crypto's hottest game is facing an economic maelstrom', Financial Times, 26 November 2021 (<https://www.ft.com/content/b0c49d6f-a06a-4def-8469-45ad009ac13c> accessed 25 October 2022)

350 *ibid*

351 Edward Ongweso Jr, 'The Metaverse Has Bosses Too. Meet the 'Managers' of Axie Infinity', Vice, 4 April 2022

352 Carla Mozee, 'A plot of virtual land that went for \$4.3 million in The Sandbox is the most expensive metaverse property sale ever', Insider, 30 November 2021 (<https://www.businessinsider.in/stock-market/news/a-plot-of-virtual-land-that-went-for-4-3-million-in-the-sandbox-is-the-most-expensive-metaverse-property-sale-ever/articleshow/88015620.cms> accessed 25 October 2022)

The table below shows the largest 'GameFi' cryptocurrencies as of late 2022. Given cryptocurrency's volatility, the numbers may have changed significantly since; the purpose of the table is to show that the market is large, with the five biggest GameFi cryptocurrencies among the top 100 of all cryptocurrencies. (Chiliz is a cryptocurrency required to purchase Socios, a sports 'fan token' discussed below; Enjin is a platform for various projects not discussed.)

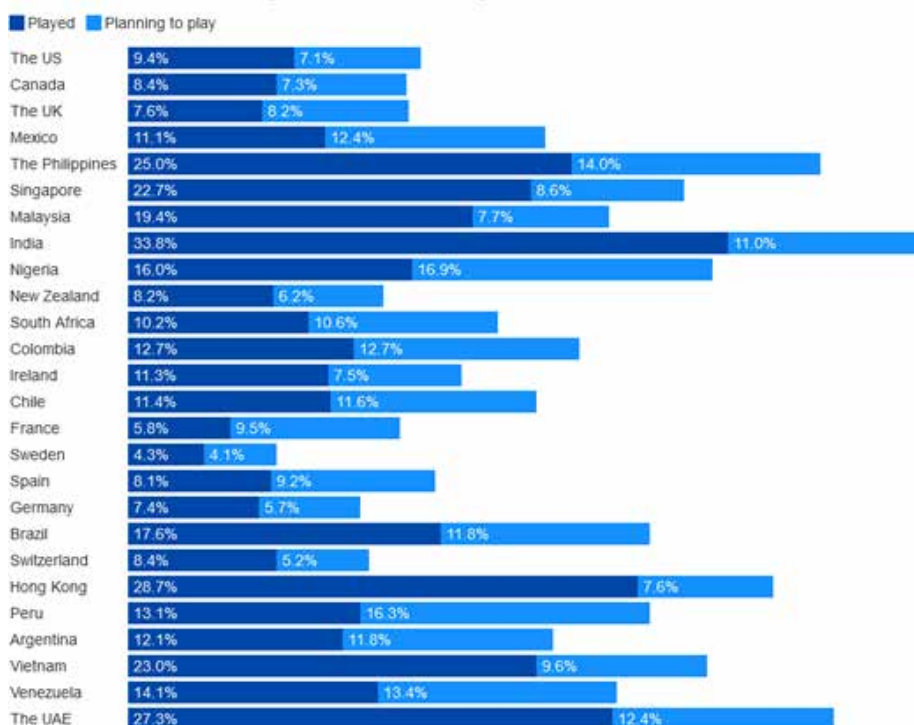
Project / token	Token's Market Cap (USD)	Token's 24 hour trading volume (USD)	Rank among ALL cryptocurrencies
Decentraland / MANA	1.16 billion	163.36 million	49
The Sandbox / SAND	1.16 billion	228.73 million	50
Chiliz / CHZ	1.15 billion	288.37 million	53
Axie Infinity / AXS	858 million	134.37 million	63
Enjin / ENJ	436 million	36.17 million	93

*Table 1 - top five GameFi tokens as of October 2022. Source: crypto.com*

Asia is a key region for NFT gaming adoption. The top five markets are India (34% have played such games), Hong Kong (29%), The UAE (27%), The Philippines (25%), and Vietnam (23%), according to a May 2022 report.<sup>353</sup>

<sup>353</sup> Richard Laycock, 'NFT Gaming Statistics', Finder.com, 25 May 2022 (<https://www.finder.com/hk/nft-games-statistics>)

Current and future NFT gamers around the globe



Source: Finder's NFT Gaming Adoption Report • [Embed](#)



### GameFi horseracing projects

Several projects, realised to various degrees, combine horse-racing, NFTs and the metaverse. Examples are Zed Run, DeRace, Metarace, Cyber Gallops, and DeFi Horse.

All of these have similar mechanics: users buy NFT 'horses' and can 'race', 'breed' and trade them to earn crypto. Metaverse elements include (e.g.) the sale of virtual racecourses.

Most have some association with real-world racing. Zed Run hosted a 'metaverse' Melbourne Cup event; ex-footballer and racehorse owner Michael Owen promotes DeRace; UK trainer Oliver Cole is a Metarace partner; two Singapore trainers (Desmond Koh and Takaoka Hideyuki) are Cyber Gallops partners.



*A Budweiser branded Zed Run NFT horse*

Zed Run is the most mature, with high-profile media coverage and marketing partnerships with major brands such as Budweiser, NASCAR, Atari and Netflix. DeRace has a following, but the others are less advanced and it is not clear how/if they earn revenue, or have a viable product.

Two other horseracing GameFi projects, Omnihorse and Game of Silks, both employ fantasy sports elements. Omnihorse<sup>354</sup> aims to “bridge traditional sports and the metaverse” according to its founder Kia Joorabchian, a football agent and racehorse owner.<sup>355</sup>

Omnihorse NFTs are based on real-life horses owned by Joorabchian’s stable. NFT owners earn crypto tokens based on the horses’ real-world success, and “exclusive benefits” such as VIP entrance at racecourses where the real horse competes.

Game of Silks is similar, but NFTs are based on the ~20,000 yearlings born in the United States every year. NFT owners earn crypto tokens when/if the real-world horses achieve racing or breeding success.<sup>356</sup> A pre-requisite to earn prizes is to own a ‘Silks Avatar’ NFT – a digital picture of a robot jockey selling for (at the time of writing) around 0.15 Ethereum, ~USD 222. Silks does not appear to have any agreements with the real-life yearling owners.

The table below collates several metrics, such as NFT transactions and social media followers, to try to assess the popularity of these products – although given cryptocurrency volatility, social media bots, and NFT ‘wash trading’, such metrics are not perfect.

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354 ‘This NFT Game Changer Allows Users to Benefit on Real-Life Horse Racing’, Cryptonews, 3 November, 2022 (<https://cryptonews.com/news/this-nft-game-changer-allows-users-to-benefit-on-real-life-horse-racing.htm> accessed 25 October 2022)

355 ‘Find and update company information Kiavash JOORABCHIAN’, GovUK, (n.d.) (<https://find-and-update.company-information.service.gov.uk/officers/u6vtZaW5oikl-ongV-2YjrOxkY0/appointments> accessed 25 October 2022)

356 ‘Game of Silks Raises \$2 Million To Bring Thoroughbred Racehorses Onto The Blockchain’, Bitcoinist, April 2022 (<https://bitcoinist.com/game-of-silks-raises-2-million-to-bring-thoroughbred-racehorses-onto-the-blockchain/> accessed 25 October 2022)

Metric	Zed run	DeRace	Silks	Metarace	Omnihorse
<b>NFT owners on Opensea.io</b>	67,104	3,215	3,798	N/A	524
<b>All time Sales (USD)</b>	193 million	14.8 million	3.8 million	N/A	N/A
<b>All-time Transactions</b>	693,509	5,387	6,700	N/A	N/A
<b>Social media followers</b>	128,851	336,812	40,644	97,710	10,546

Table 2 - comparative popularity of horse racing Game Fi products. Sources: opensea.io, cryptoslam.io, Discord, Twitter, Instagram. Information recorded 1 November 2022. (Open Sea is the largest NFT marketplace, Discord is a chat app ubiquitous in crypto).

The table shows that Zed Run has been most successful. DeRace and Silks appear to have some level of interest, but Metarace and Omnihorse appear to have little; Gallops and DeFi Horse were not examined as it did not seem they yet had a viable product.

There are also GameFi projects in other sports. Socios are so-called “fan engagement tokens” promoted by some of the world’s biggest football teams (Barcelona, Juventus, Arsenal, Manchester City are among 120+ partners). Fan tokens must be bought with an associated cryptocurrency, ‘Chiliz’. Socios owners can take part in polls and competitions associated with their team.<sup>357</sup> Lionel Messi, one of the best footballers of all time, promotes Socios in a deal worth USD 20 million.<sup>358</sup>

Another, Sorare, sees players buy NFT ‘trading cards’ representing real-life players, then use these to compete for prizes based on the players’ real-life performance. It is a licensed partner of eight football leagues, the NBA, and Major League Baseball.<sup>359</sup> In February 2022, an NFT of Erling Haaland sold for more than USD 600,000.<sup>360</sup> Sorare has been valued at more than USD 4 billion and was publicly praised by President Emmanuel Macron as an example of French tech innovation.<sup>361</sup>

NBA Top Shots are NFT ‘moments’ – video highlights – from NBA games similar to trading cards. A Top Shot of LeBron James dunking sold for USD 208,000 in February 2021.<sup>362</sup> In September 2021 Top Shot reportedly had more than 1.1 million users and developer Dapper Labs was valued at more than USD 7.6 billion.<sup>363</sup>

357 ‘Main Page’, Socios, 2022 (<https://www.socios.com/> accessed 25 October 2022)

358 ‘Lionel Messi signs \$20m deal with crypto firm Socios to promote digital fan tokens - report’, ESPN, 29 March 2022 ([https://www.espn.com/soccer/paris-saint-germain--frapsg/story/4627240/lionel-messi-signs-\\$20m-deal-with-crypto-firm-socios-to-promote-digital-fan-tokens-report](https://www.espn.com/soccer/paris-saint-germain--frapsg/story/4627240/lionel-messi-signs-$20m-deal-with-crypto-firm-socios-to-promote-digital-fan-tokens-report) accessed 25 October 2022)

359 ‘Main Page’, Socios, 2022 (<https://www.socios.com/> accessed 25 October 2022)

360 ‘Erling Haaland NFT smashes Cristiano Ronaldo’s record after selling for more than \$600,000’, ESPN, 1 February 2022 ([https://www.espn.com/soccer/blog-the-toe-poke/story/4583160/erling-haaland-nft-smashes-cristiano-ronaldos-record-after-selling-for-more-than-\\$600,000](https://www.espn.com/soccer/blog-the-toe-poke/story/4583160/erling-haaland-nft-smashes-cristiano-ronaldos-record-after-selling-for-more-than-$600,000) accessed 25 October 2022)

361 Joey D’Urso, ‘Sorare: ‘An unregulated timebomb’ or a fantasy game that will revolutionise football?’, The Athletic, 27 November 2021 (<https://theathletic.com/2972039/2021/11/27/sorare-unregulated-timebomb-fantasy-game-revolutionise-football/> accessed 25 October 2022)

362 Elizabeth Lopatto, ‘NBA Top Shot seemed like a slam dunk — so why are some collectors crying foul?’, Theverge, 7 June 2022 (<https://www.theverge.com/23153620/nba-top-shot-nft-bored-ape-yacht-club> accessed 25 October 2022)

363 Romain Dillet, ‘NBA Top Shot creator Dapper Labs raises another \$250 million’, Techcrunch, 22 September 2021 (<https://techcrunch.com/2021/09/22/nba-top-shot-creator-dapper-labs-raises-another-250-million/> accessed 25 October 2022)

## Web3 and illegal betting

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Web3 may facilitate or blur boundaries with betting, as the following quote highlights:

*"Emerging products ... such as non-fungible tokens – or NFTs – 'synthetic shares' and cryptocurrency ... are becoming increasingly widespread and the boundaries between products which can be defined and regulated as gambling are becoming increasingly blurred."*

*"We are likely to see more and more integration of these types of products into sport and other areas of lifestyle, as well as the legitimate gambling industry. These are lucrative growth areas, and we ignore them at our peril."*

- UK Gambling Commission chief executive to International Association of Gambling Regulators, October 2022 (emphasis added).<sup>364</sup>

Aspects of these blurring of the lines include the fact that GameFi may constitute gambling, the potential to bet on GameFi, the crossover between crypto and gambling enthusiasts, and new Web3 betting platforms and mechanics.

Play to Earn / GameFi typically requires payment for entry by purchasing NFTs. An algorithm typically depending on random number generation results in a financial loss or gain for the user: purchasing an NFT horse and earning cryptocurrency by winning a virtual race with it for example.

Paying money in the hope of a greater reward based on a contingency is essentially gambling as often defined, so some NFT projects have attracted regulatory attention. Sorare<sup>365</sup> has been examined by regulators in France<sup>366</sup> and the UK<sup>367</sup>, and has been banned in Switzerland.<sup>368</sup> Sorare insists it does not constitute gambling in jurisdictions in which it operates and agreed to make changes to its platform to address concerns by the French regulator regarding "prevention of excessive gambling and protection of minors, integrity and transparency of gambling operations and the fight against fraud and money laundering."<sup>369</sup>

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364 'Andrew Rhodes - speech at IAGR Conference 2022', Gambling Commission, 18 October 2022 (<https://www.gamblingcommission.gov.uk/news/article/andrew-rhodes-speech-at-iagr-conference-2022> accessed 25 October 2022)

365 Joey D'Urso, 'Sorare: 'An unregulated timebomb' or a fantasy game that will revolutionise football?', The Athletic, 27 November 2021 (<https://theathletic.com/2972039/2021/11/27/sorare-unregulated-timebomb-fantasy-game-revolutionise-football/>, accessed 25 October 2022)

366 Raphaël Grably, Paris sportifs: l'Autorité nationale des jeux met en garde Sorare, qu'elle envisage de réguler', BFMTV, 29 July 2022 ([https://www.bfmtv.com/tech/actualites/paris-sportifs-l-autorite-nationale-des-jeux-met-en-garde-sorare-qu-elle-envisage-de-reguler\\_AN-202207290014.html](https://www.bfmtv.com/tech/actualites/paris-sportifs-l-autorite-nationale-des-jeux-met-en-garde-sorare-qu-elle-envisage-de-reguler_AN-202207290014.html))

367 'Consumer information notice: Sorare.com', Gambling Commission, 8 October 2021 (<https://www.gamblingcommission.gov.uk/news/article/consumer-information-notice-sorare-com> accessed 25 October 2022)

368 Tim Smith, 'Is Sorare a gambling game, and what would that mean for the company?', Sifted, 25 August 2022 (<https://sifted.eu/articles/sorare-gambling-nfts-fantasy-football> accessed 26 Sep 2022)

369 Autorite National des Jeux, 'At the request of the ANJ, SORARE undertakes to develop its game offer', 18 November 2022 (<https://anj.fr/la-demande-de-lanj-sorare-sengage-faire-evoluer-son-offre-de-jeu> accessed 22 November 2022)



The P2E racing products mentioned have not yet attracted such regulatory attention. Zed Run states that its product does not constitute gambling, because “choosing virtual thoroughbreds is a game of skill”, but says the onus is on users to make a decision regarding regulations in their jurisdiction.<sup>370</sup>

Play to Earn has also been criticised by addiction researchers for blurring the boundaries between gaming and speculative trading, with risks including the “deflationary nature of reward currencies and the asymmetric reward structures that heavily favour early investors and exploit late adopters”.<sup>371</sup>

Despite the popularity of GameFi in Asia, South Korea and Japan have banned play to earn as gambling, China has warned against it and has a blanket ban on crypto trading, and in India the government has been asked to clarify its stance on the matter.<sup>372</sup>

Naturally, products which emulate sports popular with bettors such as racing may lead to betting demand.

Zed Run intends or intended to include wagering, with its co-founder stating in 2021: “We have spoken to the majority of major wagering operators from around the globe and we’re going to work with them in the future once we have the framework and legalities in place around being able to deliver that.”<sup>373</sup>

The status of such plans is unknown, although it is noted that this co-founder previously was a consultant for an Australian bookmaking technology company.<sup>374</sup>

Wagerr, a blockchain-based Web3 sports betting platform not known to be licensed, announced a partnership with Zed Run in January 2021 whereby Zed Run users would have Wagerr’s betting crypto-tokens deposited into their cryptocurrency wallets, enabling them to bet on Wagerr.<sup>375</sup> Wagerr said it hoped the partnership would enable it to develop expertise in new sports betting markets,<sup>376</sup> although it does not offer racing, real or virtual.

370 Zed Run Terms of Service (<https://zed.run/terms#:~:text=GAMES%20OF%20SKILL%20ARE%20PERMITTED,%2C%20AND%20CONSIDERATION%20TO%20PLAY>)

371 Paul Delfabbro, Amelia Delic, Daniel L.King, ‘Understanding the mechanics and consumer risks associated with play-to-earn (P2E) gaming’, AK Journals vol.11 issue3, (2022): p716-726. (<https://akjournals.com/view/journals/2006/11/3/article-p716.xml>)

372 Sam Reynolds, ‘GameFi Faces Regulatory Headwinds in Major Asian Markets’ CoinDesk, February 1 2022 (<https://www.coindesk.com/policy/2022/02/01/gamefi-faces-regulatory-headwinds-in-major-asian-markets/>)

373 Tom Wiggins, ‘From Neigh to Zed: How Digital Horse Racing Became an NFT Favorite’, Decrypt, 29 May 2021 (<https://decrypt.co/72208/from-neigh-to-zed-how-digital-horse-racing-became-an-nft-favorite>, accessed 25 October 2022)

374 Betmakers per media reports and LinkedIn (<https://www.linkedin.com/in/iamlaurant/>)

375 ‘Wagerr x Zed Run Partnership’, Wagerr News, 18 January 2021 (<https://news.wagerr.com/wagerr-x-zed-run-partnership/> accessed 25 October 2022)

376 ‘Wagerr x Zed Run Partnership’, Wagerr News, 18 January 2021 (<https://news.wagerr.com/wagerr-x-zed-run-partnership/> accessed 25 October 2022)

DeRace plans to include wagering and offer its races to bookmakers to stream for betting:

*"DeRace's ecosystem will be enriched with 3rd party betting solution. We will integrate a betting provider (one or multiple) for the execution of bets.*

*"Also, we will create an API for horse racing streaming platforms, online casinos and betting venues to integrate DeRace horse races in their existing solutions.*

*"The betting solution completes the whole DeRace NFT horse racing ecosystem."<sup>377</sup>*

An emerging area of academic research indicates crossover of interests and behaviours between those interested in blockchain technology and those interested in gambling.<sup>378</sup> Studies show that cryptocurrency trading is associated with problem gambling.<sup>379</sup> Such crossover is not inherently wrong. But given the unregulated nature of many crypto / NFT projects, it is something for racing & other sports to note.

As detailed in the ARF's State of Illegal Betting report, crypto is increasingly common for payment at Unregulated and Under-regulated betting operators. Stake.com, an Australia-based, Curacao-licensed sports betting and casino site whose customers reportedly wager AUD 590 million a day in cryptocurrency,<sup>380</sup> is a leading example. FunToken is a similar operator in the online casino space, where gamblers can only gamble with the site's crypto tokens.

Now, NFTs are being accepted as payments for illegal betting. At least one Licensed but Under-regulated operator accepts Socios tokens among its 42 cryptocurrency payment options. Given that this operator also sponsors various teams and leagues for which Socios tokens are available, there is an obvious off-ramp / cross-promotional avenue for Socios holders to transition to betting at this operator (which offers racing from many ARF jurisdictions).

Many other platforms are trying to capitalise in novel ways on the intersection between gambling and crypto.

'Gambling Apes' is a Curacao Licensed but Under-regulated betting website which claims to offer holders of its NFTs a share of the site's profits. Almost 400 Ethereum-worth of gambling apes NFTs have been sold, likely equivalent to ~USD 1 million.<sup>381</sup>

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377 DeRace white paper (<https://derace.gitbook.io/derace/technical-summary/third-party-betting-and-streaming-solution>)

378 Fred Steinmetz, 'The interrelations of cryptocurrency and gambling: Results from a representative survey', Science Direct vol. 138, (2022): 107508 (<https://www.sciencedirect.com/science/article/abs/pii/S074756322200259X>)

379 Devin J Mills, Lia Nower, 'Preliminary findings on cryptocurrency trading among regular gamblers: A new risk for problem gambling?', PubMed vol: 92 (2019): p136-140 <https://pubmed.ncbi.nlm.nih.gov/30639898/>

380 The Courier Mail (<https://www.couriermail.com.au/business/victoria-business/from-computer-nerds-to-gambling-with-drake-meet-melbournes-crypto-billionaires/news-story/bc5dff7acca3dff1a29f25f392c8ac0d> access 25 October 2022)

381 Gambling Apes (<https://looksrare.org/collections/0x90cA8a3eb2574F937F514749ce619fDCCa187d45/activity>)

Somewhat similar are 'Slotie' NFTs,<sup>382</sup> digital pictures of slot machines which supposedly give owners a cut of the profits of an online casino.<sup>383</sup> It was hit with a multi-state cease-and-desist order for encouraging illegal betting in the US.<sup>384</sup>

Bet U, Australia-founded<sup>385</sup> but Curacao-licensed, throws several buzzwords together in plans to incorporate "crypto betting, Play-to-earn sports & esports prediction games, and a licensed metaverse resort and casino". It issues cryptocurrency tokens essentially equivalent to a rebate on bets.<sup>386</sup>

Still another model is playwithstakes.com (not associated with stake.com), where users compete against each other to earn NFTs for predicting sports results. Its CEO insists this is not betting, but also states: "we are creating a new category of sports wagering platform that is Web3 native."<sup>387</sup>

While it seems many such examples are merely seeking to exploit NFT/crypto hype – and others not mentioned appear to be outright scams – there is clearly a burgeoning supply and demand for new Web3 betting products which may affect betting on racing & other sports in unforeseen ways.

A project with greater credibility because of its founders' experience is BetDex, a blockchain-based betting exchange licensed in the Isle of Man, created by former executives of leading US sports betting operator FanDuel.<sup>388</sup>

Its CEO states that BetDex will target the crypto/gambling crossover demographic, saying "We think there is 30/40% overlap of crypto natives and people who bet on sports."<sup>389</sup>

BetDex is targeting international markets including Asia. Currently it only offers football but plans to expand into other sports.<sup>390</sup>

The metaverse also provides unregulated gambling: Decentraland has a 'district' named Vegas City which reportedly offers casinos and sportsbooks including the racing of NFT horses.<sup>391</sup> It is not clear how the latter works, though Zed Run has a virtual 'HQ' there.<sup>392</sup>

382 Slotie Marketplace (<http://slotie.com/> accessed 25 October 2022)

383 'Leading Software Company, Elia Announces The Launch of its NFT Project Is In the Works', Bloomberg, 24 November 2021 (<https://www.bloomberg.com/press-releases/2021-11-24/leading-software-company-elia-announces-the-launch-of-its-nft-project-is-in-the-works> accessed 25 October 2022)

384 Paige Tortorelli, 'Four U.S. states order a metaverse casino to halt sale of NFTs' CNBC 20 October 2022 (<https://www.cnbc.com/2022/10/20/four-us-states-order-a-metaverse-casino-to-halt-sale-of-nfts.html>)

385 LinkedIn profile (<https://www.linkedin.com/in/paul-rogash-72497622/>)

386 BetU (<https://betu-1.gitbook.io/betu/token-betu/tokenomics>)

387 Dean Takahashi, 'Stakes raises \$5.3M for NFTs for sports wagering fans', Venture Beat, 3 May 2022 (<https://venturebeat.com/business/stakes-raises-5-3m-for-nfts-for-sports-wagering-fans/> accessed 25 October 2022)

388 'BetDEX Exchange Becomes First Fully-Licensed Sports Betting Exchange On Blockchain', Cision PR Newswire (<https://www.prnewswire.com/news-releases/betdex-exchange-becomes-first-fully-licensed-sports-betting-exchange-on-blockchain-301664556.html> accessed 25 October 2022)

389 'The Startup Month #4', Earnings+More ,1 November 2022 ([https://earningsandmore.substack.com/p/the-startup-month-4?utm\\_source=substack&utm\\_medium=email](https://earningsandmore.substack.com/p/the-startup-month-4?utm_source=substack&utm_medium=email) accessed 25 October 2022)

390 Stoyan Todorov, 'BetDEX CEO Varun Sudhakar: "We Look Forward to Leading the Revolution in Sports Betting and Web3"', Gambling News, 1 November 2022 (<https://www.gamblingnews.com/news/betdex-ceo-varun-sudhakar-we-look-forward-to-leading-the-revolution-in-sports-betting-and-web3/> accessed 3 November 2022)

391 Conor Porter, 'Vegas City: The metaverse's specifically designed gambling hub', SBC Americas, 10 October 2022 (<https://sbcamericas.com/2022/10/10/vegas-city-metaverse-gambling-hub/> accessed 25 October 2022)

392 ZED RUN Unveils Resplendent New HQ in Decentraland, September 2021 (<https://nftplazas.com/zed-run-unveils-resplendent-new-hq-in-decentraland/> accessed 25 October 2022)

ICE Poker in Vegas City, a poker room which requires users to purchase expensive NFTs to access, reportedly attracts more than 100,000 monthly players and revenue of USD 3.2 million.<sup>393</sup>

It is easy to envisage a future where virtual reality racing and associated unregulated wagering could compete with the real equivalent, particularly among young people.



A screenshot inside Decentral Games' virtual casino. Source: <https://www.coindesk.com/tech/2022/02/03/whos-using-the-metaverse-poker-players-in-decentraland/>

### Final Thoughts

There are many opportunities for racing and other sports, and Licensed and Regulated betting, from Web3 – but also risks involved.

Blockchain and NFT technology could be used in racing, for example, to track and record provenance of bloodstock; to open new revenue streams from licensing image rights and intellectual property for NFT projects; and to possibly attract a new, younger, audience to the sport.

Crypto projects have already provided a financial boon to teams via sponsorship and naming rights (although some high-profile sponsors have since gone bankrupt). In 2021 it was reported that four English Premier League clubs had earned GBP 150 million through Socios,<sup>394</sup> while Sorare in late 2022 was reportedly close to agreeing a GBP 30 million-a-year partnership with the EPL.<sup>395</sup>

393 Sean Dickens, 'ICE Poker is attracting players in their thousands to the metaverse', Yahoo Finance, 5 February 2022 (<https://finance.yahoo.com/news/ice-poker-attracting-players-thousands-164538146.html> accessed 25 October 2022)

394 Tom Morgan, 'Exclusive: Europe's top clubs - including Arsenal and Man City - bank £150m from Socios 'cryptocurrency'', The Telegraph, 21 August 2021 (<https://www.telegraph.co.uk/football/2021/08/21/exclusive-europes-top-clubs-including-arsenal-man-city-bank/> accessed 25 October 2022)

395 Mark Kleinman, ' ', Sky News, 27 October 2022 (<https://news.sky.com/story/premier-league-lines-up-30m-a-year-digital-tokens-deal-with-sorare-12731686> accessed 1 November 2022)

But as with any new technology, stakeholders need to understand risks. This is particularly important given the crossover between crypto and gambling, the lack of regulation, and the prevalence of fraud and bad actors. There are reputational and even financial crime risks to racing and other sports from this.

In football, teams have been criticised for exploiting supporters via NFT promotions – and even encouraging gambling-like speculative trading.<sup>396</sup>

Even prominent products such as Socios<sup>397</sup> and Sorare<sup>398</sup> have been accused by media of price manipulation and insider trading, (the companies deny these claims), while lesser-known ones have been outright scams.<sup>399</sup>

Football team Manchester City illustrates both ends of this spectrum: it reportedly receives USD 20 million a year in sponsorship from Chinese cryptocurrency exchange OKX, but also ended a partnership with a crypto finance scheme which promised 150% annual returns to investors, after reports that the company did not appear to exist.<sup>400</sup> (And OKX, despite being the more 'reputable' of these two crypto entities, has been banned in China, its founder subject of police interest, and is under investigation for alleged securities violations in Canada).<sup>401</sup>

The spectacular demise of FTX, a very high-profile cryptocurrency exchange which filed for bankruptcy in November amid allegations of governance failings even worse than Enron,<sup>402</sup> further illustrates the risks. FTX had many sports sponsorship deals including: "the official crypto exchange of Major League Baseball, official crypto partner of the Mercedes Formula One team, official crypto and NFT partner for the Washington Wizards (NBA) and Capitals (NHL) ... an international rights deal with the Golden State Warriors"<sup>403</sup> and a 19-year naming rights deal for the Miami Heat basketball arena. It also had several individual deals with some of the biggest American sports stars.

A February 2022 quote from Miami Heat's marketing director (emphasis added) illustrates – in hindsight – both why such firms want to be associated with sports, and the flip-side potential reputational risk to sports of such association should things go wrong:

396 Joey D'Urso, 'Special report: Socios expects to make £150 from each fan who buys a token', The Athletic, 29 April 2022 (<https://theathletic.com/3140771/2022/04/29/special-report-socios-expects-to-make-150-from-each-fan-who-buys-a-token/> accessed 25 October 2022)

397 Emma Roth, 'Fan token' company Socios accused of crypto price manipulation', The Verge, 13 March 2022 (<https://www.theverge.com/2022/3/12/22974337/fan-token-company-socios-accused-cryptocurrency-price-manipulation> accessed 25 October 2022)

398 Joey D'Urso, 'Sorare: 'An unregulated timebomb' or a fantasy game that will revolutionise football?', The Athletic, 27 November 2021 (<https://theathletic.com/2972039/2021/11/27/sorare-unregulated-timebomb-fantasy-game-revolutionise-football/> accessed 25 October 2022)

399 Alessandra Bonifacio, 'UEFA football crypto fund: a multi-million euro scam', Cryptonomist, 21 October 2022 (<https://en.cryptonomist.ch/2022/10/21/uefa-football-crypto-millionaire-scam/> accessed 25 October 2022)

400 Jack Gaughan, 'Manchester City end partnership with mysterious crypto firm 3Key Technologies after just two months, as firm executives did NOT appear in online searches', Daily Mail, 5 January 2022 (<https://www.dailymail.co.uk/sport/football/article-10372971/Manchester-City-end-partnership-mysterious-crypto-firm-3Key-Technologies.html> accessed 25 October 2022)

401 Philippe Auclair, 'City of controversy', Josimar, 18 July 2022 (<http://josimarfootball.com/city-of-controversy/> accessed 25 October 2022)

402 According to liquidator's comments in bankruptcy filing – the liquidator is the same person who handled Enron's liquidation

403 Jeff Beer, 'How FTX led crypto's takeover of sports in less than a year', Fast Company, 7 February 2022 (<https://www.fastcompany.com/90717799/how-ftx-led-cryptos-takeover-of-sports-in-less-than-a-year> accessed 18 November 2022)

"I think when people saw the Heat were willing to get in bed with FTX, it gave them a check of legitimacy ... People were calling and asking about it. We have a certain level of respect in our league and around professional sports that when we aligned with them, people saw them as legit."<sup>404</sup>

The Miami Heat have since dropped the FTX name from their arena and it is not known how much, if any, of the reported USD 135 million deal's value the team (and the local government which stood to benefit) actually received.<sup>405</sup>

(Coincidentally, FTX was an investor in BetDex, the blockchain betting exchange mentioned above.)<sup>406</sup>

Because of such collapses, many have fundamental doubts about NFTs and blockchain technology in general. NFT marketplaces have been rife with counterfeit intellectual property, scams and wash trading.<sup>407</sup> Fraud, hacks and 'rug pulls' – where founders disappear with crypto investors' money – are prevalent in the crypto space, including in GameFi.<sup>408</sup> In March 2022, hackers linked to North Korea stole ~USD 620 million of cryptocurrency from Axie Infinity's blockchain, the largest ever crypto heist.<sup>409</sup>

Cybercriminals, including illegal betting operators, are finding ways to exploit the metaverse to launder money. INTERPOL has warned the metaverse will open a new world of cybercrime,<sup>410</sup> while an upcoming EU anti-money laundering law will reportedly include language highlighting such threats.<sup>411</sup> Separately, the European Commission's 2022 Supranational Risk Assessment Report in November 2022 rated online betting as a maximum risk of money laundering and terrorist financing for reasons including virtual currencies, gaming tokens that qualify as crypto assets, and the proliferation of unlicensed websites.<sup>412</sup>

Also, as detailed in previous ARF Council publications, individuals linked to organised crime, illegal betting and money laundering, such as convicted triad gangster 'Broken Tooth' Wan Kuok Koi, have been heavily active in crypto and gambling schemes.<sup>413</sup>

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404 ibid

405 Lora Kelley, 'FTX Spent Big on Sports Sponsorships. What Happens Now?', New York Times, 10 November 2022 (<https://www.nytimes.com/2022/11/10/business/ftx-sports-sponsorships.html> accessed 18 November 2022)

406 Eli Tan, 'Solana-Based Sports Betting Protocol BetDEX Closes \$21M Seed Funding Round', CoinDesk, 18 November 2021 (<https://www.coindesk.com/business/2021/11/17/solana-based-sports-betting-protocol-betdex-closes-21m-seed-funding-round/> accessed 18 November 2022)

407 Lois Beckett, "'Huge mess of theft and fraud:' artists sound alarm as NFT crime proliferates", The Guardian, 29 January 2022 (<https://www.theguardian.com/global/2022/jan/29/huge-mess-of-theft-artists-sound-alarm-theft-nfts-proliferates> accessed 25 October 2022)

408 Edward Ongweso Jr, 'The NFT Ecosystem Is a Complete Disaster', Vice News, 2 February 2022 (<https://www.vice.com/en/article/xgdvnd/the-nft-ecosystem-is-a-complete-disaster> accessed 25 October 2022)

409 Theo Tsihitas, 'Worldwide cryptocurrency heists tracker (updated daily)', Comparitech, 3 November 2022 (<https://www.comparitech.com/crypto/biggest-cryptocurrency-heists/> accessed 25 October 2022)

410 Dina Kartit and Elizabeth Howcroft, 'Interpol says metaverse opens up new world of cybercrime', 28 October 2022 (<https://www.reuters.com/technology/interpol-says-metaverse-opens-up-new-world-cybercrime-2022-10-27/> accessed 25 October 2022)

411 Jack Schickler, 'Money Laundering via Metaverse, DeFi, NFTs Targeted by EU Lawmakers' Latest Draft', CoinDesk, 29 September 2022 (<https://www.coindesk.com/policy/2022/09/29/money-laundering-via-metaverse-defi-nfts-targeted-by-eu-lawmakers-latest-draft/> accessed 25 October 2022)

412 European Commission, Commission Staff Working Document, 27 October 2022, (<https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:52022SC0344&qid=1668133326304&from=EN> accessed 22 November 2022, pages 201-236)

413 US Department of the Treasury, Treasury Sanctions Corrupt Actors in Africa and Asia, December 9 2020, (<https://home.treasury.gov/news/press-releases/sm1206>)

Finally, stakeholders in the Licensed and Regulated betting industry need to be aware of the potential for unregulated Web3 / metaverse gambling and gambling-like products to both cause harm to consumers and potentially to attract people, particularly young people, away from well-regulated responsible sports wagering to unregulated alternatives.

# The Displacement of Illegal Betting and Transnational Organised Crime

*Martin Purbrick, February 2023*

Illegal betting in Asia has been a core business of transnational organised crime groups in the region for decades as the profit margin and relatively low operational risks involved in the business have made this an attractive means of revenue generation for criminals. There is a distinct evolution of the displacement of illegal betting (and gambling) by organised crime groups across Asia that provides lessons for stakeholders regarding how to tackle the problem.

This displacement of illegal betting and gambling has partly been related to two major factors. Firstly, local illegal operators expanded during the 1990s in parallel with the growth of the Internet, mobile telecommunications, and televised sports (especially football), with many of them progressing from being national criminal groups to be transnational groups. Secondly, changing patterns of national law enforcement, sometimes with an international impact, have forced the expanded transnational illegal betting operators to move their bases of operations to countries where laws are less enforced.

Up to the 1990s, there were large illegal betting groups that dominated their local markets in Hong Kong, Macau, Malaysia, Thailand, and Singapore. Mainland China illegal betting markets were less developed as the impact of the economic opening up through the 1980s had not yet had the effect of creating a very large consumer market for gambling with sufficient disposable income.

For instance, GDP per capita in China in 1980 was USD194, in 1990 was USD317, in 2000 was USD959, and by 2021 was USD12,556.<sup>414</sup> In addition, the percentage of the population in China using the Internet was effectively 0% in 1990, only around 2% in 2000, but had grown to 70% in 2020.<sup>415</sup> Television viewing figures for sports have also grown, illustrated by the Asian Women's Cup final in February 2022 which was watched in China by at least 31 million live viewers on the national CCTV channel, whilst at least 22 million people in Vietnam watched their team compete in the tournament.<sup>416</sup>

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414 The World Bank, GDP Per Capita (current US\$) – China (<https://data.worldbank.org/indicator/NY.GDP.PCAP.CD?locations=CN>)

415 The World Bank, Individuals Using the Internet (% of the population) – China (<https://data.worldbank.org/indicator/IT.NET.USER.ZS?end=2020&locations=CN&start=1990&view=chart>)

416 Inside World Football, Asian Women's Cup breaks digital and TV records with 31m watching final in China, 18 February 2022 (<https://www.insideworldfootball.com/2022/02/18/asian-womens-cup-breaks-digital-tv-records-31m-watching-final-china/#:~:text=It%20is%20estimated%20that%2086,below%20the%20age%20of%2035>)



Increased wealth, access to the Internet, and interest in sports such as football have fuelled a parallel interest in betting on racing and other sports in huge population areas of Asia. As many countries in Asia have strict limitations on legal betting, there is a continually growing illegal betting market across the region. The illegal betting market has not only included the expanding national illegal bookmakers whose business grew to become international from the 1990s but also international operators, some linked to organised crime groups.

Key customer markets in Asia for illegal betting are China (where legal market limited to the Welfare and Sports Lotteries), including Hong Kong (which in itself has a significant illegal betting market of up to USD2 billion in turnover), Cambodia (where online sports betting is illegal), Indonesia and Malaysia (where in both countries gambling is illegal under Sharia Law), and Thailand (where only state lotteries and horse racing betting is legal). The illegal betting market dominates Asia, and provides a huge revenue stream for Asian organised crime groups in these countries as well as a channel for money laundering across the region.

Organised crime groups active in illegal betting and gambling operations have been displaced in the past several decades. Chinese organised crime groups in particular have been displaced from their home country to other parts of Asia. This is a continual process that will change as national law enforcement agencies understand new threats and take local enforcement action, which in turn displaces the criminal groups elsewhere. In the gambling sector in the past two decades, Asian organised crime groups involved in gambling have evolved and been displaced through the following transitions.

From 1998 to 2004, Chinese criminal groups have been displaced from Hong Kong to Macau and Guangdong Province. This displacement came from firstly more effective policing in Hong Kong during the 1990s, and secondly an opportunity from the Triad conflict in Macau in the mid-1990s for Hong Kong based major Triad factions to take over casino VIP rooms as well as multiple casino junkets. Major Hong Kong illegal bookmakers also expanded their markets to Guangdong Province and shifted their operations across the border, partly due to policing in Hong Kong in the 1990s, but also to capture the emerging new consumer market in the mainland.

From the early 2000s to 2017, Chinese organised crime groups from Mainland China and South East Asia (Singapore and Malaysia) were displaced to the Philippines, where they operated online gambling with licenses in the Cagayan Economic Zone Authority, the Aurora Pacific Economic Zone & Freeport Authority, and the Authority of the Freeport Area of Bataan. The US Navy base at Subic Bay and the US Air Force Clark Air Base at nearby Angeles City both became Freeport Zones after the departure of US military in the early 1990s, but both retained a thriving prostitution industry controlled by criminal groups with international links to bring in customers as tourists. The criminal groups in the Freeport Zones also gravitated to operating casino gambling as well as later online gambling as a new revenue stream in the 1990s and 2000s.

From 2016 onwards, Chinese and South East Asian organised crime groups were displaced from special economic zones in the Philippines to national licensing under the Philippine Amusement and Gaming Corporation (PAGCOR) as 'Philippine Offshore Gaming Operators' (POGO), following President Duterte's instruction that licensing be centralized. Whilst this action by the national authorities improved the administration of gambling licensing, it did not yet displace transnational organised crime groups from the Philippines.

From 2018 onwards, Chinese and South East Asian organised crime groups were displaced from the Philippines to Cambodia (especially Sihanoukville) as well as Vietnam (to a lesser extent) to operate casinos and online gambling, following pressure by the PRC government on the Philippines authorities to take action against Chinese criminal groups operating POGOs.

From 2022 onwards, Chinese and South East Asian organised crime groups have been displaced from Cambodia to Myanmar to operate casinos, online gambling, and other criminal activities (people trafficking, online fraud, etc), following pressure by the PRC government on Cambodian authorities to take action against Chinese criminal groups operating in the country.

The pursuit of illegal betting and gambling operators displaced to South East Asia continues. By October 2022, it was reported that 90% of illegal gambling operations in Cambodia had been shut down following the enforcement action taken by the authorities.<sup>417</sup> This is a substantial claim, but it is questionable how the authorities can ensure that the criminal activity does not return after the initial crackdown and also if the large scale illegal operators have been affected.

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417 Gambling News, Cambodian Illegal Gambling Scene Almost Completely Shut Down, 3 October 2022 (<https://www.gamblingnews.com/news/cambodian-illegal-gambling-scene-almost-completely-shut-down/>)

The criminal groups in Myanmar are also not completely out of reach of law enforcement. In August 2022, Chinese businessman She Zhijiang was arrested in Thailand for allegedly running illegal online gambling. Mr She has allegedly been involved in a USD15 billion project called Yatai City in a Myanmar border village that was intended to become a Singapore-like business hub. Mr She was reportedly arrested by the Thai authorities on the basis of an INTERPOL Red Notice issued by China, illustrating the importance of cross border cooperation to combat illegal betting.<sup>418</sup>

The displacement of illegal betting and gambling, as well as the organised crime groups operating these businesses, has illustrated the scale and prolonged nature of the crackdown by the Chinese authorities, which was reported by the ARF Council in 2021. The ARF Council reported that “The focus of this crackdown is on cross-border illegal betting encompassing both illegal betting websites hosted offshore, and overseas land-based casinos. It incorporates illegal betting on racing and other sports as well as online casinos, illegal lotteries, and other forms of illegal betting. The crackdown was launched because cross-border illegal betting causes CNY 1 trillion (USD 145 billion) to flow out of China to offshore websites and casinos every year, threatening economic security and social stability.”<sup>419</sup>

Indications are that the crackdown by the Chinese authorities on illegal gambling, other transnational organised crime, and the related capital flight, is likely to continue indefinitely as part of the efforts by the government to combat corruption and criminality. An outcome of this is the sophisticated network of facilitator businesses in Asia to launder money from illegal betting and gambling.

Given that there remain large parts of Asia where betting on racing and other sports, as well as gambling, remain largely illegal, and efforts such as those by the Chinese authorities will continue, it is certain that Asian organised crime groups will continue to prosper from this illegal business and adapt to continual displacement to new relatively safer havens for their operations. Based on the displacement seen from the 1990s to the present day, we should ask where to next?

The ARF Council has started to answer this question by highlighting the use of new, and evolving technologies by illegal betting operators. The use of Web3 ‘play to earn’ games developing betting, NFT products related to betting, and betting in the Metaverse, all illustrate that very soon a safe haven is not needed for organised crime groups to operate illegal betting and gambling as their IT resources for these new technologies can be located anywhere on the planet with no scrutiny from the authorities and law enforcement agencies.

418 Caixin, Fugitive Behind \$15 Billion Myanmar Business Hub Arrested in Thailand, 16 August 2022 ([https://www.caixinglobal.com/2022-08-16/fugitive-behind-15-billion-myanmar-business-hub-arrested-in-thailand-101927067.html?utm\\_source=ARF+Anti-Illegal+Betting+Taskforce&utm\\_campaign=65d8b8ed37-EMAIL\\_CAMPAIGN\\_2022\\_07\\_15\\_03\\_56\\_COPY\\_01&utm\\_medium=email&utm\\_term=0\\_7971e33499-65d8b8ed37-416971257](https://www.caixinglobal.com/2022-08-16/fugitive-behind-15-billion-myanmar-business-hub-arrested-in-thailand-101927067.html?utm_source=ARF+Anti-Illegal+Betting+Taskforce&utm_campaign=65d8b8ed37-EMAIL_CAMPAIGN_2022_07_15_03_56_COPY_01&utm_medium=email&utm_term=0_7971e33499-65d8b8ed37-416971257) )

419 ARF Council on Anti-Illegal Betting & Related Financial Crime, ‘How China’s Crackdown on Illegal Betting Impacts Global Betting Markets’, September 2021 (<https://www.asianracing.org/aib/resources>)

Displacement of Chinese and South East Asian organised crime groups involved in illegal betting and gambling from Asia to new regional hubs will continue to diversify as they utilise continued technology improvements to operate and deliver remote gambling as well as related money laundering. In the past two decades, organised crime groups clustered in jurisdictions where at the time there was limited or no law enforcement interdiction, such as the Philippines, Cambodia, Vietnam, and Myanmar.

In the future, these groups are likely to use technology on a far more international basis with operations disguised as IT service providers, which will be more difficult to identify. This will make illegal betting and gambling operators even more transnational than now, with front companies purporting to be involved in sophisticated Web 3.0 online gaming or sports entertainment, corporate entities registered in offshore locations where owner identity is guaranteed, bank accounts utilising established money laundering hubs, and IT servers as well as trading rooms based almost anywhere. Technology development will continue to expand the reach of illegal betting.

## The Formation of Law Enforcement in Sports Integrity in Victoria

*Graham Ashton AM, February 2023*

Victoria, Australia, prides itself as the sports capital of Australia. Each year it hosts and promotes world leading sporting events such as The Australian Open Tennis, Australian Rules Football finals attracting 100,000 people, the Formula 1 Grand Prix and the time honoured Melbourne Cup, a two-mile horse race prized the world over. Melbourne has a reputation for delivering high quality events, and of course strong sports integrity systems are integral to that.

As an Assistant Commissioner of Police in Victoria a decade ago, I headed up the provision of investigative policing services to the community. Victoria Police is an organisation steeped in tradition, being in existence for almost 160 years. Taking on the head of investigations role gave me an opportunity to strengthen and modernise our services. I set about re-introducing some of our former crime investigation squads that had previously been discontinued such as the Homicide Cold Case Unit and took the opportunity to examine what new and emerging areas of crime existed that we were not yet ready to tackle.

It was with this intention I travelled to Paris to attend my first conference in Sports Integrity. I was keen to learn more about this issue and the threats and risks my home state on the other side of the globe might be going to experience in the future. To say I found this conference eye-opening would be an understatement. Clearly there were criminal threats to the integrity of sports that were not emerging but impacting then and there, and I quickly realised it was only distance that had prevented these reaching Australia.

The first significant risk I saw was in the impact of Unregulated betting on racing and sports. The global nature of communications had meant that now hundreds of millions of dollars were being channelled through Unregulated online bookmakers, safe from the eyes of law enforcement or other regulators. This was an invitation to corrupt operators to fix sporting events and obtain gaming revenue as their pay off. It was not possible to see their transactions and unmask them. Further, the sheer sums involved, made it attractive and a lower risk to corrupt less popular sports that were not sufficiently resourced to protect themselves. I was later to find this very thing was happening in Australia.

Secondly, I was alarmed at the money laundering potential through unregulated online gambling. Through my investigative career I had been involved in target-hardening various sectors from the threat of money laundering, and I assessed sports betting as the highest-risk area I had encountered. Traditionally the amount of money criminals lose in the laundering process is significant, whereas in online gambling almost all laundered proceeds could be retained by the criminal. I had not seen examples of this actually occurring yet, but given the scale of organised crime figures involved in corrupting sports I concluded it would only be a matter of time before they not only started laundering funds through online betting but actually created Unregulated betting entities themselves.

Upon returning to Australia I was able to brief a meeting of the Australasian Police Commissioners on the threats I had seen overseas and warned it was a matter of time before they emerged in Australia. To my disappointment the nation's most senior police did not show much enthusiasm. Facing the daily challenges of domestic and family violence and rising street crime, one police chief said bluntly, "Why would we be interested in this?" Fortunately, my police chief in Victoria did not take this view and gave me full rein to try to ensure that Victoria's excellent sporting event reputation, worth billions of dollars to the state economy, was as well protected as possible.

I set about establishing the world's first Sporting Integrity Intelligence Unit (SIIU) within Victoria Police. With no blueprint to follow, my senior police managers put in place a specialist squad that included intelligence analysts, experts on sports betting, and trained detectives. Their mission was to provide the best intelligence to sports in Victoria to assist them in protecting their sports and to work with sports, and for the first time to work collaboratively with sports to actively search out and rout sports corruption.

It was not long before we encountered a significant case of betting-related corruption in second-tier soccer in Melbourne. Matches were being fixed by gamblers offshore who were betting on known results with Unregulated betting operators. It was bizarre to see how much money was being wagered from the other side of the world on a soccer match being played before 100 people in the Melbourne suburbs. Victoria Police prosecuted this case and it made headlines around the sporting world. It was clear that distance was no longer protecting Australia and that we were not immune from sports corruption. The fact that Victoria Police was able to pro-actively tackle this crime, which was enabled by Unregulated online betting meant that Victoria's reputation on the sporting integrity landscape was greatly enhanced.

Building on this success, the Unit has since been able to deal with sports corruption cases in a number of sports, including tennis, horse racing and harness racing. The ability to share risk intelligence to sporting bodies is critical to the success of the SIIU. To help achieve this the Unit hosts a key conference on the sports integrity calendar which brings experts from overseas to share intelligence and trends with sporting bodies. This includes the critical area of Unregulated betting. This sharing of intelligence is of particular importance to smaller and emerging sports who do not have the resources to protect themselves to the level of the more established sports who can invest in integrity systems due to their scale. What we learned from the soccer case was that the smaller sports are just as vulnerable as the major sports.

The establishment of the SIIU has led to a number of experienced detectives developing specialist skills in the sports integrity sector. In turn these detectives have moved out of policing and taken their skills to the sporting bodies. In Victoria this has included racing, harness racing, cricket and Australian Rules Football. This is a very positive development for sports integrity as it brings strong investigative and risk management skills into the sports themselves and strengthens the links between sports and law enforcement.

The skills developed within the SIIU were impressive and has accordingly seen numerous staff leave the unit to join sporting organisations. I have seen this as a positive as it shares expertise around the sector. This in turn has created an enhanced stakeholder network for Victoria Police. This development of expertise has also placed Victoria Police in a strong position to tackle money laundering cases into the future.

# Transnational Crime, Money Laundering and Illegal Online Betting in Southeast Asia

*John Langdale, May 2023*

This article examines illegal online betting and gambling in Southeast Asia in the context of transnational crime and money laundering in the region. Transnational crime and illegal online betting have expanded rapidly in the Mekong region of Myanmar, Laos and Cambodia, countries with high levels of corruption. The emergence of transnational criminal activities is not only destabilising these Mekong countries, but “overspill” from criminal activities is posing a major threat of growing organised crime activities to surrounding countries, particularly Thailand and Vietnam, but also to the broader Asia-Pacific region.

The United Nations Office of Drugs and Crime (UNODC) and other international agencies have been involved in anti-corruption and anti-money laundering campaigns in the Mekong countries for many years. However, it is clear that a major international effort is needed to halt the spiral of transnational crime and illegal online betting in the Mekong region. Unless this happens, it is likely that these countries will descend into narco-states<sup>420</sup>.

A major factor underpinning the rise of the illegal online betting market in Southeast Asia has been the massive growth of transnational crime in the Mekong region. The UNODC has documented the displacement of transnational crime from China to Mekong region countries<sup>421</sup>. The displacement effect has reshaped the illegal drug and wildlife trafficking industries in the region, with methamphetamines production skyrocketing in Shan State in Myanmar and more illegal wildlife trafficking taking place in Southeast Asia. The displacement effect has had major flow-on effects on the demand for money laundering in the region, since a significant percentage of the proceeds of these crimes are recycled through the region’s rapidly-expanding network of physical and online casinos<sup>422</sup>.

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420 AUNG ZAW, ‘Shwe Kokko: How Myanmar’s Crime Hub is Destabilizing the Region’, *The Irrawaddy*, 27 February 2023 (<https://www.irrawaddy.com/opinion/analysis/shwe-kokko-how-myanmars-crime-hub-is-destabilizing-the-region.html> accessed 20 April 2023) Caleb Quinley, ‘Transnational crime boom a destabilising influence in SE Asia: UN’, *Aljazeera*, 18 July 2019 (<https://www.aljazeera.com/news/2019/7/18/transnational-crime-boom-a-destabilising-influence-in-se-asia-un> accessed 20 April 2023)

421 UNODC, *Transnational Organized Crime in Southeast Asia: Evolution, Growth and Impact* (2019) United Nations Office of Drugs and Crime, Bangkok. ([https://www.unodc.org/roseap/uploads/archive/documents/Publications/2019/SEA\\_TOCTA\\_2019\\_web.pdf](https://www.unodc.org/roseap/uploads/archive/documents/Publications/2019/SEA_TOCTA_2019_web.pdf))

UNODC, *Synthetic Drugs in East and Southeast Asia: Latest Developments and Challenges*, United Nations Office of Drugs and Crime (2022) Bangkok. ([https://www.unodc.org/documents/scientific/Synthetic\\_Drugs\\_in\\_East\\_and\\_Southeast\\_Asia\\_2022\\_web.pdf](https://www.unodc.org/documents/scientific/Synthetic_Drugs_in_East_and_Southeast_Asia_2022_web.pdf))

422 Martin Purbrick, ‘The displacement of illegal betting and transnational organised crime’, *Asian Racing Federation Bulletin Council on Anti-Illegal Betting and Financial Crime, Quarterly Bulletin*, Feb. (2023) (<https://www.asianracing.org/email/202301qb-the-displacement-of-illegal-betting-and-transnational-organised-crime>)



### Rise of illegal online betting centres in the Mekong region

The rise of illegal online betting centres in the Mekong region is related to the massive Chinese demand for gambling and a rapid growth in transnational crime in the region, which has created a large demand for money laundering. The Covid-19 pandemic has limited gambling-related travel. Furthermore, many countries in the region have a “pot of gold” attitude to gambling and see physical and online casinos as a means of generating employment and taxation revenue. Finally, weak anti-money laundering (AML) regulation exists in Mekong region countries.

Chinese and other criminal groups have moved rapidly into illegal online betting activities in response to these developments. They recognised the profit opportunities of the market, not just with respect to the huge Chinese market, but also targeted opportunities in global gaming marketplace<sup>423</sup>. In addition, they have expanded online scamming operations, often alongside illegal online betting centres.

### Diverse types of illegal online betting centres in the Mekong region countries

A range of illegal online betting operations is present in Mekong region countries. At the risk of simplifying this diversity, two broad types may be identified.

Firstly, some Special Economic Zones (SEZs) in Southeast Asia have become “one-stop shops” for transnational crime. Examples of such SEZs include the Golden Triangle SEZ, with the Kings Romans casino as the centrepiece in Bokeo Province, Laos. In addition, Yatai New City (Shwe Kokko) in Kayin State, Myanmar and Sihanoukville in Cambodia.

Different views exist about the relative benefits of SEZs in Southeast Asia. Proponents argue that they provide a springboard for regional economic development, because there are fewer government restrictions on development. Others argue that they function as incubators for crime, particularly those associated with illegal betting activities<sup>424</sup>. It is difficult for governments to act in these zones because of special exemptions from regulation, and frequently illicit entrepreneurs will move operations by the time the governments are able to act.

The “one-stop shop” SEZ model also has the advantage of controlling security, since weak Mekong region governments cede security arrangements, either because of corruption, or because the SEZ is controlled by alleged “warlords” such as in Myanmar for Yatai New City (Shwe Kokko). The internalisation of security in SEZs reduces access for law enforcement agencies and outside scrutiny of repressive labour practices is minimal. Few outsiders have information on illicit activities taking place in SEZs.

423 Jeremy Douglas, ‘How the Covid-19 pandemic forced Southeast Asia’s casino criminals to bet on tech – and win’, South China Morning Post, 7 Aug. (2022). (<https://www.scmp.com/comment/opinion/asia/article/3187800/how-covid-19-pandemic-forced-southeast-asias-casino-criminals>)

424 Fred Lord, ‘Free for all zone’ - Free Trade and Special Economic Zones (FTZ & SEZ) International Online Betting Operators and Gambling’, (2017) 5th OECD Task Force for Countering Illicit Trade, Mar. Paris: OECD. ([https://one.oecd.org/document/GOV/PGC/HLRF/TFCIT/RD\(2017\)3/En/pdf](https://one.oecd.org/document/GOV/PGC/HLRF/TFCIT/RD(2017)3/En/pdf))

The most notorious SEZ is the Golden Triangle SEZ in Laos, controlled by the Zhao Wei criminal group<sup>425</sup>. Ostensibly, the SEZ provides the Golden Triangle region with economic growth, but it is a “one-stop shop” for transnational crime. The SEZ has a diverse range of criminal activities, ranging from illegal drugs, wildlife and human trafficking and child prostitution. Illegal online betting and online scamming activities are also prominent.

The “one-stop shop” model provides transnational criminals with significant advantages. A key advantage is that they are able to develop what economists call economies of scale and scope.

The economies of scale advantages allow criminals to build up large operations and derive lower costs from large-scale casino operations (physical or online). For example, the Zhao Wei criminal organisation operating the Golden Triangle SEZ has built its own airport to expand the number of Chinese gamblers coming to the casino.

Economies of scope refer to the advantages of operating a diverse range of complementary criminal activities which enhance the attractiveness of the centre. For example, a gambler may travel to a casino to gamble, but may also be involved with illegal wildlife, child prostitution and other illicit activities at the SEZ while visiting the site. The Zhao Wei criminal group has been able to derive economies of scope by expanding both the physical casino, but also diversifying into online betting and scamming centres. Such diversification has been valuable during the prolonged lockdown of international tourist travel during Covid-19.

Sihanoukville has a SEZ, which is part of China’s Belt and Road Initiative<sup>426</sup>. It attracted numerous physical and online casinos reportedly owned primarily by ethnic Chinese, but the banning of online casinos in 2019 by the Cambodian government and the impact of Covid-19 decimated Chinese gambling tourism and led to the exodus of thousands of Chinese workers. The ban led to the growth of online scamming centres in Sihanoukville, with online betting continuing in an underground manner<sup>427</sup>.

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425 Sebastian Strangio, ‘Golden Triangle Gambling Zone the World’s ‘Worst’ SEZ, Group Says’, *The Diplomat*, 30 Mar. (2022). (<https://thediplomat.com/tag/golden-triangle-special-economic-zone/>)

426 Chris Devonshire-Ellis, ‘Foreign Investment Opportunities in Cambodia’, *ASEAN Briefing*, 19 July (2022). (<https://www.aseanbriefing.com/news/2023-foreign-investment-opportunities-in-cambodia/>). Matthias Alffram, ‘Sihanoukville pays the price for heavy reliance on Chinese’, *Bangkok Post*, 9 May, (2022). (<https://www.bangkokpost.com/business/2306938/sihanoukville-pays-the-price-for-heavy-reliance-on-chinese>)

427 Nicholas Farrelly Alice Dawkins and Patrick Deegan, *Sihanoukville: A Hub of Environmental Crime Convergence*, Global Initiative Against Transnational Crime, Geneva: Switzerland, Sept. (2022) ([https://globalinitiative.net/wp-content/uploads/2022/09/GI-TOC-report\\_Sihanoukville\\_For-upload.pdf](https://globalinitiative.net/wp-content/uploads/2022/09/GI-TOC-report_Sihanoukville_For-upload.pdf))

The Sihanoukville experience illustrates the sequence of developments from legal physical casino developments to online betting operators, generally illegally targeting the Chinese market. China pressured Cambodia to outlaw these operators, but unfortunately this has led to some of them shifting underground, often facilitated by corrupt Cambodian local government and law enforcement officials<sup>428</sup>. In addition, these illegal operations have diversified to online scamming centres, a development that has attracted widespread negative publicity over slave-labour conditions for workers from many Asian countries.

“Footloose” online illegal betting operations have the advantage of being able to move on quickly when law enforcement agencies act to close them. Two broad types may be identified. One is represented by online betting operations which are shifted from country to country in response to tightening government regulations on online illegal betting<sup>429</sup>. A sub-variant of this type are facilities which move within countries to more remote rural locations.

Secondly, technology allows illegal online betting enterprises to shift to offshore centres which have few, if any, regulations against their operations<sup>430</sup>. Clearly, widespread adoption of this model would have major implications for illegal online betting.

### Implications for governments

These developments in transnational crime and online betting and gambling are raising major policy concerns for governments in the region. The danger is that transnational crime will spiral out of control in the Mekong region countries and the “overspill” of crime will spread throughout the region.

China has been increasingly worried about these developments and has criticised countries promoting online casinos targeting Chinese gamblers. It pressured Cambodia in 2019 to ban online betting, an action which led to many of these operations either leaving Sihanoukville or moving underground. China has threatened to retaliate against Southeast Asian countries that do not halt illegal online betting by banning Chinese tourism, although it has not publicly announced which countries are on the hit list<sup>431</sup>. China is particularly concerned that online betting is promoting capital flight. The wider the adoption of online betting, the greater the difficulty for China in controlling capital flight<sup>432</sup>.

428 Lindsey Kennedy and Nathan Southern, ‘Inside Southeast Asia’s casino scam archipelago’, *The Diplomat*, 2 Aug. (2022). (<https://thediplomat.com/2022/08/inside-southeast-asias-casino-scam-archipelago/>)

429 Martin Purbrick, ‘The displacement of illegal betting and transnational organised crime’, *Asian Racing Federation Bulletin Council on Anti-Illegal Betting and Financial Crime, Quarterly Bulletin*, Feb. (2023) (<https://www.asianracing.org/email/202301qb-the-displacement-of-illegal-betting-and-transnational-organised-crime>)

430 Ibid.

431 Philip Conneller, ‘Beijing Expands Gambling Travel Blacklist to ‘Safeguard Lives and Property’, *Casino.org*, 29 Jan (2021). (<https://www.casino.org/news/beijing-expands-gambling-travel-blacklist-to-save-lives-and-property/>)

432 Frank Tang and Ji Siqi, ‘China extends battle lines to manage capital outflows as Beijing doubles down on ‘economic security’’, *South China Morning Post*, 1 December 2021 ([https://www.scmp.com/economy/china-economy/article/3158048/china-extends-battle-lines-manage-capital-outflows-beijing?module=perpetual\\_scroll\\_0&pgtype=article&campaign=3158048](https://www.scmp.com/economy/china-economy/article/3158048/china-extends-battle-lines-manage-capital-outflows-beijing?module=perpetual_scroll_0&pgtype=article&campaign=3158048) accessed 20 April 2023)

The U.S. has been concerned about the development in transnational crime, money laundering and human trafficking in the Mekong region. The U.S. has categorised Cambodia in the worst category for human trafficking offences. The U.S. Treasury designated the Zhao Wei criminal group of illegal drug trafficking, human trafficking, child prostitution, money laundering, bribery and wildlife trafficking, much of which has been facilitated by the Kings Romans casino<sup>433</sup>.

The negative implications of the “overspill” of transnational crime and illegal online betting is having the greatest impact in Southeast Asia, with Thailand in particular being impacted. Illegal casinos operated by Chinese criminal groups are being used to launder money from illegal drug trafficking and other illicit activities<sup>434</sup>. The Thai government has been conducting numerous law enforcement operations against illegal online betting.

However, a recent major scandal in Thailand has exposed the extent of the involvement of Chinese criminal groups, who have trafficked illegal drugs from Myanmar, as well as being involved in illegal migration of Chinese to Thailand, property development and money laundering. The Thai case study illustrates both the “overspill” of crime from adjacent Mekong countries and the displacement effect of China’s crackdown on transnational crime, which has pushed crime into corrupt Southeast Asian countries<sup>435</sup>.

This scandal meshes with the concerns in Southeast Asia and elsewhere about the human trafficking of duped people lured to online betting and scamming centres in Mekong countries. Southeast Asian governments have not been vocal in their criticisms of these centres, although international pressure is forcing Cambodia to close at least some of them<sup>436</sup>.

While countries have been pressuring the Mekong countries to outlaw illegal online betting centres, profits from transnational crime, as well as physical casinos, online betting and scamming centres are massive. Criminal groups are able to bribe government officials and hinder law enforcement. Endemic corruption in Cambodia and in the rest of the Mekong region makes it difficult for any outside governments to exert sustained pressure on Mekong region governments to ban these illegal betting activities.

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433 U.S. Department of Treasury, Treasury Sanctions the Zhao Wei Transnational Criminal Organization Washington, D.C. Jan. 30 (2018). (<https://home.treasury.gov/news/press-releases/sm0272>)

434 James Morris, and Son Nguyen, ‘Golden Triangle drugs threat aired in parliament, claims of senior police officers being involved in trafficking’, Thai Examiner, 23 Feb. (2021). (<https://www.thaiaaminer.com/thai-news-foreigners/2021/02/23/golden-triangle-claims-against-senior-police-officers-ai-red-parliament/>)

Carla Boonkong, and Pranee O’Connor, ‘Shock police probe into drug dealing and money laundering linked with Myanmar to strain ties’, Thai Examiner, 22 Sept (2022).

Erik Gibbs, ‘Thailand political corruption and illegal gambling becoming the new norm’, Casino.org, 4 Nov. (2022.) (<https://www.casino.org/news/political-corruption-and-illegal-gambling-become-the-new-norm-in-thailand/>)

435 Wassayos Ngamkham, ‘We’re on the triads’ trail’, Bangkok Post, 2 Feb (2023). (<https://www.bangkokpost.com/thailand/general/2497055/were-on-the-triads-trail>)

436 Erik Gibbs, ‘Cambodia’s efforts to rid country of illegal casinos are paying off’, Casino.org, 3 Jan. (2023) (<https://www.casino.org/news/cambodias-efforts-to-rid-country-of-illegal-casinos-are-paying-off/>)

## INTERPOL – Combatting Illegal Betting and Money Laundering during the Qatar World Cup

*Claudio Marinelli, May 2023*

The increased involvement of transnational organised crime in illegal betting and match-fixing has made corruption in sport a global threat affecting the security of people worldwide. Organised criminal groups, which are often highly organised and operate across multiple jurisdictions, actively use illegal betting as a means of generating massive profits and benefit from limited risks of detection. Online betting platforms present additional challenges for police, as they have intensified the international dimension of sports betting, making betting on matches anywhere in the world extremely easy and accessible.

In the light of ever-increasing globalisation and digitalisation, coupled with a huge influx of money in professional sport, illegal betting requires a coordinated global response. As the world's largest international police organisation with 195 members, INTERPOL is uniquely placed to enable worldwide law enforcement agencies to work together beyond borders to tackle corruption in sport and has developed a number of initiatives to do that. The organisation's activities targeting illegal betting include operational response, analytical support and capacity building.

In terms of operational work, in 2007 INTERPOL launched Operation SOGA (short for SOccer GAMbling), which targets illegal betting and related money laundering. It is a regular campaign timed to coincide with major international soccer events, when the international criminal networks behind illegal betting are particularly active due to high betting turnover. Suspected illegal bookmakers, illegal bettors, and money launderers are identified following intensive research and intelligence exchange between participating countries, and are arrested in a simultaneous crackdown, hitting criminal syndicates hard.

The ninth wave of Operation SOGA was carried out from November 2022 to January 2023 under the auspices of INTERPOL's Joint Task Force for the World Cup Qatar 2022. SOGA IX saw thousands of specialised officers across 19 countries target organised crime groups looking to profit from illegal betting and related money laundering.

Due to the commitment of law enforcement authorities on the ground, the operation led to 1,400 raids and 1,200 arrests. Authorities of participating countries also seized USD 2 million in cash and bank account funds, USD 76 million in digital betting records, as well as computers, mobile phones, credit cards, luxury cars, jewellery and handbags.

As an example of coordinated efforts carried out by participating officers within the framework of SOGA IX, the Hong Kong Police Force neutralised several illegal-bookmaking syndicates, detaining hundreds of suspects. Additionally, Italian law enforcement authorities conducted numerous targeted checks of betting points, which resulted in administrative sanctions for illegal betting activities amounting to EUR 3 million.

Investigators identified several trends during the operation, such as a confirmed preference for online betting, with criminals taking full advantage of financial technology, including the use of international betting websites and online bank accounts; lower amounts being wagered to avoid detection; and that men under 40 were considered the typical profile to watch.

Year after year, INTERPOL's Operation SOGA has highlighted the importance of collective mobilisation across various countries for tackling organised crime groups operating on a global scale. To date, nine SOGA operations have resulted in 20,300 arrests, seizures of USD 64 million in cash and the closure of some 4,000 illegal betting dens, which handled more than USD 7.3 billion worth of bets.

Operation SOGA IX is the first wave of the initiative to be coordinated under the aegis of INTERPOL's Financial Crime and Anti-Corruption Centre (IFCACC), launched in 2022 with a view to centralising the international response to transnational financial crime and corruption. SOGA IX has also benefited from the global outreach support of the Asia-Pacific Expert Group on Organised Crime (APEG) and the INTERPOL Match Fixing Task Force (IMFTF).

The IMFTF forms the focus of INTERPOL's operational response in the area of match-fixing and corruption in sport, bringing together law enforcement agencies around the world to tackle these crimes. The Task Force has around 100 member units, with more than 150 National Points of Contact worldwide. It focuses on sharing experiences and best practices and now represents the largest global network of investigators dealing with sport corruption and illegal betting.

Other specific tools in the area of illegal betting developed by INTERPOL are available to law enforcement worldwide. INTERPOL allows its member countries to share intelligence and information securely, and crosscheck data via Project ETICA dedicated to data collection on sport corruption. INTERPOL's Financial Crime Analysis File (FinCAF) serves to identify suspicious patterns of activity and track down individuals and groups involved in illegal betting, helping law enforcement to gather additional intelligence to enlarge domestic investigations.

INTERPOL has also coordinated operations codenamed "HAECHI" under a project to tackle cyber-enabled financial crime. Along with other types of cyber-enabled fraud such as romance scams, HAECHI targeted money laundering associated with illegal online betting. The results of the three waves of the operation (2020-2022) confirm that transnational organised crime groups, including illegal betting syndicates, exploit the borderless nature of the Internet to extract millions from their victims before funnelling the illicit cash to bank accounts across the globe, or concealing it in virtual assets.

In addition to the operational and analytical frameworks, INTERPOL carries out a joint capacity building and training project with the International Olympic Committee to combat competition manipulation. The project offers tailored training courses, workshops and webinars for law enforcement, government agencies, sports, betting operators and regulators, to address competition manipulation and create a global network of practitioners.

Thus, INTERPOL has been playing an important role in combatting illegal betting and promoting integrity in sport through information sharing, development of best practices, and implementation of targeted operational actions. In the coming decades, law enforcement will face an increasingly sophisticated criminal landscape, as technological advances will further push the boundaries between the physical and the digital. In order to counter the constantly emerging threats, INTERPOL will continue to support its member countries' efforts in detecting and disrupting criminal activities, including illegal betting operations, and provide police with a coordinated tactical response.

# How the World Lottery Association Approaches Illegal Betting and Works to Protect the Integrity of Sport

*Luca Esposito, May 2023*

The World Lottery Association (WLA) is a global organization that represents state-authorized lotteries and suppliers to the industry -- many of which also operate sports betting or have partnerships with the Licensed and Regulated sports betting industry. With more than 150 members from over 80 countries and territories, it is the largest organisation of such state-authorized operators in the world.

The WLA also runs a sports betting integrity unit, and is partnered with United Lotteries for Integrity in Sports (ULIS), a bet monitoring service which provides alerts on suspicious betting activity to members (formerly known as GLMS). As General Secretary of ULIS, I am pleased to join the ARF Council on Anti-Illegal Betting and Related Financial Crime (ARF Council) so that we may collaborate in protecting the integrity of sports from illegal betting, and to explain to readers how seriously the WLA / ULIS see illegal betting, and what we are doing about it.

Illegal betting is a key threat to the integrity of the lotteries and sports betting sector, as well as the broader sports world. In recent years, a combination of innovative technologies and the global pandemic have facilitated the rapid growth and evolution of online betting, and unfortunately also of illegal online betting.

It is complex, vast, and transnational in nature. The global effort to combat illegal betting and maintain sports integrity is vital to ensure that the lotteries and sports betting operators continue to provide legal betting services and products that are safe and secure, while entertaining for all.

Stakeholders from across the entire sports and sports betting ecosystem work together, including regulators, national and international law enforcement agencies and judiciaries, the lotteries, sports federations and organisations (the IOC, FIFA, UEFA), sports betting monitoring organisations, such as the ULIS and others, including the Council of Europe, and INTERPOL, in a network that continues to grow.

The work of WLA member lotteries in supporting good causes has never been more pertinent, especially in light of greater global themes, including economic challenges in the aftermath of the global COVID-19 pandemic, and the impact of climate change and ongoing issues around global energy. To this point, the 2022 edition of the WLA Global Lottery Data Compendium states that 144 WLA lottery and sports betting operators raised the significant amount of USD 79.5 billion for good causes in 2021.



### **Leading the lotteries in the fight against illegal betting**

WLA member lotteries face a constant threat from operators that are not authorized by local regulators to offer gaming products or services in their respective jurisdictions. It is therefore in the collective interest of state-licensed lotteries to protect their territorial integrity.

One of the aims of the WLA is to advance such interests by addressing lottery-related issues that have a global dimension. The large-scale problem of illegal betting requires international cooperation. With its broad worldwide membership, the WLA is well suited to take a leading role in this fight.

There is a high responsibility to offering lottery and betting services. Gaming products are subject to oversight of state authorities and are regulated to mitigate their impact on society. The WLA has always advocated a regulated lottery and betting market and works to support its members within the regulatory framework of their respective jurisdictions.

On the contrary, illegal operators disregard regulations, avoid taxation and consequently, contributing to society and good causes. They do not follow best practices, nor do they implement responsible gaming measures, such as checking the player's age, or running Know Your Customer processes, to stop criminals from laundering money from illicit activities.

Many such operators accept cryptocurrency payments, which save processing fees and time, while providing players with almost complete anonymity and instant payments. This means that illegal operators can offer more exciting products and better payout rates.

### **A clear stand – WLA position on illegal betting**

In the WLA Code of Conduct, the association makes its position clear on licensing and jurisdictions. Article 2 states, "no member shall offer gaming services via electronic commerce services unless it has received the necessary permission to do so by the government or authorities competent to grant such authorization for the territory where the gaming services are made available." It further states that, "members shall only offer a gaming service to or accept bets from residents of the jurisdiction(s) whose government or competent authority has granted an authorization to offer the gaming services concerned".

The WLA believes that a gaming operator must possess a license in the jurisdiction where the player is located. Anything else is to be considered an illegal betting operation.

This is in line with the Convention on the Manipulation of Sports Competitions – also known as the Macolin Convention – a legally binding, international treaty established by the Council of Europe in 2014, for which the WLA was among the parties that created the initial draft.

## **The WLA Illegal Lotteries and Betting Committee**

The WLA's efforts to protect the gaming sector from corruption and criminal activity and maintain the probity of state-authorized lotteries and sports betting operators are undertaken primarily through the work of its Illegal Lotteries and Betting Committee (ILBC).

The ILBC carries out the important task of reviewing and developing tools and resources that help member lotteries maintain territorial integrity with stakeholders, in every region.

It produces informative materials, such as 'The Macolin Convention: A brief guide on the Council of Europe Convention on the Manipulation of Sports Competitions and why it is important for the lottery and sports betting sector'. Another example is the brochure on 'Combatting illegal betting to protect the integrity of sports', developed with one of the working groups of the WLA Betting Integrity on Sports and Horse Racing Committee (BISHRC). The brochure considers trends and technologies that have contributed to the global expansion of illegal betting operators, and the impact that such operators have on the legal lottery and sports betting sector.

As a means of helping members combat the activities of unauthorized operators, extensive work was undertaken, regarding resellers operating in jurisdictions without authorization. A template of a cease-and-desist letter for these resellers was sent to all members for use in their respective jurisdiction, as well as a template addressed to the concerned multijurisdictional games advising them of the non-authorized sales of their tickets. The template allows for adjustments to the law of each jurisdiction.

The ILBC also maintains a key database called the Overview of Illegal Lottery and Betting Operations, which provides country fact sheets on the legislative, judicial, and commercial situation regarding bet-on lotteries and courier services in each country. It is available to WLA lottery and sports betting members and to our contributors.

The Committee organizes and participates in different online and physical events, to share its knowledge and expertise with WLA members and the broader lottery and sports betting community.

In the global fight against illegal betting, it is paramount to continue to develop new partnerships and expand our network. The ILBC also examines the role the WLA plays in the global effort to protect sports integrity through collaboration with organizations, such as the ARF Council, the ULIS and other stakeholders mentioned above.

### **The Macolin Convention – a framework for addressing sports competition manipulation**

The Macolin Convention provides jurisdictions with the legislative means and practical tools to deal with specific aspects in the fight against the manipulation of sports competitions and illegal betting, which offers further support to national lotteries to operate with fewer risks, improve player safety, and tackle unfair competition.

If a country has not signed the Macolin Convention, national lotteries can still play a key role in approaching their governments to do so.

In our digital world, the extent and international nature of the manipulation of sports competitions calls for global action. By setting out a clear definition of illegal betting, the Macolin Convention creates a powerful international framework for the cooperation of all relevant stakeholders in the fight against sports competition manipulation.

Signatories agree to establish a National Platform, and to take different types of action to fight against the manipulation of sports competitions and illegal sports betting, such as: gathering and exchanging data and intelligence in a timely manner; promoting and coordinating awareness raising through educational and training programs; conducting research, identifying trends, and compiling data and intelligence.

The Convention also calls for authorities to do their part, within the applicable law of their respective jurisdictions. Some examples of this include closing down illegal betting operations or blocking website access; blocking the financial flow between illegal sports betting operators and consumers; prohibiting illegal betting operations from advertising and requiring all betting organizations to operate lawfully.

If individuals or entities commit criminal offences relating to the manipulation of sports competitions, launder proceeds from such activities or aid and abet such activities, the Convention calls for sanctions to be taken. Punitive measures could include monetary sanctions, deprivation of liberty, confiscation and seizure, and must be in line with domestic law.

### **The role of the national lotteries**

National lotteries that follow the Convention's provisions and advocate for all members of the global lottery community to do so, not only raise awareness of the different issues, they can also share vital data and intelligence with authorities and other stakeholders and become part of a multijurisdictional network of National Platforms to facilitate the transnational flow of information vital in the global fight against sports competition manipulation.

It is especially important for the lotteries that already work with ULIS to be proactive.

### **The WLA and the United Lotteries for Integrity in Sports**

Following on from the creation in 2009 of the European Lotteries Monitoring System (ELMS), the WLA was mandated to establish a proposal for the creation of a Global Lottery Monitoring System (GLMS) for sports betting during its General Meeting in Montreal in 2012. After close collaboration with EL, this came to fruition in June 2015, when GLMS was officially launched.

Over the past five years, GLMS membership and scope evolved greatly. In October 2022, during the GLMS General Meeting in Vancouver, members approved to change its name to the United Lotteries for Integrity in Sports (ULIS) to reflect the new strategic positioning of the association, which is now the main global state lottery actor to safeguard sports core values of integrity and fair-play. WLA and a growing number of its member lotteries collaborate and support ULIS activities, sharing their knowledge and expertise of sports betting, from their markets.

ULIS offers a complete ecosystem of preventive services, including education, training, and networking. It partners in educational projects, such as IntegriSport, which is co-founded by the European Union and coordinated by the Foundation for Sport Integrity (CSCF); Integriball, supported by UEFA and the Council of Europe, and Keep Crime Out of Sport Plus (KCOOS+), in collaboration with the Council of Europe.

Additionally, ULIS, together with the IOC and INTERPOL, is one of three observers to the Macolin Convention. As such, it is able to participate in meetings of the Follow Up Committee and contribute to subjects under discussion, for instance, the conditions to be met by sports betting operators in the exchange of information within National Platforms, the development of the list of sports organizations, and aspects of the Convention that are relevant to sports betting operators.

I look forward with the ARF Council to further developing our capacity and understanding of these vital issues, so that together we can continue to protect the integrity of racing and other sports from illegal betting.

## Cooperation between Racing and Other Sports with Law Enforcement Agencies

*Clíodhna Guy, August 2023*

In recent times we have seen an increase in the establishment of Integrity Units by international federations such as tennis, athletics, football and others in order to better manage the growing integrity challenges facing racing and other sports. The disciplinary and integrity processes in sports bodies have evolved greatly from the historical focus on incidents on the track or field of play, to dealing with broader integrity challenges. It is no longer just those incidents which occur during the course of play that are subject to disciplinary processes, and athletes are now increasingly subject to rules and standards outside the field of play for matters which can impact on the sport. This is driven by new challenges to sports integrity, such as massive legal and illegal betting, sponsorship that involves often complex (and sometimes opaque) commercial interests that may be above the interests of the sport as well as competitors, and criminal threats (often related to betting) that can impact the highest levels of racing and other sports.

Racing and other sports bodies and regulators of sports have sought recognition of the specificity aspect of sport which has supported the disciplinary structure in place to deal with offences that may occur, from race riding offences to doping matters and also administrative breaches. The recognition of the specificity of sport and of the structures put in place by sports governing bodies to deal with matters in a timely and effective manner has assisted in permitting governing bodies to continue to deal with matters directly and not being frustrated by recourse to judicial proceedings.

While the evolution of the racing and other sports industry has created benefits through increased professionalism and commercial revenue, there have also been negative aspects, including the increasing interest of criminal elements in sports.

Historically competition manipulation or attempts to control the outcome of a result of a sporting event would have been seen as specific to sport. An attempt by one party to ensure a specific result or that their favoured team/athlete would succeed. However, the growth of sports betting has greatly changed the landscape within which sports bodies and participants are operating. Illegal betting markets have flourished and in both the illegal and legal markets there are increased efforts to “beat the house” by controlling the result. The number of options available to those wishing to bet has increased exponentially. These include not only to bet on the outcome of a sporting event but on specific incidents within the event, such as the first corner awarded, number of yellow cards issued within a match and many other variables depending on the nature of the sport. The ability to bet on specific events like this has created opportunities for people to try and manipulate the betting markets or to seek to do so in order to guarantee a return. Even before the globalisation of betting markets, organised crime groups had identified illegal betting as a means of generating profits to fund other activities with a limited risk of detection, especially when operating over multiple jurisdictions. Legal and illegal betting markets can assist with the laundering of money especially if the risk can be reduced by fixing the result.

So when integrity issues extend beyond racing and other sports, how can governing bodies effectively regulate their sport? Under sports rules the sanctions are, generally, imposed on those participating in the sport and subject to the rules. If external actors are seeking to negatively impact sporting events in order to control the betting markets to their benefit how can they be dealt with under the sports rules? Suspensions are ineffective, and fines cannot be enforced and may appear trivial against the potential profits from match fixing. The outcome is that those participants found to have breached the rules and who may have been operating under the influence or duress of organised criminal groups are sanctioned and those who orchestrated the breach of the rules can continue to operate with impunity. Education of athletes and those involved in sport has been a huge tool in the fight against match fixing but it is not sufficient. It is only with sporting bodies and law enforcement agencies working together is there a hope of tackling this effectively.

Sports bodies and law enforcement agencies both nationally and internationally have recognised the challenges facing sports bodies and how by tackling these issues collectively can limit criminal groups ability to profit from sports. In 2007, INTERPOL launched Operation SOGA to target illegal betting and money laundering around major international soccer events and this has now reached its ninth iteration, continuing to identify illegal betting and money laundering operations and shutting them down as well as seizing assets and bringing charges.

In 2013, the Victoria Police in Australia recognised the threat of infiltration of sports by organised crime groups and consequently created the Sporting Integrity Intelligence Unit (SIIU), the first police unit of its kind to have a dedicated focus on sports integrity. The SIIU was driven by then Chief Commissioner Graham Ashton, now retired from policing and a member of the ARF Council.

Going back still further in time, the Hong Kong Jockey Club has had a long standing close working partnership with the Independent Commission Against Corruption (ICAC) to jointly combat organised criminal corruption to prevent it from undermining horse racing integrity. The Hong Kong Jockey Club makes a commitment to report all cases involving suspected bribery and corruption to the ICAC, which acts as a deterrent against corruptors of racing.

There is a greater level of awareness of the roles that racing and other sports governing authorities can play in dealing with these issues with more communication and cooperation at an international and national level but more can always be done to strengthen and develop these relationships so that action can be effective.

While in many countries legislation may not adequately address the issues being faced by sports, there are increasing efforts by statutory authorities to work with sports to find solutions. It has been an educative process for both sports bodies and statutory authorities. Sports have had to understand that the integrity issues they are facing are not just restricted to their sport and its participants. Acknowledging that organised crime groups have identified sports as a source of revenue and can operate internationally has been a challenge for many sports bodies. Law enforcement agencies have had to learn about sport, how it works and how it can be targeted by criminal groups. The speed that sport disciplinary processes usually work can be a challenge for policing authorities.

Racing and other sports bodies, often with the support of the specific integrity units created by the international federations, are better placed to identify issues, gather information and liaise with the relevant authorities. This does not preclude them from dealing with disciplinary matters within their own structures but it also means that those outside the sport seeking to use it for nefarious means may also be dealt with or at least deterred due to the knowledge that the authorities are cooperating. Recently in Ireland we have seen the Gardai (the national police) carry out raids and arrests following an investigation into match fixing<sup>437</sup> in the League of Ireland, an investigation that was referred by UEFA in 2019 following concerns regarding irregular betting practices on a number of League of Ireland games.

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437 Conor Lally, 'Gardaí to press for criminal charges in League of Ireland match-fixing investigation', The Irish Times, 18 January 2023 (<https://www.irishtimes.com/ireland/2023/01/18/gardai-to-press-for-criminal-charges-in-league-of-ireland-match-fixing-probe/>)

Cooperation between all relevant racing and other sports with law enforcement authorities is essential to mitigate the damage that can be done to integrity. The statutory powers of the police and other law enforcement agencies in relation to evidence and investigation are often essential in dealing with match-fixing. With the growing recognition of how criminal groups can use racing and other sports for their own means and what the revenue generated through illegal betting and/or match fixing (as an overall term for integrity challenges) may be used for (including the funding of drugs, arms and human trafficking) there is increased willingness to confront those involved.

However, at the foundation of this is the work done by racing and other sports authorities to enforce their rules, recognise where issues are arising and to investigate them fully. Not all investigations result in disciplinary sanction but if racing and other sports are properly regulated they become less attractive to those who may seek to abuse them.

There is also a need to ensure a clear identification of roles between racing and other sports bodies and law enforcement agencies. While racing and other sports bodies can be perceived by administrators as being all-powerful in enforcing their rules, there are limits to those powers and those limits must be respected. Notwithstanding the establishment of the integrity units, racing and other sports bodies are limited to their sports domain and do not have the powers or resources to effectively deal with many issues that arise in integrity investigations. It is only with collaboration with law enforcement agencies that protecting the integrity of racing and other sports can be durable.



# Recent Racing Integrity Cases Involving Betting: Britain - Danny Brock & Others; Australia - Tommy Berry & Others

*Jack Anderson and Brant Dunshea, August 2023*

## Introduction

This article reviews two recent racing integrity investigations, one from Britain<sup>438</sup> and one from Australia<sup>439</sup> involving allegations that jockeys conspired to supply privileged information to others for mutual financial gain and to the detriment of their sport. The article examines why the jockeys did what they did, how they did it, with whom, and what happened when charged. A key point is that the threat to racing integrity is most likely to emerge from within: when participants manipulate the conditions of a sporting contest and the regulated betting markets. In so doing, such individuals also undermine the trust and confidence of the sporting and wagering public to the detriment of the industry as a whole.

## Danny Brock & Others

In December 2022 and January 2023, the Independent Judicial Panel of the British Horseracing Authority (BHA) considered charges brought against several individuals in relation to a betting corruption case identified by the BHA Integrity and Regulatory teams.

Former licensed jockey Danny Brock was charged with committing a fraudulent or corrupt practice in relation to racing by agreeing not to ride, and then not riding, a horse on its merits on three occasions from December 2018 to September 2019, in the knowledge that the others charged in the case would bet on the outcome. Brock was also charged with passing inside information that he would not ride the horses on their merits, to the others. He was also charged with specific riding offences regarding his failure to run the horses on their merits and to ride to achieve the best possible placing.

Several other individuals were charged with the same conspiracy but were not currently registered persons within the sport as they had been excluded for failing to comply with telephone production orders and/or requests to attend interviews since early 2020.

438 In the matter of Danny Brock and others - Rules (A)41.1, (B)58, (B)59.2, (D)45, (A)36.2, Independent Disciplinary Panel of the British Horseracing Authority (14 December 2022) <https://judicialpanel.britishhorseracing.com/results/result/?id=2328> and on penalty see In the matter of Danny Brock and others - Rules (A)41.1, (B)58, (B)59.2, (D)45, (A)36.2, Independent Disciplinary Panel of the British Horseracing Authority (19 January 2023) (<https://judicialpanel.britishhorseracing.com/results/result/?id=2332>)

439 In the matter of the Appeal of Tommy Berry & Zaid Miller vs Racing NSW Stewards (Hearing of Charges, 17 January 2023) <https://www.racingsw.com.au/wp-content/uploads/Stewards-Report-Berry-Miller-2.pdf> and on appeal In the matter of the Appeal of Tommy Berry & Zaid Miller vs Racing NSW Stewards (Appeal Panel of Racing New South Wales, 28 March 2023) (<https://www.racingsw.com.au/wp-content/uploads/Berry-Miller-AP-Reasons.pdf>)

## **Investigation**

Though several individuals failed to provide telephone records to the BHA, despite request, clear evidence of communication and connections between the parties was relied upon. This included telephone records of the others, individual betting account activities taking place through the same devices and internet service providers, and various admissions and false denials established through interviews.

The BHA also relied on replay footage of the corrupt rides and pointed to rides which lacked any urgency and were contrary to the trainer's instructions. Two of these rides involved the horse Mochalov. The BHA pointed to five other occasions on which Brock rode Mochalov energetically and in accordance with trainer's instructions; on these occasions the bettors involved had not layed the horse to a significant extent and instead backed it.

The third corrupt ride was the key to the case. This involved Brock's ride aboard Samovar in a two-horse, five-furlong race at Southwell. Samovar missed the break spectacularly as Brock was late removing the blind from the horse and then failed to correct the horse's path as it broke left. He overcorrected, steering the horse to the right, and Samovar was then allowed to coast home with no attempt to retrieve the significant ground lost.

Betting of those involved in the conspiracy on the two Mochalov races was unusual. In the Samovar race it was quite extraordinary. The largest bet on two of the individuals' Betfair accounts was on Samovar's sole opponent. Combined, three of the individuals involved in the conspiracy took 51% of the profit on the race on the Betfair sportsbook. Three of the individuals' accounts involved in the conspiracy generally displayed in-running laying and backing to produce no-lose situations, but this approach was ignored to support Samovar's opponent in the Southwell race.

## **Hearing**

The Panel found Danny Brock to have intentionally failed to ride to achieve the best possible placing and to have done so for personal reward, in the knowledge that the horses had been layed to lose. He was found to have done so persistently and also to have passed inside information regarding the races, and was disqualified for 15 years.

Another individual, Luke Olley, was in the BHA's view at the centre of the conspiracy, but his involvement was the most difficult to resolve. The BHA could produce no betting history for him as, at least in the BHA's view, he used others to place his bets for him. The Panel found aspects of his behaviour "undoubtedly very suspicious" but stated suspicion is not enough to prove a case. It was not established that he directed the conspiracy, only that he had the capacity to do so, and the case was not proved to the Panel's satisfaction. He remains excluded for failure to co-operate and the Panel noted that should he seek to lift that exclusion he would have to satisfy the authority "in some detail" about the suspicions surrounding him.

### Summary

In conclusion, this case establishes a clear precedent that direct contact between a jockey and those involved in a conspiracy is not required to prove a case like this. It is enough to establish indirect connections between jockey and bettors, particularly in a case built on extraordinary betting patterns and one particularly egregious ride. It illustrates the usefulness of identifying races in which the jockey is not alleged to have failed to ride a horse on its merits, but in which betting patterns suggest connections between bettors and the passing of inside information about the prospects of a horse. In this case, the BHA had identified three corrupt rides and six additional rides where the bettors supported the horse and the jockey in question clearly rode to win.

The case also highlights yet again the importance of racing/sports regulators having professional resources in-house to monitor and act on betting activities relevant to their participants and the sport. Further, it highlights the value in entering into information-sharing agreements with betting operators to protect the integrity of the sport to the benefit of the sport, the betting operator, and other bettors legitimately engaged in the market.

### Tommy Berry & Others

#### Charges

On 17 January 2023, Stewards at Racing New South Wales (RNSW) charged licensed jockey Tommy Berry with six breaches of the Australian Rules of Racing.<sup>440</sup>

The five charges related to the rules<sup>441</sup> mandating that jockeys must not accept any money, gifts, or other consideration in connection with a horse in a race without consent of the Stewards; must not have or use a mobile phone in the jockey's room without consent of the Stewards; and the "catch-all" offence of conduct prejudicial to the image, interests or integrity of racing.

440 Racing NSW News Charges & Findings Against Licensed Jockey Tommy Berry 6 December 2022 (<https://www.racingsw.com.au/news/nsw-trb-inquiries-and-appeals/charges-findings-against-licensed-jockey-tommy-berry/>)

441 The rules were AR 115(1)(b), AR 218(4) (b) and (c), and AR 228(a) respectively. Full rules can be found at <https://www.racingsw.com.au/wp-content/uploads/NSWRules.pdf>

The charges were:

- that in March 2022, Berry tipped a horse he was riding, *Waterford* to a Mr Zaid Miller, who won AUD 28,790 with winning bets on *Waterford*. The key allegation was that Miller then offered to provide a consideration (known colloquially in Australia as 'a sling') to Berry, indirectly, via paying AUD 5,000 into Berry's mother's bank account. The Stewards further alleged that Berry accepted the offer and used the money in part to repair his mother's house;
- that in a similar scheme in a race later in March 2022, Miller was alleged to have deposited almost AUD 10,000 into the Berry bank account after winning AUD 43,715 on a Berry ride;
- that between 14 October 2021 and 21 September 2022, Berry had on approximately 70 separate occasions in his possession a mobile phone in the jockeys' room at various locations during race meetings;
- that between the same dates Berry had used a mobile telephone in the jockeys' room at various locations on more than 300 occasions; and
- here were two further "catch-all" charges related to both the alleged accepting payments and the misuse of telephone, making six charges in all.

In relation to the inappropriate use of a telephone, a message alleged to have been sent by Berry to Miller on WhatsApp had come to light on a public website in December 2022. The message stated

*"You know the worst thing, he told me it would win before I got on him \* wanted to call you on the way to the gates\* he sent me his other one forward to put on the pace! Didn't think he would do that because James was on BB Roy."*

This was in reference to a race at Randwick Racecourse on 2 October 2021 in which Berry rode the winner and Stewards argued that Berry's conduct was prejudicial to the image, interests or integrity of racing as it conveyed the impression that the integrity of the race had been compromised.

### **Stewards' Determination**

Berry was found guilty of all charges and in total was disqualified for 11 months and 2 weeks, from 17 January 2023. He appealed both the findings of guilt for charges 1, 2 and 5; and the severity of the penalty imposed upon him for the remainder of the charges.<sup>442</sup>

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<sup>442</sup> In the Matter of the Appeal of Tommy Berry & Zaid Miller vs Racing NSW Stewards (Appeal Panel of Racing New South Wales, 28 March 2023) (<https://www.racingnsw.com.au/wp-content/uploads/Berry-Miller-AP-Reasons.pdf>)

### Racing NSW Appeals Panel

Berry's appeals were dismissed as no fresh evidence had been introduced, though the Panel did linger a little longer as to whether Berry's conduct in relation to accepting payments was detrimental to the image of racing.

Guided by a previous court case in NSW<sup>443</sup>, the Appeals Panel noted that one element in a charge relating to prejudice to the image of racing is public knowledge – if few know about the conduct, then the image of racing cannot be impugned by that misconduct. To support their case, Racing NSW pointed to an article published in the Sydney Morning Herald on 10 October 2022, which referred to an investigation into Berry's conduct (and a number of other named jockeys), including whether they had "improper dealings" with "big gamblers". Given this, the appeal to this charge was also dismissed.

Berry also appealed for reduction in penalty, arguing among other factors that he did not directly accept any payments and the actions were out of character. Racing NSW submitted, among other arguments, that the penalties were not out of line with similar punishments in other cases and that an example needed to be set. The penalties related to the two charges of accepting payments and the two charges of prejudicial conduct were slightly reduced, principally because Berry was a person of good character and the Panel considered it to be "highly unlikely" he would breach such rules again.

With regard to the mobile phone charges the Appeals Panel noted that no integrity issues were involved because most of the phone calls made by Berry during the material period were to his wife, but the appeal was dismissed because the offending was so extensive and frequent, and the Appeals Panel accepted Racing NSW's general point that, although not realised here, the risk of allowing jockeys to be contactable in the jockeys' room highlighted some serious integrity concerns.

### Other individuals punished

Zaid Miller – who had allegedly made the payments into Berry's mother's bank account – was also found guilty of four charges<sup>444</sup>, two relating to committing or requesting another person to commit a breach of the rules, conduct prejudicial to racing and improper conduct towards a Steward. These were upheld on appeal although the penalties slightly reduced and Miller was disqualified for 12 months.

443 *Waterhouse v Racing Appeals Tribunal* [2002] NSWSC 1143 at [58] (<https://www.austlii.edu.au/cgi-bin/viewdoc/au/cases/nsw/NWSC/2002/1143.html>)

444 Rules AR 227(b), AR 228(c) and AR 228(b) respectively

## Other cases

Finally, in conjunction with Berry, two other jockeys, Jordan Mallyon and Jack Martin<sup>445</sup> were charged with various offences including betting on thoroughbred races and giving misleading evidence to stewards. Another jockey, Kayla Nisbet, was charged with two offences of accepting money from punter-owner Jacob Hoffman, and also for giving false or misleading evidence to stewards. Hoffman was also issued with charges relating to offering jockeys cash in consideration for information regarding a horse's performance in a jump out or trial run.<sup>446</sup>

## Summary

As with the Danny Brock case, common to all of the above are efforts by third parties to approach and tempt jockeys to supply privileged inside information about the likely performance of a horse in a race such that (a) the third party supplies some sort of indirect or direct benefit to the jockey; (b) the third party seeks to use that inside information for financial gain, principally by way of the associated wagering markets; and (c) that as a result of (a) and (b), the reputation and integrity of the industry as a whole is seriously undermined.

Both Brock and Berry are another reminder that when it comes to betting-related corruption in racing and other sports, there are three elemental principles. First, those who seek to fix events or seek privileged information about a race, so that they can manipulate it for betting purposes, must first manipulate those who can supply such information and subsequently effect the fix on the track. Second, in racing, as in most sports, participants such as jockeys who supply such information do the image of their sport (and their own reputation) a significant disservice. Equally, participants who are educated and deterred from supplying such information and who, instead, report such approaches at the first available opportunity, are the principal means of defending a sport's integrity, and protecting the future of the industry.

An important final point to note is that this activity only came to light because it took place on Licensed and Regulated betting markets which share information with racing operators and/or to which racing operators have access to data. The key threat to the integrity of racing and other sports is from illegal betting operators, which are by their nature opaque and typically do not share data or suspicious betting information to protect the integrity of the sports on which they take bets.

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445 Appeal Panel of Racing New South Wales, Appeal of Licensed Jockey Mr. Jack Martin 28 March 2023 (<https://www.racingsw.com.au/wp-content/uploads/AP-Reasons-for-Decision-Jack-Martin-No.2-28-March-2023.pdf> )

446 The various charges are summarised here: <https://www.racingsw.com.au/news/latest-racing-news/charges-issued-by-stewards-jockeys-jordan-mallyon-jack-martin-and-kayla-nisbet-registered-owner-professional-punter-jacob-hoffmann/> Jack Martin appealed and was partially successful but on penalty only - In the Matter of the Appeal of Jack Martin vs Racing NSW Stewards (Appeal Panel of Racing New South Wales, 28 March 2023) (<https://www.racingsw.com.au/wp-content/uploads/AP-Reasons-for-Decision-Jack-Martin-No.2-28-March-2023.pdf>)

## Back to the Future - Macau Junkets and Illegal Betting

*James Porteous, August 2023*

Macau junket operators and their close associates in Chinese organised crime groups (triad societies) have long been key drivers of online illegal betting in Asia (both sports betting and online casino).

Recent regulatory and legal developments in Macau, partly motivated by efforts by the Chinese government to prevent capital flight caused by online illegal betting, have had a major impact on junkets, and the Asian online illegal betting landscape,<sup>447 448 449</sup> culminating, in 2023, in the arrest of the leaders of two of the biggest junket operators, Suncity's Alvin CHAU<sup>450</sup> and Levo CHAN of Tak Chun,<sup>451</sup> who were subsequently sentenced in Macau to 18 and 14 years in prison respectively, on hundreds of charges relating to organised crime and illegal betting.<sup>452</sup>

As a result of these regulatory changes, epitomised by the imprisonment of both CHAU and CHAN, online illegal betting operators have moved their bases-of-operations into even less regulated jurisdictions such as Cambodia, Myanmar and Laos, and expanded their business lines into cyber-scams and crypto fraud.<sup>453</sup> Others have moved operations outside Asia (including to Dubai and Eastern Europe)<sup>454</sup> and/or attempted to legitimise operations by investing into offshore Licensed but Under-regulated gambling companies.

The landscape is important for stakeholders in racing and other sports to understand, since these operators are transnational enterprises whose betting businesses touch on racing and all sports, and who are increasingly diversifying into Europe and the Middle East.

### Macau Casino Junkets and Involvement in Illegal Betting

Macau is the only part of China where casino gambling is permitted, and pre-pandemic, its gross gaming revenue was five to six times greater than that of Las Vegas.

447 Devin O'Connor, 'China Warns Cross-Border Gambling Operators, Ministry to Strengthen Safeguards', Casino.org, 17 February 2022 (<https://www.casino.org/news/china-warns-bad-actors-regarding-cross-border-gambling/> accessed 10 March 2023)

448 Pierce Chan, 'Macau's DICJ releases list of 36 licensed junkets for 2023, down on previous years', Inside Asian Gaming, 4 January 2023 (<https://bit.ly/3RD6bK0> accessed 6 February 2023)

449 'DICJ cuts number of licensed junkets to just 46 in 2022', Inside Asian Gaming, 27 January 2022 (<https://bit.ly/3Y853jG> accessed 6 February 2023)

450 Macau Judiciary Police press release (<http://www.pj.gov.mo/Web//Policia/202111/20211129/12920.html>) and full press conference recording via Macau Daily News, 28 Nov 2021 (<https://www.youtube.com/watch?v=OzmeONTFDhA> accessed 10 March 2023)

451 'Junket boss Levo Chan heard okaying illicit bets: court', GGR Asia, 30 January 2023 (<https://www.ggrasia.com/junket-boss-levo-chan-heard-okaying-illicit-bets-court/> accessed 20 March 2023)

452 Official verdict on criminal case involving Suncity, Office of the President of the Court of Final Appeal, 18 January 2023 (<https://www.court.gov.mo/zh/subpage/news?id=2799> accessed 20 March 2023)

453 Martin Purbrick, 'The Displacement of Illegal Betting and Transnational Organised Crime', Asian Racing Federation, January 2023 (<https://www.asianracing.org/email/202301qb-the-displacement-of-illegal-betting-and-transnational-organised-crime> accessed 13 March 2023)

454 'How China's Crackdown on Illegal Betting Impacts Global Betting Markets', Asian Racing Federation Council on Anti-illegal Betting & Related Financial Crime, September 2021, p.7 ([https://assets-global.website-files.com/5f8e2bde2b2ef4841cd6639c/613077d94afe115ac35264e3\\_How%20China%27s%20Crackdown%20on%20Illegal%20Betting%20Impacts%20Global%20Betting%20Markets\\_v2.pdf](https://assets-global.website-files.com/5f8e2bde2b2ef4841cd6639c/613077d94afe115ac35264e3_How%20China%27s%20Crackdown%20on%20Illegal%20Betting%20Impacts%20Global%20Betting%20Markets_v2.pdf) accessed 13 March 2023)

Until 2015, as much as 70% of this revenue was generated by VIP customers recruited by junket operators, mostly from Mainland China. A large part of this VIP revenue was laundered proceeds of corruption,<sup>455</sup> and/or an underground means of moving money out of China. China's anti-corruption campaign and pressure for Macau to diversify its economy meant that the percentage of Gross Gaming Revenue contributed by the junket industry had begun to fall in the years leading up to the pandemic, but it still contributed over 40%.

Although junket operators began as recruiters of gamblers, they diversified into the provision of credit so customers could evade Mainland China's strict capital controls, and as a result also had to become debt collectors when these loans were not repaid. Since both of these key business lines are illegal in Mainland China, junket operators relied on extra-legal means, especially connections to organised crime, to collect such debts. Consequently, triad societies (Chinese criminal gangs) have long had extensive involvement in the Macau casino industry.<sup>456</sup>

The biggest junket operators made enormous profits comparable to Macau's licensed casinos. Because of the close links of junkets to organised crime, these profits supported a host of other criminal enterprises and money laundering, as well as seemingly legitimate investments, across Asia and beyond.<sup>457</sup>

In the early 2000s, forward-thinking junket operators began diversifying to also provide online gambling, first to their core clients in Asia, then globally. This vastly expanded their potential market and increased revenues by orders-of-magnitude over their original *modus operandi*.<sup>458</sup>

Unregulated and Under-regulated betting websites run by junket operators, while profitable in themselves, were also a useful channel of credit settlement between junkets and their clients, and to disguise proceeds of other criminal enterprises as legitimate online betting profits. Most, if not all, of the largest junket operators had such operations, with smaller junkets acting as customer referral agents.

Online betting thus became an extremely lucrative business until the authorities in Mainland China increased their enforcement efforts from around 2018.<sup>459</sup>

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455 <https://digitalscholarship.unlv.edu/cgi/viewcontent.cgi?article=1116&context=grrj>

456 T. Wing Lo, Sharon Ingrid Kwok, Triad Organized Crime in Macau Casinos: Extra-legal Governance and Entrepreneurship, *The British Journal of Criminology*, Volume 57, Issue 3, 1 May 2017, Pages 589–607, (<https://doi.org/10.1093/bjc/azw014>)

457 John Langdale, Transnational Crime, Money Laundering and Illegal Online Betting in Southeast Asia, in ARF Council Quarterly Bulletin, May 2023 ([https://assets-global.website-files.com/5f8e2bde2b2ef4841cd6639c/6450c156ed8e3713a491b663\\_May%202023%20Bulletin\\_final.pdf](https://assets-global.website-files.com/5f8e2bde2b2ef4841cd6639c/6450c156ed8e3713a491b663_May%202023%20Bulletin_final.pdf))

458 Martin Purbrick, Macau Casino Junkets, Illegal Betting and Organised Crime, in ARF Council Quarterly Bulletin, May 2022 ([https://assets-global.website-files.com/5f8e2bde2b2ef4841cd6639c/6290288fb547fe156d63c274\\_ARF%20Quarterly%20Bulletin\\_May%202022\\_.pdf](https://assets-global.website-files.com/5f8e2bde2b2ef4841cd6639c/6290288fb547fe156d63c274_ARF%20Quarterly%20Bulletin_May%202022_.pdf))

459 James Porteous, ARF Council, How China's Crackdown on Illegal Betting Impacts Global Betting Markets, September 2021 ([https://assets-global.website-files.com/5f8e2bde2b2ef4841cd6639c/61aed489a8a2fec2117b1184\\_How%20China%27s%20Crackdown%20on%20Illegal%20Betting%20Impacts%20Global%20Betting%20Markets\\_final\\_new%20cover.pdf](https://assets-global.website-files.com/5f8e2bde2b2ef4841cd6639c/61aed489a8a2fec2117b1184_How%20China%27s%20Crackdown%20on%20Illegal%20Betting%20Impacts%20Global%20Betting%20Markets_final_new%20cover.pdf))



In 2019, the authorities in Mainland China intensified an ongoing crackdown on illegal betting, cross-border gambling and related illicit capital outflows. State-linked media specifically highlighted the biggest Macau junket operator as a threat to China's social and economic stability because of Suncity's massive online illegal betting operations.<sup>460</sup>

In 2021, the Chinese government revised the Criminal Code<sup>461</sup> to outlaw cross-border gambling (including online betting), in effect criminalising junkets and related illegal online betting operations.<sup>462</sup>

In 2022, the Macau government amended the 2001 Macau Gaming Law, which regulates the operations of casino operators. The new Gaming Law in effect ended the junket business model by criminalising their underground banking operations and subjecting junkets to regulatory oversight (previously, oversight had been inadequate to non-existent)<sup>463</sup> and ultimately, leading to the demise of the largest junket of them all: Suncity.

### The rise and fall of the Suncity Junket

Formerly the largest junket responsible for as much as 50%<sup>464</sup> of high-roller gambling turnover in Macau, Suncity is no longer a licensed Macau junket operator, though various related entities trading under different names are still believed to be involved in the casino industry in Russia, Vietnam and the Philippines.

In January 2023, former Chairman of the Suncity Group, Alvin CHAU, was convicted of 162 charges relating to organised crime, illegal gambling and fraud and sentenced to 18 years in prison.<sup>465</sup> Sixteen co-defendants<sup>466</sup> were jailed or given suspended jail terms. Thirty-six Suncity agents were convicted in the Mainland on similar charges and jailed for between one to seven years.<sup>467</sup> This trial heard that Suncity had more than 60,000 agents on the ground in China recruiting customers for online illegal betting.<sup>468</sup>

460 王文志, '特大國際網路賭博平臺深度滲透國內', 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 10 March 2023)

461 Ben Blaschke, 'Macau law firm says amendments to Gaming Law a clear reflection of China's shifting priorities' Inside Asia Gaming (<https://www.asgam.com/index.php/2022/07/14/macau-law-firm-says-amendments-to-gaming-law-a-clear-reflection-of-chinas-shifting-priorities/> accessed 10 March 2023)

462 'Amendment to China's criminal law targeting foreign casinos to include 5 to 10 year jail term', Inside Asia Gaming, 22 October 2020 (<https://www.asgam.com/index.php/2020/10/22/amendment-to-chinas-criminal-law-targeting-foreign-casinos-to-include-5-to-10-year-jail-term/> accessed 10 March 2023)

463 Ben Blaschke, 'Macau law firm says amendments to Gaming Law a clear reflection of China's shifting priorities', Inside Asia Gaming, 14 July 2022 (<https://www.asgam.com/index.php/2022/07/14/macau-law-firm-says-amendments-to-gaming-law-a-clear-reflection-of-chinas-shifting-priorities/> accessed 20 March 2023)

464 There are no official figures for this, but this is the generally accepted figure among industry sources and Macau gaming analysts

465 Official verdict on criminal case involving Suncity, Office of the President of the Court of Final Appeal, 18 January 2023 (<https://www.court.gov.mo/zh/subpage/news?id=2799> accessed 10 March 2023)

466 The 12 other guilty parties – all Suncity executives, agents or investors – are Philip WONG Pak Ling (王柏齡); CHEONG Chi kin (張志堅); Tim CHAU Chun Hee (周振熙); Ali CELESTINO (馬天倫); SI TOU Chi Hou (司徒志豪); Ellute CHEUNG Yat Ping (張一平); LOU Seak Fong (盧石峰); HO Cheng I (何靜儀); LEONG Su Weng (梁樹榮); Vincent LOI (呂文傑); AU Wang Tong (歐宏東); DANG Yonggang (黨永剛) (<https://www.court.gov.mo/zh/subpage/news?id=2799>);

467 Philip Conneller, 'China Court Convicts, Imprisons 36 Suncity Operatives', Casino.org, 4 October 2022 (<https://www.casino.org/news/wenzhou-court-convicts-imprisons-36-suncity-operatives/> accessed 1 March 2023)

468 Tony Lai, 'Thirty-five defendants plead guilty in Wenzhou gambling crime cases linked to Alvin Chau', Macau Business Daily, 15 August 2022 (<https://www.macaubusiness.com/thirty-five-defendants-plead-guilty-in-wenzhou-gambling-crime-cases-linked-to-alvin-chau/> accessed 7 June 2023)

The alleged scale of Suncity involvement in online illegal betting is supported by the high-profile 2019 investigation into CHAU and Suncity published in Mainland China's state-linked media. This stated that Suncity's turnover in Mainland China alone from online illegal betting operations based out of Southeast Asia was greater than that of China's state lotteries (equivalent to turnover of ~USD 145 billion a year).<sup>469</sup>

Suncity reportedly operated or had an ownership interest in illegal online betting from the Philippines<sup>470</sup> and Isle of Man,<sup>471 472</sup> as well as operations out of Cambodia and Vietnam also – but its primary target market in both cases were customers in Greater China,<sup>473</sup> and elsewhere in Asia.

## Conclusions

The demise of Suncity and the clampdown on the junket industry has caused disruption to the online betting industry across Asia, and displacement further afield into the Middle East and Europe.

This new complexity is further underlined by the fact that certain operators are attempting to legitimise Asian-facing betting operations via investments in listed gambling technology companies and involvement in offshore betting licensing hubs.

This has and will continue to contribute to the hybridisation of online betting as described in the ARF's The State of Illegal Betting Report<sup>474</sup> – the blurring of the lines between Unlicensed and Unregulated illegal betting and Licensed but Under-regulated offshore illegal betting – and the confusion in stakeholder and customer perception as to whether such operations constitute legal or illegal activity.

Meanwhile, junket operators have and will continue to diversify their online betting operations across Asia – especially in jurisdictions vulnerable to corruption and regulatory weaknesses. This has and will continue to present major negative impacts to societies in these jurisdictions, such as the corruption of local officials, and violence and vice associated with the industry.

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469 '特大國際網路賭博平臺深度滲透國內', 人民網, 8 July 2019 (<http://finance.people.com.cn/n1/2019/0708/c1004-31218699.html> accessed 10 March 2023)

470 'Good riddance': Villanueva says reported POGO exodus 'not a loss' for Philippines', CBN News, 29 June 2020 (<https://bit.ly/3LkYI6i> accessed 10 March 2023)

471 'Meet Mr Chau', Josimar, 16 June 2022 (<https://josimarfootball.com/meet-mr-chau/> accessed 10 March 2023)

472 Suncity has repeatedly been identified in gambling industry press to operate betting websites through Isle of Man-registered, UK-licensed TGP Europe Limited, Fesuge Limited and Xela Ltd. In the Philippines, it operated companies named directly after Alvin CHAU Cheok Wah and SC Ventures (SC = Suncity) which have been publically named by regulators as run by Suncity. Through TGP, Suncity reportedly licensed betting brands including 138.com, 12Bet, Fun88 and TLCBet among others. Although these brands are licensed to operate in UK, they also have Asia-facing mirror websites not covered by the UK's regulatory regime. Xela Holdings Limited (Xela) was reported to be the online arm of Suncity and held a licence to operate online betting granted from the Isle of Man Gambling Supervision Commission.

473 For the purposes of this report, defined as Mainland China, Macau and Hong Kong SARs, and Taiwan.

474 'The State of Illegal Betting Report', Asian Racing Federation, 18 May 2022, p.10 ([https://assets-global.website-files.com/5f8e2bde2b2ef4841cd6639c/62844a249c7d1e17ec718f02\\_State-of-Illegal-Betting-2022\\_v11-RGB-opt.pdf](https://assets-global.website-files.com/5f8e2bde2b2ef4841cd6639c/62844a249c7d1e17ec718f02_State-of-Illegal-Betting-2022_v11-RGB-opt.pdf) accessed 10 March 2023)

## How Live Streaming is Boosting Illegal Betting

*James Porteous, November 2023*

As young people and even children spend more and more time on technology platforms baffling to parents, they are being targeted there by unregulated betting operators – a practice evidently so lucrative that some betting operators have even set up rival tech platforms seemingly to avoid advertising bans. The Licensed & Regulated betting industry is always constrained by how it can market its product, and consequently how to compete effectively with illegal betting operators who have no constraints or scruples when it comes to promoting their product in any way they can.

This has been exacerbated by the rapid pace of new technologies which open up novel channels for accessing and engaging in illegal betting.

Platforms created for gaming, communication and entertainment – Discord, TikTok, and Twitch to name just three – are quickly and increasingly exploited by illegal betting operators to promote their product.

This raises concerns about consumer protection and harm, especially for the younger demographics active on these platforms. Meanwhile, the pace of technological development means the regulator will almost always be playing catch-up to unscrupulous betting operators incentivised by huge potential financial gain to exploit any new angle to promote their product.

This article focuses on one particular strand of this phenomenon, the exploitation of live-streaming platforms to promote cryptocurrency betting sites, and the novel way one such betting site evaded a ban on gambling adverts – by setting up its own rival live-streaming platform.

### **What is live-streaming?**

Live-streaming allows people to broadcast video of themselves live over the internet, similar to a TV show but through websites and apps.

One of the most popular forms of live-streamed content is people broadcasting themselves playing video games, and by far the most popular platform for this is Twitch.tv, launched in 2011 and purchased in 2014 by Amazon.

Streamers host sessions of themselves playing video games; viewers can watch and interact in real-time and support streamers by subscribing to their channels or purchasing virtual goods. Top streamers have millions of followers and can make millions per year.

The appeal of this may baffle older demographics, but there are on average 2.5 million people watching Twitch streams at any given time, and 7 million people streaming each month.<sup>475</sup> More than 75% of users are aged 18-34 according to Twitch,<sup>476</sup> and around 20% aged 16-24.<sup>477</sup>

### **Live-streaming and gambling**

Given this, Twitch and platforms like it are obviously potentially potent marketing tools, especially to sought-after younger demographics. This is amplified by the community aspects of the platforms – users feel a personal connection with streamers and want to actively support them by spending on products or services they recommend.<sup>478</sup> Among those quick to see the potential in this were crypto gambling sites, some of whose founders were young, digital native, live-streamers themselves.

Beginning around 2018-19 (exact dates unclear), some Under-regulated and Unregulated betting operators began using live-streaming to market to these massive audiences, including partnering with some of the most popular streamers, even though their websites were unlicensed in the jurisdictions where most of the audience was based (if licensed at all).

Twitch streamers promoted these sites either in text chats running alongside their video game streams, or by streaming themselves gambling live, often on digital slots or similar casino games but also on sports.

Prominent operators following this strategy were several cryptocurrency bookmakers, some of which were Licensed but Under-regulated in the offshore betting haven of Curacao, whose regulatory structure provides no actual oversight.

Streamers were paid at least tens of thousands of dollars an hour by these websites to stream gambling live. According to technology magazine WIRED in a July 2021 article, 64 of the top 1,000 most popular Twitch streamers had streamed crypto gambling or otherwise advertised deals from crypto gambling websites.<sup>479</sup>

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475 'Twitch Ads', Twitch, (2023), <<https://twitchadvertising.tv/audience/>>, accessed 3 October 2023.

476 ibid

477 Kavanagh, Duncan, 'Watch and Learn: The Meteoric Rise of Twitch', GWI, (20 August 2019), <<https://blog.gwi.com/chart-of-the-week/the-rise-of-twitch/>>, accessed 3 October 2023.

478 ibid

479 Cecilia D'Anastasio, 'Twitch Streamers Rake in Millions With a Shady Crypto Gambling Boom', WIRED, (13 July 2021), <<https://www.wired.com/story/twitch-streamers-crypto-gambling-boom/>>, accessed 3 October 2023.

One reportedly offered top gambling streamer Adin Ross between USD 1.4 million and USD 1.6 million a month to stream digital slots.<sup>480</sup> Another leading streamer, Trainwreckstv, claimed in October 2022 he had “been paid USD 360 million for 16 months of gambling” (equivalent to USD 22.5 million per month) although this seemingly incredible sum cannot be verified.<sup>481</sup>

Whatever the actual amounts, it is clear streamers were receiving large sums of money to promote gambling, implying the return on investment for the betting operators must have been significantly larger still.

None of the websites were licensed in the United States where most Twitch users are based, while the moral implications of promoting high-frequency addictive gambling products like digital slots on a platform where a large percentage of users are teenagers naturally attracted criticism of Twitch.

In October 2022, these factors, capped by a major controversy involving a streamer accused of scamming users and other content creators out of hundreds of thousands of dollars to fuel a gambling addiction, finally prompted Twitch to act.

Twitch did not outright ban the promotion of gambling, but banned several specific operators which it said “aren’t licensed either in the US or in other jurisdictions that provide sufficient consumer protection” (the company did not list jurisdictions or define sufficient consumer protection).<sup>482</sup>

### **Phase two – if you can’t beat them ...**

This ban might have seemed a major blow to these Unregulated and Under-regulated operators. Luckily, a rival live-streaming platform appeared just three months later (in January 2023), which offered essentially the same functionality as Twitch but with no restriction on promoting gambling.

Not coincidentally, the platform has close ties to a major cryptocurrency bookmaker licensed out of Curacao: the co-founder of both the betting site and the live-streaming site is a 27-year-old who was a keen streamer on Twitch himself.<sup>483</sup> He is reported to have become, in the last couple of years, one of the richest people in Australia, worth AUD 2 billion thanks to the betting site.<sup>484 485</sup>

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480 ibid

481 Max Miceli, ‘Trainwreck disses Hasan, Poki, and Ludwig while bragging about stunning gambling sponsorship profits’, Dot Esports, (19 October 2022), <<https://dotesports.com/streaming/news/trainwreck-disses-hasan-poki-and-ludwig-while-bragging-about-stunning-gambling-sponsorship-profits>>, accessed 3 October 2023.

482 Halleluya Hadero, ‘Twitch expands its ban on gambling livestreams. It also says viewership of the content is down 75%’, AP News, (2 August 2023), <<https://apnews.com/article/twitch-gambling-policy-ban-4db4f6a03fdc725f75133f0d920d1f9e>>, accessed 3 October 2023.

483 ‘High stakes: the cryptocurrency casino king who bought the most expensive house in Victoria’, The Guardian, (17 August 2022), <https://www.theguardian.com/australia-news/2022/aug/17/high-stakes-the-cryptocurrency-casino-king-who-bought-the-most-expensive-house-in-victoria>, accessed 3 October 2023.

484 ‘The secret Australian origins of the world’s biggest crypto casino’, The Sydney Morning Herald, (8 December 2021), <https://www.smh.com.au/business/markets/the-secret-australian-origins-of-the-world-s-biggest-crypto-casino-20211208-p59ftb.html>, accessed 3 October 2023.

485 AFR Rich List 2023: Australia’s 200 wealthiest people are revealed’, The Australian Financial Review, (23 May 2023), <https://www.afr.com/rich-list/australia-s-10-richest-people-revealed-20230523-p5dapa>, accessed 3 October 2023.

The new streaming platform has made a major splash since launch, offering streamers much better revenue share deals than Twitch, and luring away major streamers with huge contracts (including the aforementioned Adin Ross and Trainwreckstv, who had been making millions streaming gambling on Twitch).<sup>486</sup>

In June 2023, it signed streamer xQc (known to his parents as Felix Lengyel) to a two-year USD 100 million deal – a similar sized contract to that of basketball superstar LeBron James.<sup>487</sup>

Drake, the Canadian rapper who is one of the most popular musicians in the world by any metric, also joined the platform<sup>488</sup> and regularly streams himself playing slots and roulette online, and promoting million-dollar-plus “giveaways” to fans.<sup>489</sup>

Clearly all of this is very expensive, and some doubt whether the new streaming platform is a viable alternative to Twitch from a purely business perspective, or exists solely as a means to promote one offshore Under-regulated crypto gambling website. The co-founder insists there is no relationship between his betting site and his live-streaming platform which promotes it.<sup>490</sup>

### **Implications for racing, other sports and licensed and regulated betting**

The legality of promoting gambling on live-streaming platforms is unclear and untested, and none of the individuals or websites mentioned here are accused of breaking the law.

But the proliferation of Under-regulated and Unregulated gambling promotions across new tech platforms popular with youth raises moral, ethical and practical concerns. This article focuses on one specific mode of promotion, but other new technologies, apps and social media sites are also being widely used by unscrupulous operators as backdoors to market Unregulated betting unchecked to massive audiences, including vulnerable minors.

The ARF Council has previously reported on the ubiquity of illegal betting promotion and agent recruitment on social media platforms such as WhatsApp, Instagram and Facebook, which is incentivised by the high commissions paid by illegal betting operators, and continues to be widespread (and is also used by many crypto bookmakers).

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486 Liao, Shannon, 'Top Twitch creator endorses platform connected to crypto gambling site ', The Washington Post, (6 December 2022), <https://www.washingtonpost.com/video-games/2022/12/06/trainwrecks-kick-gambling-stake/>, accessed 3 October 2023.

487 Kellen Browning, 'Twitch Star xQc Signs \$100 Million Deal With Kick, a Rival Platform', The New York Times, (16 June 2023), <https://www.nytimes.com/2023/06/16/business/twitch-kick-xqc.html>, accessed 3 October 2023.

488 Shreyan Mukherjee, "'Kick is moving up fast" - Streaming community reacts as Drake hosts his first-ever broadcast on the Trainwreckstv-backed platform', Sportskeeda, (17 December 2022), <https://www.sportskeeda.com/esports/news-kick-moving-fast-streaming-community-reacts-drake-hosts-first-ever-broadcast-trainwreckstv-backed-platform>, accessed 3 October 2023.

489 Bitcoin Chaser, 'Drake v Stake \$1 Million Giveaway on Kick.com', BitcoinChaser, (2 June 2023), <https://bitcoinchaser.com/drake-v-stake-1-million-giveaway-on-kick-com/>, accessed 3 October 2023.

490 Mike Stubbs, 'How Kick Plans To Monetize Streaming In A Way Twitch Couldn't', Forbes, (26 July 2023), <https://www.forbes.com/sites/mikestubbs/2023/07/26/how-kick-plans-to-monetize-streaming-in-a-way-twitch-couldnt/?sh=5a56b0603681>, accessed 3 October 2023.

Discord, a chat app popular with video gamers and crypto enthusiasts, hosts many channels which promote illegal betting websites, despite promotion of gambling being expressly against its “brand partnership guidelines”.<sup>491</sup> Some Discord channels are devoted to guiding users on how to evade local restrictions to access bookmakers unlicensed in their jurisdiction.<sup>492</sup>

Telegram, the anonymous messaging app, is now one of the leading means of promoting illegal betting in Asia; for example, almost all of the Telegram groups in the category ‘Sport’ targeting the China market, are in fact actually recruitment agents for illegal sports betting platforms, according to one Telegram group ranking website.<sup>493</sup>

Of particular concern is the potential for young people, including those not of legal age to bet, being attracted to Under-regulated and Unregulated gambling platforms with no responsible gambling safeguards or age restrictions. Extensive research has shown that adolescents are more vulnerable to developing problematic gambling behaviours compared to adults because teenage brains are still developing decision-making capacities related to risk assessment and impulse control.

The impact of gambling marketing via the specific mode of live-streaming is an area for further academic study, but seems likely to be significant, given the high engagement of streaming fans noted above.

Licensed & Regulated betting operators should consider refraining from such practices. An example of why comes from Australia, where TikTok has allowed one licensed operator to advertise gambling as part of a controlled trial (contrary to TikTok’s policies in other jurisdictions).

This has led to repeated and sustained criticism from anti-gambling campaigners, of not only the particular betting operator, but the entire Licensed & Regulated gambling sector, including accusations of promoting under-age gambling.

This draws the focus of key stakeholders away from Under-regulated and Unregulated operators who pose a far greater threat to society than Licensed & Regulated, responsible sports wagering. Regulated operators should hold themselves to higher standards in order to differentiate themselves – and also explain to stakeholders why maintaining this higher standard can put them at a competitive disadvantage versus the illegal market.

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491 Jane Shaw, 'The Best Gambling Discord Servers Ranked for 2023', Casinos.us, (21 August 2023), <<https://www.casinos.us/blog/gambling-discord/>>, accessed 3 October 2023.

492 Sanya Burgess, 'Inside the wild world of crypto casinos', Sky News, (3 October 2023), <<https://news.sky.com/story/from-drake-to-fake-money-inside-the-wild-world-of-crypto-casinos-12964330>>, accessed 3 October 2023.

493 <https://cn.tgstat.com/sport>

Racing and other sports should also consider the merits of associations with such platforms and operators. Some major sports teams in football, motor sport, mixed martial arts and elsewhere have signed lucrative sponsorship deals with operators in the crypto gambling and live-streaming spaces.<sup>494</sup> One major football team promotes both the specific live-streaming platform discussed above, *and* its associated crypto bookmaker, displaying both logos on its shirt to hundreds of millions each week.

Although such deals are no doubt valuable from a financial perspective, and important in a commercial environment where sponsorships are difficult to secure, they may leave partner sports and teams open to reputational impact and even question marks over integrity. Chelsea FC rejected a shirt sponsorship deal from a crypto bookmaker in July 2023 in response to fan criticism, for example.<sup>495</sup>

More generally, it is important that there is public discussion understanding and discussion of the reasons for the boom in cryptocurrency gambling, which some reports state has gone from strength to strength despite the overall crypto market deflating.

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494 Bennett, Tess, 'Stake.com co-founders Ed Craven and Bijan Tehrani unveil new streaming platform Kick to take on Amazon's Twitch', *The Australian Financial Review*, (31 March 2023), <<https://www.afr.com/technology/local-crypto-billionaires-use-grand-prix-to-debut-new-venture-20230331-p5cx2a>>, accessed 3 October 2023.

495 Jessie Sale, 'Chelsea abandons Stake.com negotiations of front of shirt sponsorship', *SBC News*, (6 July 2023), <<https://sbcnews.co.uk/sportsbook/2023/07/06/chelsea-abandons-stake-com-negotiations-of-front-of-shirt-sponsorship/>>, accessed 3 October 2023



## Lessons from a Life Spent Protecting Racing from Illegal Betting – How Monitoring Betting Markets is the Key to Safeguard Racing Integrity

*Kim Kelly, November 2023*

Since commencing my career in the racing industry as a Cadet Stipendiary Steward a good number of years ago I have always abided by the following guiding principles when performing my responsibilities in regulating the sport;-

- Always conduct yourself with unquestionable integrity.
- The Rules of Racing are the Stewards' bible. Know them back to front and never work outside them.
- The betting on a race is the window through which the race should be watched.

Of course there are other principles which are of vital importance to Stewards but those three in particular have held me in good stead to this very day. It is my firm belief that they remain the foundation to an effective racing Steward and failure to diligently and constantly adhere to any one of them will likely result in the ability to regulate the sport of horseracing to be fatally compromised.

Racing relies on confidence. A famous Australian gambler once said words to the effect "Money lost, nothing lost. Confidence lost, everything lost". And whilst that person was specifically referring to gambling on horses the same could very well be said of racing in general. If anyone who supports or takes part in racing loses confidence that the sport is being conducted fairly and with the utmost integrity then they will most likely be lost to racing at some point. And racing cannot afford to disenfranchise its customers and participants by having them lose that confidence.

There are many ways people can spend their money these days. Horse racing is just one such way. I often use the analogy of a person going to dinner along Hollywood Road in Hong Kong. There are 20 restaurants on one side of the road and another 20 on the opposite side of the road. If a person spends their hard earned money in one of those 40 restaurants and doesn't get value for money they would be highly unlikely to return to that restaurant. They will go to one of the remaining 39 next time. The same can be said for racing. If a person reasonably believes they didn't get a fair run for their money then they will likely find another way to spend their money in the future.

Racing regulators, primarily Racing/Stipendiary Stewards, have a responsibility to ensure that wherever possible people don't walk away from racing as a result of a loss of confidence in the integrity of the sport. We must always remain diligent to threats to racing, threats which can undermine confidence in the sport. And one of those significant threats which has emerged in recent years is the impact that unlicensed and unregulated betting can have on any racing industry which provides product which these operators target.

It used to be that Stewards would peruse bookmakers betting sheets and rely on information provided by totalizator betting providers when they required betting information relative to a particular race or series of races. At that time bookmakers operated on course and information was able to be readily obtained by perusing betting sheets. That changed somewhat with the advent of telephone betting and bookmakers no longer being required to field on course but remained a highly useful regulatory tool. Since that time the landscape of betting has changed appreciably with burgeoning internet betting and the like. And whilst it is still available for Stewards to obtain information from regulated bookmakers who are licensed or approved to operate the same cannot be said for the aforementioned unlicensed and unregulated betting operators whose dealings can be out of sight of racing's regulators. Putting aside the financial impact this has on racing as the Racing Authorities who put on the show do not receive any financial benefit from bets placed on that product, the significant integrity ramifications associated with these operators cannot be understated and must not be underestimated. It is an existential threat to the fabric of racing regulation and therefore it is incumbent on Racing Authorities to have systems in place to monitor the activities of rogue betting operators so that action can be taken when integrity is threatened.

Whilst it is highly likely that the actual identity of persons betting on these sites may not be known given the opaque nature of illegal and unregulated betting operators, it is essential for racing regulators to be aware of betting which is suspicious or clearly demonstrates that the integrity of a race has been compromised. The ever-increasing ability to be able to process large amounts of data within short amounts of time has proved to be essential in identifying and combatting integrity threats.

During my time as Chief Stipendiary Steward with the Hong Kong Jockey Club tremendous strides were made in establishing monitoring programs and techniques to identify suspect or unusual betting patterns. These monitoring capabilities extended from lay betting to spread betting and any further bet types which presented as integrity threats. Such betting patterns may result from 'inside information' being passed for gain or the Rules of Racing potentially being breached as far as every horse competing in the race to its optimal level is concerned. Both scenarios present as significant threats to the reputation of racing and are prejudicial to the integrity of the sport and accordingly must be identified and acted up, preferably before the race wherever possible.

Being notified before a race that betting patterns, whether on illegal betting sites or through regulated betting (totalizator/bookmakers), associated with that race are highly suspicious provides the Stewards with the opportunity to proactively address the situation before the barriers open. This can be done by interviewing persons associated with the horse(s) on which the suspicious betting is occurring and instigating measures aimed at ensuring that all horses compete on their respective merits. An example of the pre-race lines of enquiry which may be explored when suspicious betting occurs would be the tactics intended to be adopted during the race and whether the tactics are in accordance with the manner in which the horse has previously raced successfully. Early awareness of the suspicious betting also allows for the Stewards to view the race and the tactics employed during that race with the knowledge that betting associated with the race may not be as it should be. It is also critical to post-race analysis as it can be instrumental in establishing an adverse pattern which can be relied upon if needed. It is my experience that the early awareness capability of Stewards is enhanced by having 'in house' monitoring systems so that information is able to be instantaneously shared with decisions being made in a timely manner in respect of the most appropriate way to deal with the relevant circumstances. Outsourcing this key integrity function carries with it the potential for valuable time and information to be lost or delayed.

The emergence of the relevant departments within the Hong Kong Jockey Club to be able to identify suspicious betting patterns on illegal betting sites certainly complimented the already established ability to monitor regulated betting and, in my opinion, has created the gold standard for how Racing Authorities should approach this critical area of racing regulation. It has directly resulted in investigations and actions which otherwise may not be readily identified. This has, and will continue to be, a critical benefit to racing which relies on the confidence and support of its participants and the public to remain relevant. I have heard it said that a good culture in an organisation is hard to build but is easily destroyed. The same can readily be said for the confidence in the integrity of horseracing. Knowledge that the holistic betting picture as it relates to a race necessarily leads to increased public confidence. Confidence lost, everything lost.

# Advertising of Betting Websites in India

*Aahna Mehrotra, November 2023*

Cricket is the most popular sport in India and in the build-up to two major competitions - the Indian Premier League which commenced at the end of March, and the final of the World Test Championship which was held in June - promotions for online betting have surged in the country.

Various companies used celebrities to popularize their product to the general public through social media, while others used print and television commercials, both directly and by way of 'surrogate advertising' (explained below).

This is despite the fact that betting is illegal in most parts of the country and the advertising of gambling is regulated in a complex manner. This complexity has in turn allowed betting and gambling websites to function and dodge enforcement.

This article explores the complex set of regulations with loopholes that have allowed betting websites to function, evade enforcement and led to a surge in such advertising.

First, one must understand the relationship between sports, mobile and internet usage in India. India has a sports consumer base of approximately 722 million<sup>496</sup> people and a significant portion of which engages the sport beyond just watching the games. This has been fueled by the availability of inexpensive smartphones and affordable mobile data. There are more than 600 million smartphone users in India and 4G mobile internet data is available for as cheap as \$1 per month.<sup>497</sup> Also, India's instant payment service, known as Unified Payments Interface (UPI), has seen significant growth and rise in mobile internet payments.<sup>498</sup>

These factors allow for a large consumer base willing to interact with sports and spend money while doing so. Several fantasy sports applications and other gaming applications that offer paid games of skill (which are legal in most parts of the country) have become popular. Despite the complex legal structure, betting operators are now attempting to attract this fanbase - and have been successful to a large extent.

According to data from a leading web analytics platform, India was the second largest global source of traffic to websites in the category 'Gambling > Sports Betting', and the fourth largest to the category 'Gambling' in the first five months of 2023, amounting to more than 2 billion visits in each category.<sup>499</sup>

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496 PTI, 'TV Sports Market To Reach Rs 9,830 Crore By FY26 As Cricket Dominates Viewership: Report' (16 November 2022) <<https://news.abplive.com/business/tv-sports-market-to-reach-rs-9-830-crore-by-fy26-as-cricket-dominates-viewership-report-1563762>> accessed 31 May 2023.

497 PTI, 'TV Sports Market To Reach Rs 9,830 Crore By FY26 As Cricket Dominates Viewership: Report' (16 November 2022) <<https://news.abplive.com/business/tv-sports-market-to-reach-rs-9-830-crore-by-fy26-as-cricket-dominates-viewership-report-1563762>> accessed 31 May 2023.

498 'UPI Transactions Expected to Account for 90% of Retail Digital Payments by 2026-27: Report - BusinessToday' <<https://www.businesstoday.in/technology/news/story/upi-transactions-expected-to-account-for-90-of-retail-digital-payments-by-2026-27-report-383167-2023-05-28>> accessed 31 May 2023.

499 Source: SimilarWeb

This is despite the fact that betting and gambling is largely illegal in India, with a few statutory exceptions at the State-level. This is established by the Public Gambling Act, 1867 (PGA), enacted before the promulgation of the Constitution of India (Constitution).

The PGA criminalizes gambling in any public forum in India, and the running of a 'common gaming house' but upon the promulgation of the Constitution, per the Seventh Schedule respective state governments can make their own laws on betting and gambling. Therefore, in states where a specific gambling legislation exists, it prevails over the PGA, so a uniform country-wide formula as to the legality of betting and gambling cannot be scoped out.

And of course, since the PGA predates the internet, there are no references to online betting. Modern gambling laws have been enacted by certain states which specifically include online betting and gambling, such as Sikkim and Meghalaya, which permit online betting and gambling under certain conditions to operators licensed by the state. While states like Telangana and Arunachal Pradesh have expressly prohibited online and offline betting.

The industry can be broadly classified into six categories:

1. Sports betting (largely unregulated except in a couple of states);
2. Lotteries (regulated by the Lotteries (Regulation) Act, 1998);
3. Horse racing betting (an exception created in the PGA and principles laid out in *Dr KR Lakshmanan v. State of Tamil Nadu*<sup>500</sup>);
4. Prize competition (regulated by the Prize Competitions Act, 1955);
5. Games of Skill (fantasy gaming, card games such as rummy, poker, etc.);
6. Games of Chance (casinos, and card games such as flush, brag and local variants, etc.).

The first four categories are self-explanatory, for the last two, three landmark judgments<sup>501</sup> made a distinction between games of skill and games of chance. Whether a game is a game of skill or chance is determined as per what is majorly responsible (skill or chance) for the player's success. The PGA distinguishes between wagering on a "game of chance" and buying stakes into a "game of skill", ostensibly to enable fair wagering on games of skill that were popular and prevalent amongst the British such as horse-racing. Bolstering this, the Indian judiciary has, in many cases,<sup>502</sup> stipulated that games of skill are legitimate business activities and therefore protected under the Constitution.

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500 1996 SCC (2) 226

501 *Dr. KR Lakshmanan v. State of Tamil Nadu*; *State of Andhra Pradesh v. K. Satyanarayana*, AIR 1968 SC 825; and *State of Bombay v. RMD Chamarbaugwala* 1957 AIR 699

502 For example *Varun Gumber v. UT of Chandigarh & Ors* CWP No. 7559 of 2017

But with the rise of online betting and gambling, the position has become complicated vis-à-vis the Centre and the State and all the more so because the constitutional framework gives the Central Government the power to regulate 'means of communications' – such as the internet.

This complexity has enabled Offshore under-regulated and unregulated betting operators without a physical presence in India to operate pan-India as they are not subject to the PGA or the respective State laws.

But offshore betting and gambling companies can be regulated under laws including: the Information Technology Act, 2000 (IT Act) which allows for blocking of websites; the Information Technology (Intermediaries Guidelines and Digital Media Ethics Code) Rules, 2021, which on its face prohibits advertising of online betting and gambling and places the responsibility on intermediaries, such as Facebook, Instagram etc., to ensure that users do not advertise gambling services; Section 69A of the IT Act further allows the Indian Computer Emergency Response Team (CERT-in) to block websites promoting: "hate content, slander or defamation of others, promoting gambling".

There are other laws that regulate payment processors which can be used to facilitate gambling payments such as the Payment and Settlement Systems Act, 2007 which theoretically, protects users of betting websites if they are deemed "consumers" and Consumer Protection Act, 2019 which protects the interest of the end consumer.

Betting advertisements are further prohibited under the Guidelines for Prevention of Misleading Advertisements and Endorsements for Misleading Advertisements 2022 (Guidelines) under the Consumer Protection Act, 2019; the Advertising Standards Council of India (ASCI) Code; and the Cable Television Network Rules, 1994 (Rules) which together prohibit any advertisement of harmful products and situations like – alcohol, tobacco and betting & gambling.

How then, can betting operators advertise their service?

In order to get around these prohibitions, operators have relied on indirect advertising or as it is known popularly, "surrogate advertising". This involves using the brand and imagery associated with one product prohibited from advertising – an alcoholic drink for example – to advertise an ostensibly unrelated product like a music CD or a complementary product like soda.

Specific examples of surrogate advertisements in the context of offshore betting would be when an offshore under-regulated betting operator promotes a so-called sports news website with deceptively similar logos and names resembling their betting websites, for example 'Dafanews' and '1xBat' associated with the betting websites Dafabet and 1xbet. Local celebrities have been signed as brand ambassadors for such 'news portals' as shown in the images below.



Figure 1 - Indian cricketer Cheteshwar Pujara is a 'brand ambassador' for dafanews. Source: [https://in.dafanews.com/author/cheteshwar?btag=654470\\_MY9](https://in.dafanews.com/author/cheteshwar?btag=654470_MY9)



Figure 2 - Popular Indian actors Mimi Chakraborty and Ankush Hazra promote 1xBat. Source: <https://1xbatsporting.com/611-we-are-happy-to-announce-that-fantastic-mimi-chakraborty-and-ankush-hazra-became-ambassadors-of-1xbat-sportinglines.html>

While these so-called news portals tread a thin line legally, this line was crossed by many such companies who have blatantly advertised their betting portals. including DafaBet placing a banner on *Economic Times* (online) and Betway taking out a half page advertisement (in March, 2022) in the *Times of India*.

This led to the Central Consumer Protection Authority (CCPA) updating its Guidelines in June 2022 to prohibit surrogate advertisements to a large extent,<sup>503</sup> while the Advertising Council of India's Code for Self-Regulation made similar recommendations. While the CCPA Guidelines are slightly vague, both bodies' codes have several exceptions which in effect provide loopholes for such advertisements, as long as the prohibited products are not directly or indirectly mentioned.

The Ministry of Information & Broadcasting has on several occasions, in the last couple of years, issued advisories on the subject. In December 2020 it issued an advisory to TV Channels to adhere to the ASCI Code and in June 2022 it warned media (print, electronic and digital) to refrain from promoting online betting platforms. In October 2022 another advisory was issued to television channels and most recently, in April 2023 print mediums have been warned again for publishing advertisements pertaining to betting operators. It is pertinent to note that these advisories are directed to the media channels, TV channels and newspaper companies and don't impact the betting and gambling companies themselves directly.

These regulations seem to not deter the betting and gaming platforms but instead, these platforms see such regulations as a challenge to come up with ideas more creative than the next to simultaneously enable advertisements and defer taxes.

The current regulations and guidelines are not stringent or cohesive enough considering the fact that the online betting and gaming space is relatively new enabling such evasiveness. Indian laws need to take a stand, which the Government is now attempting to do, in some way, through the new tax regime. They must either completely prohibit online betting and gaming activities or regulate the same in a strict fashion to be able to profit from the tax generated through such transactions.

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503 Detailed in Section 6 of the Guidelines





Figure 3 - an Unregulated betting operator published a half-page advertisement in *The Times of India* in March 2023 despite repeated warnings from the government. Source: <https://g2g.news/online-gaming-laws/with-ipl-days-away-illegal-betting-sites-on-marketing-spr>

Given the massive scale of the Indian betting market standing strong at approximately 1.4 billion people, many of whom are huge sports lovers – offshore under-regulated and unregulated betting operators continue to aggressively promote their product and are getting increasingly creative to evade prohibitions and find new loopholes.

For example, 'Parimatch Sports' purports to be "a sportswear brand, inspired by the world's top athletes" and has signed up leading Indian athletes as brand ambassadors to market its clothes. There is also a betting operator founded in Ukraine in the year 2000 with the exact same name and logo which, although not licensed in India, is quite candid about the fact it takes bets from India and actively targets the Indian market.<sup>504</sup> It is not known how much sporting apparel Parimatch sells – but its primary India betting URL had more than 500 million hits from India in the first five months of 2023 alone, amounting to an increase of >5,000% year over year.<sup>505</sup>

Although there are penalties, which has been introduced on account of online gaming being included under OIDAR transactions, for offshore betting operators advertising in India and notices are being issued to such entities for payment of taxes, it seems that the potential profits outweigh potential risk. The profits such operators will be making from Indian customers has almost zero benefit to India's economy in the form of tax or other duties, and some operators (not named in this article) will be directly funding other criminalities. There are also major implications for the integrity of cricket, racing and other sports in India from the huge betting turnover which will be flooding into these opaque platforms out of view of the sports themselves.

504 'Anton Rublievskyi, CEO Parimatch International speaks about the Indian Market and iGaming Industry', *The Week*, November 17 2022 (<https://www.theweek.in/news/sci-tech/2022/11/17/anton-rublievskyi-ceo-parimatch-international-speaks-about-the-indian-market-and-igaming-industry.html> accessed 21 June 2023)

505 Source: SimilarWeb analysis of [parimatch-in.com](https://parimatch-in.com)

# How Illegal Betting and Related Money Laundering Flourished despite 'Crypto Winter'

*James Porteous, February 2024*

The "Crypto Winter" (a decline in the value of cryptocurrency assets and trading volume) hit blockchain speculators hard, but one cryptocurrency-linked industry has been basking in perpetual summer – illegal betting.

In May 2021, the ARF Council on Anti-Illegal Betting & Related Financial Crime warned that increasing use of cryptocurrencies by illegal betting operators posed a major threat to both legal betting operations and to the integrity of horse racing and other sports.

Now, the situation is worse than ever.

## **The resilience of cryptocurrency crime**

Cryptocurrency markets plummeted not long after the ARF published that report, with the World Economic Forum<sup>506</sup> estimating that USD 2 trillion in cryptocurrency assets were wiped out in 2022 (although in late 2023 and early 2024 prices were beginning to surge again).

Some of the most high-profile operators of cryptocurrency trading have been convicted or pled guilty to fraud and money-laundering, such as Sam Bankman-Fried and Changpeng Zhao, founders of two of the biggest cryptocurrency exchanges (FTX and Binance). Others have simply absconded from the law (such as Do Kwon, CEO of collapsed cryptocurrency token Terra Luna).<sup>507</sup>

But at the same time, cryptocurrency crime has hit all-time highs, according to several blockchain compliance and analysis firms.<sup>508</sup>

TRM Labs puts the amount of cryptocurrency *directly* linked to crime at USD 20.6 billion in 2022, but points out that this is only a fraction of the actual total because it does not include proceeds of non-cryptocurrency native crime laundered into cryptocurrency – such as profits from drug trafficking, scams and of course illegal betting.

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<sup>506</sup> World Economic Forum, '2022 was a hard year for crypto — but it may have been just what the industry needed', 14 April 2023 (<https://www.weforum.org/agenda/2023/04/2022-was-a-hard-year-for-cryptocurrencies-but-it-may-have-been-just-what-the-industry-needed/> accessed 27 December 2023)

<sup>507</sup> Reuters Staff, 'Other cryptocurrency bosses in US authorities' crosshairs', Reuters, 3 November 2023, (<https://www.reuters.com/legal/other-cryptocurrency-bosses-us-authorities-crosshairs-2023-11-03/>, accessed 27 December 2023)

<sup>508</sup> 'The 2023 Cryptocurrency Crime Report', Chainalysis, February 2023, ([https://go.chainalysis.com/rs/503-FAP-074/images/Cryptocurrency\\_Crime\\_Report\\_2023.pdf](https://go.chainalysis.com/rs/503-FAP-074/images/Cryptocurrency_Crime_Report_2023.pdf) 15 December 2023)

The scale of profits moved in cryptocurrencies from other illegal activity is at least an order of magnitude larger, in the hundreds of billions. For example, Bitrace, a Chinese blockchain analytics firm, tracked the equivalent of USD 115 billion in the cryptocurrency Tether to addresses linked to Southeast Asia-based illegal betting operations of the type highlighted by the ARF Council in its report *How Organised Crime Operates Illegal Betting, Cyber Scams & Modern Slavery in Southeast Asia*.<sup>509</sup> Bitrace found that approximately 37 billion of this was illegal betting profits, 70 billion money laundering, and 460 million fraud.<sup>510</sup>

In 2021, the ARF Council warned that cryptocurrencies had become increasingly prevalent because of their lack of regulation and decentralisation made them attractive for illegal betting operators and bettors alike, both to fund accounts but also move profits across borders and pay the hundreds of thousands of recruitment and customer support agents.

As we enter 2024, the use of cryptocurrencies – particularly Tether – is now increasingly the norm in illegal betting markets.

### **Cryptocurrency in illegal betting markets**

ARF Council analysis indicates that a quarter of offshore licensed betting websites which take bets in countries where they *do not* possess a licence accept cryptocurrencies in 2023,<sup>511</sup> including two of the most popular brands in the world.

The number of these licensed but under-regulated illegal betting websites accepting cryptocurrencies has increased by 26% since 2020 (the last time the ARF Council examined this data) as shown in the table below. The table shows the five largest cryptocurrencies by market capitalisation, and the number of betting websites which accept each cryptocurrency.

509 'How Organised Crime Operates Illegal Betting, Cyber Scams and Modern Slavery in Southeast Asia', ARF Council, 10 October 2023 ([https://assets-global.website-files.com/5f8e2bde2b2ef4841cd6639c/651e891f6cca0e3f417cd876\\_How%20Organised%20Crime%20Operates%20Illegal%20Betting%2C%20Cyber%20Scams%20%26%20Modern%20Slavery%20in%20SEA\\_FINAL.pdf](https://assets-global.website-files.com/5f8e2bde2b2ef4841cd6639c/651e891f6cca0e3f417cd876_How%20Organised%20Crime%20Operates%20Illegal%20Betting%2C%20Cyber%20Scams%20%26%20Modern%20Slavery%20in%20SEA_FINAL.pdf) accessed 27 December, 2023)

510 Bitrace\_team, Twitter post, 28 August 2023, ([https://twitter.com/Bitrace\\_team/status/1696113006751678820](https://twitter.com/Bitrace_team/status/1696113006751678820), accessed 27 December 2023)

511 'How Organised Crime Operates Illegal Betting, Cyber Scams and Modern Slavery in Southeast Asia', ARF Council, 10 October 2023 ([https://assets-global.website-files.com/5f8e2bde2b2ef4841cd6639c/651e891f6cca0e3f417cd876\\_How%20Organised%20Crime%20Operates%20Illegal%20Betting%2C%20Cyber%20Scams%20%26%20Modern%20Slavery%20in%20SEA\\_FINAL.pdf](https://assets-global.website-files.com/5f8e2bde2b2ef4841cd6639c/651e891f6cca0e3f417cd876_How%20Organised%20Crime%20Operates%20Illegal%20Betting%2C%20Cyber%20Scams%20%26%20Modern%20Slavery%20in%20SEA_FINAL.pdf) accessed 27 December, 2023)

Notably, almost four times as many websites now accept Tether, which is the cryptocurrency of choice for organised crime (discussed below).

Cryptocurrency (sorted by market cap.)	No. of licensed betting websites accepting this token (2020)	No. of licensed betting websites accepting this token (2024)	Change
Bitcoin	493	515	+4%
Ethereum	127	195	+54%
Tether	28	101	+261%
Binance Coin	N/A*	24	N/A
Solana	N/A*	N/A	N/A
Total (top 3 coins)	648	811	+25%

*Table 1 - number of betting websites accepting the largest cryptocurrencies. Source: casinocity.com; coinmarketcap.com*

\* *Binance Coin and Solana were not examined in 2020 as they are not among the largest coins by market cap at that time.*

The most popular licensed cryptocurrency betting websites are licensed in Curacao, a jurisdiction criticised for its lax regulatory oversight which has positioned itself as cryptocurrency-friendly to capture this business (other betting licensing havens such as Malta and Isle of Man have done so too).

Some leading brands *also* have licences in better-regulated jurisdictions, where their local websites do *not* accept cryptocurrencies, but their critics argue that this is a means only to redirect customers to their other URLs which do accept cryptocurrency.

Cryptocurrency is even more popular with unlicensed illegal betting websites often run by organised crime. These typically not only *accept* deposits in cryptocurrency but actively *encourage them* by providing attractive bonuses and rebates.

The main reason for this is obvious – cryptocurrency is much more convenient for the moving, processing, and mixing of funds from illicit activity than fiat (traditional) currency.

Notably, users of unlicensed illegal betting websites are typically *not* given a choice of cryptocurrencies with which they can deposit, but only permitted to deposit Tether (USDT), discussed below.

These websites typically have well-produced video tutorials explaining to users how to open accounts on cryptocurrency exchanges and fund their betting accounts. Unlicensed illegal betting operators typically offer bonuses of 2-3% for deposits in Tether rather than fiat currencies.

For the illegal bookmaker, cryptocurrency makes life considerably simpler as they do not have to explain to traditional banks or other authorities where and for what purpose fiat currency deposits are being transferred to their accounts. Cryptocurrency exchanges and blockchains popular with illegal actors do not ask any such questions.

According to ARF Council analysis of website traffic of 20 of the world's most popular licensed cryptocurrency betting operators from January 2021 to November 2023,<sup>512</sup> there were on average 187 million visits to these sites per month from about 57 million people.

It should be noted that this popularity analysis does not capture the unlicensed market, which cannot be measured in the same fashion as it is fractured over literally thousands of mirror website URLs, apps, and offline agent-to-customer transactions.

Virtually all of the traffic to licenced cryptocurrency bookmakers is from jurisdictions in which the bookmakers are unlicensed, such as the United States, Brazil, and India.

It includes multiple ARF member jurisdictions where these websites are not legal, including Hong Kong, Japan, China, South Korea, Malaysia and New Zealand. India in particular is a massive target market, with visits from India to these operators increasing by almost 3000% from January 2021 to November 2023. Customers are overwhelmingly young, with 50% under 34.

The website traffic analysis clearly shows that the majority – perhaps all – of leading licensed cryptocurrency bookmakers' revenue comes from customers in jurisdictions *in which they are not licensed to operate*. In other words, illegal betting.

The purpose of accepting cryptocurrency as payment for betting thus cannot be seen as anything but a means to enable customers to bet illegally.

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512 'How Organised Crime Operates Illegal Betting, Cyber Scams and Modern Slavery in Southeast Asia', ARF Council, 10 October 2023 ([https://assets-global.website-files.com/5f8e2bde2b2ef4841cd6639c/651e891f6cca0e3f417cd876\\_How%20Organised%20Crime%20Operates%20Illegal%20Betting%2C%20Cyber%20Scams%20%26%20Modern%20Slavery%20in%20SEA\\_FINAL.pdf](https://assets-global.website-files.com/5f8e2bde2b2ef4841cd6639c/651e891f6cca0e3f417cd876_How%20Organised%20Crime%20Operates%20Illegal%20Betting%2C%20Cyber%20Scams%20%26%20Modern%20Slavery%20in%20SEA_FINAL.pdf) accessed 27 December, 2023)



Figure 2 - a typical Tether promotion from an unlicensed betting website targeting Chinese customers offering a 3% rebate over other payment means

### **Why Tether is ubiquitous in unlicensed illegal betting markets**

Tether is a “stablecoin” – a digital currency that aims to be pegged to traditional currencies like the US dollar. Each Tether token is supposed to be worth USD 1 at all times and not fluctuate wildly like other cryptocurrency.

This eliminates currency volatility, which means it is easier for illegal betting operators to manage their accounting. Other attractions include the fact that Tether is by far the most actively traded cryptocurrency token (double that of Bitcoin)<sup>513</sup> with billions of liquidity in daily trading volume on all major cryptocurrency exchanges, allowing for easy transferring and commingling of funds, and easy cashing out into fiat currencies with minimal price impact.

Tether and its sister company Bitfinex, a cryptocurrency exchange, have been subject to many reports of questionable behaviour, such as long-standing failure to allow an independent audit to prove that each Tether is indeed backed 1:1 by US dollars or equivalents, claims of market manipulation, and falsification of documents to access the traditional banking system.<sup>514 515</sup>

Several key principals have “brushed shoulders with crime since its inception”, Tether’s critics claim, although the company would argue that these links are tangential.<sup>516</sup>

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513 'Why Tron's USDT Transaction Volume is Dwarfing that of Ethereum Tether', CYBAVO Blog, 3 May 2021 (<https://www.cybavo.com/blog/why-trons-usdt-transaction-volume-is-dwarfing-that-of-ethereum-tether/>, accessed 27 December 2023)

514 Ben Foldy, Ada Hui, Peter Rudegeair, 'Tether ownership and company weaknesses revealed in documents', The Wall Street Journal, 2 February, 2023 ([https://www.wsj.com/articles/tether-ownership-and-company-weaknesses-revealed-in-documents-11675363340?mod=article\\_inline](https://www.wsj.com/articles/tether-ownership-and-company-weaknesses-revealed-in-documents-11675363340?mod=article_inline), accessed 27 December 2023)

515 Ben Foldy, Ada Hui, 'Cryptocurrency Companies Behind Tether Used Falsified Documents and Shell Companies to Get Bank Accounts' The Wall Street Journal, 3 March 2023 (<https://www.wsj.com/articles/cryptocurrency-companies-behind-tether-used-falsified-documents-and-shell-companies-to-get-bank-accounts-f798b0a5>, accessed 27 December 2023)

516 Protos Staff, 'Tether executives have brushed shoulders with crime since its inception', Protos, 14 September 2023 (<https://protos.com/tether-executives-have-brushed-shoulders-with-crime-since-its-inception/>, accessed 27 December 2023)

Tether has consistently labelled all such allegations and insinuations as 'FUD' (Fear, Uncertainty and Doubt, a cryptocurrency term meant to disparage non-believers).<sup>517</sup> It insists it will release a full audit of its reserves "eventually".<sup>518</sup>

Tether did settle a lawsuit from the New York Attorney General's office over claims that it covered up the apparent loss of USD 850 million of commingled client and corporate funds. It reportedly is under investigation by the US Department of Justice.<sup>519</sup>

### **Case study: Zhao Dong**

A highly relevant individual to the discussion of Tether's alleged links to individuals is Zhao Dong, who ran a cryptocurrency exchange and lending platform and was labelled as China's "crypto king" and a Bitcoin billionaire until being arrested and pleading guilty in 2021 for laundering USD 480 million for illegal betting operators.<sup>520</sup>

Details of Zhao's case released by China's prosecution body in late 2023 revealed that he and his associates recruited over 100,000 individuals to provide their personal WeChat, Alipay, and bank account details to facilitating payments for illegal betting sites and scams. Their platform processed RMB 3.19 billion in a single month in 2020 (~USD 449 million). Money was moved via Dirhams in Dubai, into Tether, then back to Renminbi in China. He was sentenced to seven years in jail.<sup>521</sup>

Zhao's link to Tether is that he was also a shareholder in Bitfinex, Tether's sister company.<sup>522</sup>

Most of the Tether transacted on illegal betting websites is via a blockchain called Tron. The primary reason for this is that it is quicker and cheaper than the primary competitor network. Tron currently hosts more than half of the Tether in circulation and<sup>523</sup> most of the billions in Tether transactions each day take place on Tron.

Tron's founder, Justin Sun (孫宇晨) has also been subject of several controversies.

517 'More Tether FUD from WSJ', Tether, 3 March 2023 (<https://tether.to/en/more-tether-fud-from-wsj/> accessed 15 December 2023)

518 Ryan Browne, 'Stablecoin Tether promotes tech chief to CEO, taking over from mysterious cryptocurrency leader', CNBC, 13 October 2023 (<https://www.cnbc.com/2023/10/13/tether-promotes-cto-to-ceo-taking-over-from-mysterious-cryptocurrency-boss.html>, accessed 27 December 2023)

519 Ben Foldy, Ada Hui, 'Cryptocurrency Companies Behind Tether Used Falsified Documents and Shell Companies to Get Bank Accounts' The Wall Street Journal, 3 March 2023 (<https://www.wsj.com/articles/cryptocurrency-companies-behind-tether-used-falsified-documents-and-shell-companies-to-get-bank-accounts-f798b0a5>, accessed 27 December 2023)

520 Protos Staff, 'China's cryptocurrency king pleads guilty to laundering \$480M for online casinos, report', Protos, 12 May 2021 (<https://protos.com/renrenbit-zhao-dong-bitcoin-billionaire-pleaded-guilty-money-laundering/>, accessed 27 December 2023)

521 'China's Supreme Procuratorate Unveils "Chinese OTC King" Zhao Dong Details in Virtual Currency Cases', WuBlockchain, 28 December 2023 ([https://wublock.substack.com/p/chinas-supreme-procuratorate-unveils?r=jbpop&utm\\_campaign=post&utm\\_medium=web](https://wublock.substack.com/p/chinas-supreme-procuratorate-unveils?r=jbpop&utm_campaign=post&utm_medium=web) accessed 28 December 2023)

522 Protos Staff, 'China's cryptocurrency king pleads guilty to laundering \$480M for online casinos, report', Protos, 12 May 2021 (<https://protos.com/renrenbit-zhao-dong-bitcoin-billionaire-pleaded-guilty-money-laundering/>, accessed 27 December 2023)

523 Tom Wilson & Elizabeth Howcroft, 'New cryptocurrency front emerges in Israel's militant financing fight', Reuters, (27 November 2023), (<https://www.reuters.com/world/middle-east/new-cryptocurrency-front-emerges-israels-militant-financing-fight-2023-11-27/>, accessed 29 December 2023)

According to a 2022 investigative report, he fled China to the US in 2017 in fear of authorities after he had pushed through Tron's 'initial coin offering' (the issuing of cryptocurrency tokens, ICO) just days before ICOs were banned in China.

Sun allegedly had been told by his associate, Changpeng Zhao (the founder of Binance currently awaiting sentencing after pleading guilty to fraud and money laundering in the US), that the ban was coming. The ICO raised USD 70 million.

That report makes a wide range of other accusations against Sun, including insider trading, ordering staff at his cryptocurrency exchange to "fake the KYC" (know your customer) requirements to on-board more customers, and pocketing blocked customer deposits for himself. Sun's lawyers stated they would not dignify such allegations with a response.

The US Securities and Exchange Commission is currently suing Sun and Tron for fraud and for selling unregistered securities in relation to Tron's ICO.<sup>524</sup> Sun says the charges are without merit.

There are increasingly examples of Tether, as a currency, and Tron, as a means to move that currency, being used extensively by criminals to fund their operations and launder the proceeds of crime.

In December 2022, Chinese police arrested 63 people accused of running a syndicate helping criminals launder the equivalent of USD 1.7 billion from pyramid schemes, fraud and illegal betting via Tether.<sup>525</sup>

Bloomberg journalist Zeke Faux in his 2023 bestselling book about cryptocurrency, *Number Go Up*, details extensively the murky background of Tether and key principals, albeit without ever finding a 'smoking gun'. He follows the trail of a Tether deposit he makes to a cryptocurrency exchange in response to a random spam message all the way to a Cambodian casino compound. He and others have pointed out that Tether is the cryptocurrency of choice for the organised crime groups running these slavery operations – which have evolved from the illegal betting industry, as detailed in the ARF Council's report, *How Organised Crime Operates Illegal Betting, Cyber Scams & Modern Slavery in Southeast Asia*.<sup>526</sup>

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524 U.S. Securities and Exchange Commission Press Release 2023-59, 22 March 2023 (<https://www.sec.gov/news/press-release/2023-59>, accessed 27 December 2023)

525 Coco Feng, 'Chinese police arrest 63 people for laundering US\$1.7 billion via cryptocurrency', 12 December 2022 (<https://www.scmp.com/tech/tech-trends/article/3202966/chinese-police-arrest-63-people-laundering-us17-billion-cryptocurrency> accessed 27 December 2023)

526 'How Organised Crime Operates Illegal Betting, Cyber Scams and Modern Slavery in Southeast Asia', ARF Council, 10 October 2023 ([https://assets-global.website-files.com/5f8e2bde2b2ef4841cd6639c/651e891f6cca0e3f417cd876\\_How%20Organised%20Crime%20Operates%20Illegal%20Betting%2C%20Cyber%20Scams%20%26%20Modern%20Slavery%20in%20SEA\\_FINAL.pdf](https://assets-global.website-files.com/5f8e2bde2b2ef4841cd6639c/651e891f6cca0e3f417cd876_How%20Organised%20Crime%20Operates%20Illegal%20Betting%2C%20Cyber%20Scams%20%26%20Modern%20Slavery%20in%20SEA_FINAL.pdf) accessed 27 December, 2023)



In Cambodia, Tether is banned but still ubiquitous in areas of Phnom Penh and Sihanoukville frequented by Chinese expatriates, many of whom work in the illegal betting and cyber-scam industry.<sup>527</sup>

Tether has been widely criticised for its failure to support investigators<sup>528</sup> and victims of scams and fraud.<sup>529</sup> That seemed to change in November 2023 when it announced that it had frozen USDT 225 million linked to a human trafficking group in Southeast Asia at the request of the US Secret Service.<sup>530</sup>

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527 Danielle Keeton-Olsen, 'In Cambodia's 'underground' cryptocurrency economy, Tether becomes coin of choice for Chinese-linked activities', South China Morning Post, 17 December 2023 (<https://www.scmp.com/week-asia/economics/article/3245224/cambodias-underground-cryptocurrency-economy-tether-becomes-coin-choice-chinese-linked-activities?registerSource=loginwall>, accessed 27 December 2023)

528 'Tether Explains Its Decision On Tornado Cash Addresses, Awaits Law Enforcement Instruction', Tether, 24 August 2022 (<https://tether.to/en/tether-holds-firm-on-decision-not-to-freeze-tornado-cash-addresses-awaits-law-enforcement-instruction/>, accessed 27 December 2023)

529 Bitfinex'ed, 'Tether & Bitfinex: The gaslighting of the cryptocurrency community and wheel of misinformation', Medium, 2 December 2022 (<https://bitfinexed.medium.com/tether-bitfinex-the-gaslighting-of-the-cryptocurrency-community-and-wheel-of-misinformation-de0e1ff668dd>, accessed 27 December 2023)

530 Elizabeth Howcroft, 'Cryptocurrency firm Tether says it has frozen \$225 mln linked to human trafficking', Reuters, 21 November 2023 (<https://www.reuters.com/technology/cryptocurrency-firm-tether-says-it-has-frozen-225-mln-linked-human-trafficking-2023-11-20/>, accessed 27 December 2023)

### Case study – Singapore

In August 2023, 10 people were arrested by Singapore police in the city-state's largest ever money laundering case.

The individuals all have origins in Mainland China, particularly Fujian province, but with multiple citizenships from jurisdictions which allow their passports to be purchased, such as Cambodia, Vanuatu, St Kitts and Nevis and elsewhere. They are currently on trial on a range of charges.

Cash and assets worth close to the equivalent of USD 2.4 billion were seized, around half in cash, cryptocurrency and luxury items.

The newsletter *Cyberscam Monitor* has analysed the business activities and assets seized of these individuals in exhaustive detail with reference to affidavits, court documents and other reporting in Singapore, China and elsewhere.

Highlights include:

- links to multiple illegal betting platforms operating out of Cambodia and the Philippines;
- hundreds of millions in assets held per person including USD 30 million in cryptocurrency alone held by one individual;
- companies, bank accounts and properties all over the globe including in London and Australia; and
- later reporting shows further links to further illegal betting sites operating out of Myanmar, with the alleged mastermind paid millions in cryptocurrency.<sup>531</sup>



Figure 3 The Hongli International gambling site captured in 2014. Source: People's Procuratorate of Tongshan District, Xuzhou City.

531 How Organised Crime Operates Illegal Betting, Cyber Scams and Modern Slavery in Southeast Asia', ARF Council, 10 October 2023 ([https://assets-global.website-files.com/5f8e2bde2b2ef4841cd6639c/651e891f6cca0e3f417cd876\\_How%20Organised%20Crime%20Operates%20Illegal%20Betting%2C%20Cyber%20Scams%20%26%20Modern%20Slavery%20in%20SEA\\_FINAL.pdf](https://assets-global.website-files.com/5f8e2bde2b2ef4841cd6639c/651e891f6cca0e3f417cd876_How%20Organised%20Crime%20Operates%20Illegal%20Betting%2C%20Cyber%20Scams%20%26%20Modern%20Slavery%20in%20SEA_FINAL.pdf) accessed 27 December, 2023)

In summary, incredibly large amounts of illicit funds allegedly have been mingled with licit funds and properties around the world, facilitated by cryptocurrency, and almost certainly enabled by slavery.

The Singapore case is ongoing and the suspects have not been convicted.

What is perhaps most notable in terms of illegal betting, is that this alleged MO is far from unusual – the specific betting platforms mentioned are standard and typical -- and hundreds of equivalents are active.

### **Conclusion**

Cryptocurrency use has expanded significantly in illegal betting since the ARF Council highlighted the issue in 2021. For illegal betting operators, cryptocurrencies are highly attractive to avoid anti-money laundering laws and regulations and also to commingle the proceeds of other crimes such as drug trafficking.

Regulators and law enforcement agencies around the world should be aware of the use of cryptocurrencies by illegal betting operators and strengthen their focus on ensuring that illegal betting markets do not become cryptocurrency exchange markets for criminals. There is now a significant risk that illegal betting markets have reached such a huge scale and volume that they are becoming a growth driver for the use of cryptocurrencies by organised crime groups.

# New Research Shows the Massive Scale of Illegal Betting in South Korea

*Tak Sung Hyun, February 2024*

Since its establishment in 2008, The National Gambling Control Commission of Korea (NGCC) has consistently focused on regulating legal gambling industries.

Legal gambling industries that can be controlled directly are subject to intensive regulations such as restrictions on online betting and the CAP system (under which for a certain period the maximum number of business premises is controlled and the rate of sales increase of in the legal gambling industry is kept at an appropriate level).

Since 2008, the size of the South Korean illegal gambling market has grown to KRW 49.0 trillion (~USD 37 billion), an increase of 91%, and expanded to an uncontrollable level. In contrast, the legal gambling market, where regulations were concentrated during the same period, grew by only 46%, to KRW 6.9 trillion (~USD 5.2 billion).

The NGCC introduces its National Master Plan for Gambling Control every five years and the new plan takes effect from 2024. To ensure that the new policy of NGCC is focused on controlling illegal gambling, the Korea Racing Authority (KRA) commissioned the Korean Institute of Criminology and Justice (KICJ) to conduct research regarding the State of the Illegal Gambling Industry and Countermeasures.

In 2023, KICJ published this paper and submitted it to the NGCC. The KRA have very positive expectation that the confirmed facts of the KICJ research will provide important information in establishing the NGCC's policy for effective countermeasures against illegal gambling.

What follows is a summary of the research (translated into English), prepared by the Korean Institute of Criminology and Justice.

**Summary of research by Korean Institute of Criminology and Justice, October 2023**

Since the outbreak of COVID-19, online illegal gambling has become increasingly sophisticated and widespread, and its negative effects have also grown due to its association with other crimes. Given the scale and adverse effects of illegal gambling, it is time to change our recognition of this topic. Rather than focusing on the social costs of illegal gambling, the Korean government should consider the ways to promote legal gambling industry, as major developed countries do, to generate tax revenues and implement various social welfare programs with the tax revenues produced to improve the quality of life of the people. The National Gaming Control Commission (NGCC) has so far promoted various policies to eradicate illegal gambling through three rounds of sound development plans for the gambling industry, but there are limitations in cracking down on it due to the nature of online illegal gambling, and the illegal gambling market continues to expand. Therefore, in light of the continued rise in illegal gambling (including online gambling and new/variant gambling) and the social harm it causes, this research aims to explore effective policy measures and how to improve government policies.

This study analyses the environment of the overseas gambling industry, specifically in the United States, a representative country that regulates illegal gambling, and major countries in the European Union, that open their markets with legal gambling. Official statistics have been studied and analysed to understand the conditions and size of the illegal gambling market. A survey was conducted to identify the basic factors to help us analyse the environment of the domestic gambling industry and understand its situation and public awareness. In-depth interviews with practitioners from relevant organizations such as the police were also carried out to analyse government policies to deal with domestic illegal gambling and draw implications from the analysis results.

The scale of revenue and market of global gambling industry were estimated. The net sales of the global legal gambling industry were estimated to be approximately USD 414.7 billion. Korea is ranked 13th in terms of net sales. The global illegal gambling market is estimated to be from USD 340 billion up to USD 1.7 trillion. Even though the COVID-19 pandemic dealt a blow to the net revenue of the gambling industry, it is recovering, and at the same time, the rate of the net revenue of the online gambling industry has been on a steep rise. The domestic online illegal gambling industry is estimated to be KRW 19.6 trillion in 2016, KRW 24 trillion in 2019, and KRW 37.5 trillion in 2022. The number of crackdown cases of online illegal gambling were 25,521 in 2018, 16,476 in 2019, 20,928 in 2020, and 18,942 in 2021. In Korea, the NGCC has established and run the Illegal Gambling Industry Monitoring and Reporting Center in 2012 and big data-based Illegal Online Gambling Monitoring System in 2019. In terms of their response and regulatory approaches, foreign countries have recently allowed online gambling, but at the same time have controlled and regulated it. Nevertheless, the online illegal gambling market continues to grow.

[...]

[...]

In addition, gambling experience of adolescents and its association with crimes were studied. As the barriers to entry for illegal gambling online have fallen, and gambling has become more accessible to youth through a variety of channels, the age of first exposure to gambling has continued to fall. Illegal gambling has become a serious social problem among youth, but they perceive it as a "game" rather than "gambling".

Considering the growth of the domestic illegal gambling industry and the integration of new IT technologies into the industry, different policy measures are required. It is necessary to promote the aspect of user protection of the legal gambling industry and educate people on the realities and dangers of online illegal gambling. Additionally, there is a need to prevent people from using illegal gambling and bring them into the realm of the legal gambling industry by easing regulations on the industry and providing it with competitiveness.

The real conditions and issues of illegal gambling that we have identified are as follows: no use of illegal gambling-related virtual accounts and cryptocurrencies was found, but if they are used in the future, it would be difficult to detect it; different types of illegal gambling on the Internet, such as sports betting and illegal bookmaking, have spread on the Internet, and are mostly used by young people; regarding crackdown and investigative procedures, relevant legal provisions are scattered around different laws, so it is necessary to integrate relevant laws and also develop laws that fit the current situation. As illicit funds are often traded with borrowed-name bank account and burner phone, the chances of confiscating illegal proceeds are very low.

Regarding the policies to regulate illegal gambling, the following observations and recommendations are made: when it comes to the role of the NGCC, education on and prevention of gambling addiction as well as addiction treatment centres need to be strengthened; for illegal online gambling, a combination of arrest and treatment should be applied; policies such as imposing fines on illegal gambling users are not effective, but policies such as suspending the operation of illegal gambling houses are believed to be highly effective; it would be more effective if the NGCC and the KRA (Korea Racing Authority) join a consultative body on illegal gambling; and there are challenges in cracking down on those who go abroad for gambling, and its effectiveness is low for now.

The following policies to support legal gambling industry are proposed: promotion and education on the difference between legal and illegal gambling as well as addiction treatment are required; it is also necessary to find ways to enhance the competitiveness of the legal industry, and to encourage illegal gamblers to use the legal gambling industry through advertising and promotion. Hold'em pub business should be transformed into legal gambling business. Even business owners of hold'em pub want to work in a legalized area. It is self-evident that reckless controls will never eradicate illegal gambling, but rather they will push the industry into the dark rapidly. Hold'em pub business should be promoted to a legalized industry that can be controlled by the NGCC and relevant organizations. It is important to note that regulation on the legal gambling industry was launched in response to the scandal of Sea Story (\*note: A Korean giant gambling-like video arcade chain) in the past, and this never should be repeated, in other words, the crackdown on hold'em pubs should not be extended to regulate legal gambling business.

The government is required to review youth-focused illegal gambling regulations and prevention policies.

More than 40% of adults who engage in illegal gambling used to belong to the group at risk for gambling addiction in their adolescence. The following are the results of our survey on the respondents' experience of illegal gambling in adolescence: 76.8% of respondents say that illegal gambling increases the likelihood of gambling addiction; 71.2% of respondents believe that it raises the possibility of using loan sharks and experiencing illegal collections; and 60.7% of respondents think that it makes them more likely to commit fraud and theft.

The following results show that the government has to look into new policies in light of changes in the illegal gambling market: 84.6% of respondents say that illegal gambling is becoming more prevalent; 91.5% of respondents believe that the use of cryptocurrencies for illegal gambling is growing; 43.5% of respondents see that cryptocurrency is actually being used for illegal gambling; and 68.7% and 72.6% of respondents say that hold'em pubs and avatar casinos are proliferating, respectively.

The following outcomes display that the government agencies' responses to illegal gambling need be changed: 47.9% of respondents show negative response to the effectiveness of addiction counseling treatment; 67.0% of respondents answer positively to the establishment of a dedicated illegal gambling unit at the NGCC; 66.1% of respondents display positive perception about the effectiveness of the policy to offer monetary incentive to those who report illegal gambling; and 66.9% of respondents give positive response to the government's supervision of illegal gambling in collaboration with private sector.

The following responses indicate that new policies to address illegal gambling's association with other crimes should be developed: 65.6% of respondents say that illegal gambling is engaged with drug-related international crimes; 59.2% of respondents believe that illegal gambling is linked to transnational crimes involving human trafficking; and 53.3% of respondents find that illegal gambling is connected to terrorism-related transnational crimes.

The following results present that the strategies to regulate illegal gambling should be reinforced: 71.0% of respondents believe that imposing fines on illegal gambling users would be effective; 71.9% of respondents reckon that restricting or suspending the licenses of illegal gambling venues would be effective; 70.5% of respondents suppose that training professional reporters would be effective; and 67.9% of respondents say that a government-led consultative body would be effective.

The following responses show that the strategies to prevent the number of people from being drawn into illegal gambling should be examined (i.e., strategy to support the legal gambling industry): 63.5% of respondents respond positively to the idea of licensing the private gambling industry; 56.2% of respondents are positive about the idea of supporting the legal gambling industry as a leisure sport; 59.3% of respondents show positive reaction about strategies to improve the image of the legal gambling industry; 64.4% of respondents respond positively to the government's active support for promotion; 59.4% of respondents display affirmative response to the idea of increasing purchase limits; 57.3% of respondents believe it is necessary to reconsider restrictions on inter-racecourse betting; and 63.3% of respondents are positive about the idea of raising the rates of return to customers.

The following responses reflect the respondents' perception about the appropriateness of the current strategies to encourage illegal gamblers to move to legal gambling: 52.1% of respondents show positive response to the idea of increasing the payout rate, for example, by excluding taxes from refund to be paid out.

The recommendations for regulatory policies for online illegal gambling are as follows: regulatory policies for online illegal gambling are required to dissuade illegal gambling users by enhancing the competitiveness of the legal gambling industry and thus reduce demand for the business; to this end, there is an urgent need to ease regulatory policies that currently aim at the legal gambling industry, such as raising the rates of return to customers, allowing online access and improving convenience of purchasing, etc.; and at the same time, it is necessary to increase the promotion on the legal gambling industry's compliance with social responsibility, such as education for addiction prevention and treatment, user protection policies, and ensuring of fairness.



The following are recommendations for policies to license the private gambling industry: the licensing policy of the private gambling industry has positive implications in terms of a new source of revenue and ensuring of transparency, but the debate on the policy is still continuing. As some of this policy's aspects are not in line with domestic situation and more in-depth review is needed. In the cases of US/Europe, even though they adopted deregulatory approach of permit-based policies, illegal gambling has continued to spread.

In the case of Korea, it is required to improve the competitiveness of the legal gambling industry through deregulation but at the same time regulate illegal gambling. One of the main issues associated with illegal gambling is gambling of adolescents. Their experience with illegal gambling represents a significant risk in that it can lead to gambling addiction and spill over into other crimes. In this regard, it is important to study the mechanisms (pathways) of youth illegal gambling experience and criminal behavior, establish a practical monitoring system in illegal gambling prevention education and promotion strategies, and investigate the experience of crime perpetration and victimization triggered by illegal gambling and develop countermeasures.

Another main issue related to illegal gambling is the emergence of variants of gambling. The spread of illegal gambling using cryptocurrencies has made crackdown and arrest, and confiscating of gambling funds difficult. In order to ensure the enforcement of relevant laws and the responses of the relevant ministries be effective, fundamentally integrated laws should be enacted and relevant existing laws should be revised. The relevant government agencies' approaches should be changed. Strategies for regulating illegal gambling need to be strengthened. In particular, given the limitations of addiction counseling treatment, a transition to medical treatment is required. It is also necessary to establish a dedicated illegal gambling unit, increase monetary incentives for reporting illegal gambling, and refine how to control and supervise illegal gambling in partnership with private sector.

The Korea Communications Standards Commission (KCSC) is required to block illegal gambling sites. The KCSC should expand its manpower, reinforce monitoring activities, and immediately block overseas illegal gambling sites upon recognizing them. The agency is required to monitor all potential sources of illegal gambling such as texts, SMS and pornographic sites, and shut them out without delay if they are linked to illegal gambling sites. Since illegal gambling sites are using data alteration with repeaters and changing their addresses often to confuse investigative agencies ['mirror websites'], the KCSC should cooperate with the Korea Internet & Security Agency or investigative agencies to crack down on and regulate related promotional businesses and monitor relevant domains.

Cryptocurrency regulation by the Financial Services Commission (FSC) and the Financial Intelligence Unit (FIU) is also required. In the case of cryptocurrency exchanges, the Act on the Reporting and Using Specified Financial Transaction Information should be amended and supplemented to impose anti-money laundering obligations such as Customer Due Diligence (CDD), reporting of large cash transactions, and reporting of suspicious transactions, just as it does for general financial institutions. It is also necessary to analyse the blockchain where cryptocurrency transactions are stored, identify the flow of money laundering, train experts in the field, and block cryptocurrency addresses with international organizations such as Interpol. Relevant data such as financial transaction details and taxation data from the Financial Intelligence Unit (FIU) should be shared.

A dedicated joint task force should be established. Illegal gambling is highly organized and evades investigation efforts, making it necessary to crack down on it and confiscate its proceeds. In addition, it is necessary to consider setting up a dedicated joint response team under the National Police Agency, the NGCC, the Prime Minister's Office, and directly under the President (including the National Intelligence Service). This law enforcement unit should be able to mobilize investigative forces based on expertise and experience, and take comprehensive measures by function, from evidence collection to cooperation for investigation, blocking gambling sites, and confiscating illegal funds. International cooperation is essential to arrest and prosecute online gambling operators. A system to facilitate international collaboration with countries that do not regulate online gambling should be developed. Korea is also required to join the Convention on Cybercrime to facilitate international joint investigations and rapid collection of relevant evidence.

New paradigm of the legal gambling industry need be considered. Given the domestic situation and environment, the state and the NGCC should ease the regulations of the legal gambling industry to enhance the competitiveness of the legal industry, and law enforcement agencies and related organizations should curb and strongly regulate the illegal gambling market. The competitiveness of the legal gambling industry should be enhanced to secure a new source of tax revenues, and encourage the illegal market to move into the legitimate area, and prevent youth gambling addiction.

# The Model for Combatting Illegal Betting

*Martin Purbrick, February 2024*

The ARF Council has talked about the scale and impact of illegal betting for many years and the threat from illegal betting has consequently become better understood. With greater understanding of the threat from illegal betting, stakeholders need a model to combat the problem. This article outlines the components of this model.

There remain strong reasons for the development of national models to combat illegal betting due to the increasing negative impact of the issue. Illegal betting markets are huge and expanding globally from a strong base in Asia. Criminal groups control illegal betting operations in Asia. Illegal betting has consequently become a transnational organised criminal problem that involves diverse financial crime and lost tax revenue due to the scale of this 'black economy'. Illegal betting is the major threat to racing and sports integrity, and if not combatted can completely undermine public confidence in racing and sports.

Combatting illegal betting requires collaboration between government agencies, private sector entities in the technology and finance sectors, racing and sports operators as well as regulators. This is a diverse set of stakeholders and persuasion is required to bring them together with a model that shows benefit to all of those involved. However, this can be done and there is a national model that is an example to other countries.

## The Australia Model

Australia's national model has been well planned, implemented, and is an example to other countries of a successful approach to combat illegal betting. The strategy in Australia is not focussed on "illegal betting" per se, but the wider national strategy to safeguard the integrity of sport includes recognition of the impact of betting and addresses this to mitigate the threat. The national strategy in Australia has evolved in the past decade and been influenced by several major pieces of research work.

In 2017, Michael Andrew presented the final report of the 'Black Economy Task Force' which reported that "Based on the earlier studies and the Taskforce's consultations with relevant agencies, illegal gambling activity could be between \$1.3 and \$2 billion today, with about 60 per cent relating to the racing industry."<sup>532</sup> The work of the Black Economy Task Force documented illegal betting and gambling as a major part of the 'black economy' that "provides Australian users with higher returns that reflect Australian taxes not paid."<sup>533</sup>

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<sup>532</sup> Black Economy Task Force, Final Report, October 2017, P. 32.

<sup>533</sup> Ibid.

In 2018, 'The Review of Australia's Sports Integrity Arrangements', known as the 'Wood Review' after the Honourable James Wood AO QC who led the review, reported that "Our inquiries have shown that, at the international level, there has been a huge growth in sports wagering, particularly in Asia, which because it is in a similar time zone, makes wagering on Australian sports convenient. This has created a low-risk, high-profit environment for the manipulation of sports competitions (match-fixing) at all levels, but particularly at sub-elite levels where there is less monitoring and visibility, and also an attractive avenue for organised crime to engage in money laundering."<sup>534</sup>

These reviews positioned Australia as a leading nation with the understanding of why and how to safeguard sports integrity, and in particular highlighted the significant threat from illegal betting on racing and other sports. The 'Black Economy Task Force' made the following recommendations<sup>535</sup> to combat illegal betting and gambling:

1. The government should enforce existing laws.
2. The government should require ISPs to block offshore sites that are offering illegal gambling services to Australians.
3. The government should encourage banks to prevent transactions to and from offshore wagering websites.
4. Prevent regulated gambling sites from accepting bets sourced from unregulated sites.
5. Racing regulators should publicly warn off people from attending racetracks and prosecute them if they are found to be using unregulated gambling sites.
6. Australian law enforcement agencies should exchange information about unregulated gambling with their international counterparts.
7. Better use should be made of information contained in stored value cards and betting vouchers should be analysed to seek out potential criminal networks.
8. The government should prevent gambling from being used to shelter tax evasion.

The Wood Review proposed the formation of a single body to address sports integrity matters at a national level (a national sports integrity commission), and also addressed the threat from illegal betting to integrity in sports and made the following recommendation:

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<sup>534</sup> James Wood AO QC, David Howman CNZM, Ray Murrhiy, Report of the Review of Australia's Sports Integrity Arrangements, 2018, P.7

<sup>535</sup> Black Economy Task Force, Final Report, October 2017, PP.315-319.

"[That] the Australian Government, as a matter of urgency, formalise and expand the work of the Sports Betting Integrity Unit by establishing a 'National Platform' type entity with the powers and capabilities required to address the threat of match-fixing as outlined in Article 13 of the Macolin Convention (including the national regulation of sports wagering, administering the Australian Sports Wagering Scheme, and for information and data sharing)."<sup>536</sup>

The reviews in Australia paved the way for the creation in 2020 of Sport Integrity Australia, which has led to the creation of the National Integrity Framework, "a world-first process to deal with integrity issues in sport" that is "essentially a set of rules that all members of a sport need to follow when it comes to their behaviour and conduct in sport."<sup>537</sup> In addition, in 2019, the Australian government became a party to the Macolin Convention, the Council of Europe multi-lateral treaty aimed at combating match-fixing and other related corruption in sport.

With these reviews and outcomes, Australia has become a leader in sports integrity, including the related combatting of illegal betting on racing and other sports.

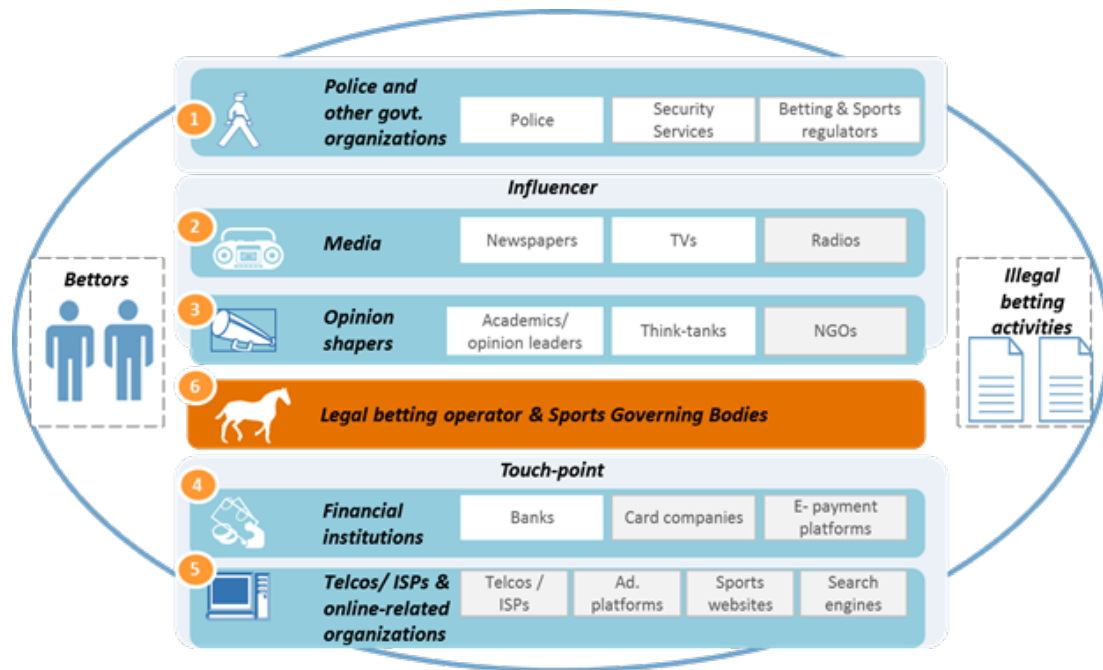
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<sup>536</sup> James Wood AO QC, David Howman CNZM, Ray Murrhy, Report of the Review of Australia's Sports Integrity Arrangements, 2018, P.14.

<sup>537</sup> Sport Integrity Australia, National Integrity Framework (<https://www.sportintegrity.gov.au/what-we-do/national-integrity-framework> )

## The ARF Council Model

The ARF Council advocates the use of stakeholder engagement as a means of aligning key organisations to understand the threat from illegal betting and to act accordingly. The recommended stakeholder engagement model includes the following sectors:



Police and other government organisations, including regulators, are essential for enforcement action against illegal betting operators. Media organisations are necessary to educate the public as well as wider groups of stakeholders of the threat from illegal betting. Similarly, think tanks and NGOs have a strong education role. Financial institutions are essential to help cut off payment methods for illegal betting operators. Telecommunications companies and Internet Service Providers as well as related online services are needed to block illegal betting operators access to online services.

Stakeholder engagement is the step to bring organisations together to understand and combat illegal betting, but a national model requires a clear set of priorities that should be objectives for the national model to address. There has been much good work in this space from international organisations. The Council of Europe (Macolin Convention), INTERPOL, and the United Nations Organisation on Drugs & Crime (UNODC) have all engaged with racing and other sports stakeholders to highlight the threat from illegal betting and related financial crime.

Going beyond stakeholder engagement, the creation of national models, based on appropriate national platforms, is essential for long term success. To that end, some recommended priorities and objectives of a national model to combat illegal betting are as follows:

**1. Gambling regulators should adopt the Macolin Convention definition in national gambling regulation.**

The Council of Europe Convention on the Manipulation of Sports Competitions Article 3,5,a states that “Illegal sports betting’ means any sports betting activity whose type or operator is not allowed under the applicable law of the jurisdiction where the consumer is located.” It is an essential condition for the effective control of betting that betting operators must be licensed in the jurisdiction where they accept a bet from the consumer (i.e. at the point of sale).

**2. Betting operators should be licensed and approved by the specific jurisdiction in which they operate, rather than by offshore jurisdictions.**

Gambling regulators should publicly state which betting and gambling operators are accepting wagers in breach of local national laws and warn consumers that such operators should not be utilised for wagering. Law enforcement agencies should take prosecution action against betting and gambling operators that breach local laws by operating without a local national license.

**3. Taxation authorities should prevent betting and gambling being used to shelter tax evasion.**

The vast profits either go offshore or directly fund criminality, rather than supporting society through taxation in the jurisdictions in which consumers are based. Taxation laws relating to profits tax as well as betting duty (i.e. on wagers) should be strictly enforced. Sales taxes on wagering transactions by national residents should be strictly enforced and collected.

**4. Internet Service Providers (ISPs) should be required to block access to illegal betting websites.**

Legislation is required to allow for blocking of illegal betting websites, which should be enforced by the national telecommunications authority. National law enforcement agencies should exchange information about unregulated gambling with their international counterparts.

**5. Financial institutions should lobby operators to block transactions to and from illegal betting merchants.**

National banking and financial sector regulators should issue clear written guidance to licensed banks in their national jurisdiction that they should NOT process payments or facilitate business for unlicensed betting and gambling operators as this would facilitate financial crime.

**6. Licensed betting operators should commit to 100% of their revenues to come from regulated markets, and to exit markets in which there are no viable paths to regulation.**

Licensed betting operators should commit as part of their license application process to take all reasonable steps to NOT accept wagers from customers in jurisdictions where they do not hold a local license.

Globally, sports, racing and the legal betting industry must work with governments and international organisations to bring pressure to bear on betting tax havens and jurisdictions which act irresponsibly and enable illegal betting. There are havens for illegal betting operators which provide the pretence of legality but are outside of national gambling regulatory systems.

The ARF Council will continue to work with stakeholders in racing and other sports to combat illegal betting, and build the national models that are an essential part of these efforts.



## Franchise Wars – How Citibet and Asia's Other Biggest Bookmakers have 'McDonaldised' Illegal Betting

*James Porteous, May 2024*

Illegal horse racing betting exchange Citibet is growing its potential market even faster than in previous years due to technology changes that have allowed the operator to expand access more widely across the Internet. Citibet is now franchised across *literally thousands* of third-party illegal betting websites via a software "plug-in", which makes Citibet betting markets and pirated live streams on global horse racing available to any illegal bookmaker.

"Franchisees" can install this software by copy-and-pasting a few lines of code in the back-end of their website, or rely on one of the many gambling software providers which service unregulated betting operators to do it for them. This is the 'McDonaldisation' of online illegal betting.

The Asian Racing Federation has warned for almost a decade of the threat of Citibet (aka 長城, LK988 and other names in different jurisdictions), a completely unregulated horse racing betting exchange which has liquidity comparable to the biggest legal racing tote operators in the world – all completely untaxed, with zero know-your-customer or money-laundering controls.

Citibet and illegal betting in general continue to be a major threat to the sport of racing and legal wagering operators on which the sport depends. Citibet turnover is comparable in some markets to the legal market, such as in Hong Kong where it was estimated to have grown 9% in 2022 compared to the previous year while the local legal betting market on horse racing has shrunk.<sup>538</sup> Citibet betting turnover on racing in Australia was also reported as having doubled in the period from 2019 to 2022.<sup>539</sup>

Long-term analysis by the ARF Council has indicated that illegal betting turnover can overtake legal turnover; illegal betting provides the perfect avenue to corrupt racing; and over-zealous regulation of the legal wagering industry actually has the opposite effect intended by regulators and drives customers into the arms of illegal operators.

These threats to racing are from a range of illegal betting operators, but we focus on Citibet because it specialises only on racing, and has turnover reported to be USD 50 billion or more a year.<sup>540</sup>

<sup>538</sup> Asian Racing Federation, 'Illegal Betting Poses Growing and Complex Threat to Racing and Sports', Asian Racing Federation, (21 February 2023), (<https://www.asianracing.org/news/illegal-betting-poses-growing-and-complex-threat-to-racing-and-sports>), accessed 25 March 2024)

<sup>539</sup> Asian Racing Federation, 'Illegal Betting Poses Growing and Complex Threat to Racing and Sports', Asian Racing Federation, (21 February 2023), (<https://www.asianracing.org/news/illegal-betting-poses-growing-and-complex-threat-to-racing-and-sports>), accessed 25 March 2024)

<sup>540</sup> Peter Scargill, 'The \$50 billion black market bookmaker: how an illegal operator became one of the world's biggest', Racing Post, (10 July 2023), (<https://www.racingpost.com/news/features/in-focus/the-50-billion-black-market-bookmaker-how-an-illegal-operator-became-one-of-the-worlds-biggest-aCor50U3LV1v/>), accessed 25 March 2024)

And though these threats are not new, in 2024 they are greater than ever, because Citibet has massively expanded its target market through this plug-in business-to-business model. Illegal betting on horse racing from every jurisdiction in the world, complete with pirated live broadcasts, in-running betting, better prices than legal tote operators and other product enhancements, has now been “franchised” to a vastly wider audience.

And Citibet is not alone – the biggest betting operators in the world have also adopted this model, thus massively amplifying both their own turnover and the exposure of individuals to illegal betting.

### **What is Citibet?**

Citibet has been the primary platform for illegal betting on horse racing in Asia for around 20 years.

Likely drawing inspiration from the then-new legal betting exchange Betfair, Citibet’s forerunner was founded around 2004 by illegal betting operators in Southeast Asia. This transferred the pen-and-paper model then employed by Asian illegal bookmakers into a tech platform, and proved so popular that it quickly was opened up to non-syndicate members.

Around 2008, Citibet was hacked and all betting records were lost -- but its owner agreed to pay-out any customer’s claim to have made a winning bet. This gave Citibet’s owner enormous “face” – an Asian term for one’s reputation – among illegal bettors and sent its primary competitor for illegal betting on horse racing into irreversible decline.

Citibet has dominated the market for illegal betting on racing ever since – it is by far the largest unlicensed betting operator specialising only on racing, and among the world’s largest illegal betting platforms by turnover.

The majority of Citibet turnover has historically been on Asian racing jurisdictions, but this does not mean it is of concern only for these jurisdictions. It remains to be seen, for example, where the illegal Citibet turnover on Singapore and Macau will be funnelled when those jurisdictions stop racing in 2024.

Citibet is by far the largest and most liquid unregulated illegal betting exchange market for horse racing in the world, with this huge liquidity allowing illegal bookmakers to hedge their risk by laying off liabilities. In March 2024, leading online ‘bet brokers’ were actively promoting Citibet as a means to bet illegally on racing at Cheltenham, as shown in the advert on Instagram shown below.



Figure 1 - An advert on Instagram promoting betting on Citibet on March's Cheltenham Festival. Source: <https://www.instagram.com/p/C4YCtLORVz>

This presents integrity issues for global racing, since Citibet as a betting exchange allows corruptors to 'lay' horses – profit from them losing not winning and, Citibet obviously has zero integrity safeguards in place nor information-sharing agreements with racing integrity authorities.

### **Would you like fries with that? Citibet's franchise model**

A key technological development in the growth in illegal betting on racing in the past four years is that Citibet is now franchised across literally thousands of third-party illegal betting websites via software plug-ins.

Citibet does not directly own or operate all of these thousands of websites, but makes its betting markets and pirated live streams on global horse racing available to them via its plug-in. "Franchisees" can install this software by copy-and-pasting a few lines of code in the back-end of their website, or rely on one of the many gambling software providers which service unregulated betting operators to do it for them.

The ease of use, and access to this franchised version is important in boosting the number of potential bettors, because Citibet's primary network of mirror websites are (a) very complicated for the layperson to understand and (b) often only directly accessible (for the layperson) by agents, and/or via access granted by agents.

The new franchise model has thus removed a key barrier to entry – knowing an agent –and consequently led to a huge growth in the numbers of people betting illegally on racing anywhere in the world.

Citibet’s plug-in version is a simpler, more user-friendly version with near-identical products and markets, rebates, live-streams and other enticements as the main exchange. Bets on the franchised version flow into the main Citibet exchange to increase liquidity. Franchisees will pay either a revenue-share or subscription fee to access this product.



Figure 2 - Citibet plug-in page on a typical unlicensed betting website targeting bettors in Asia. Source: <https://9.1083.co/web/horse>



Figure 3 - a sophisticated advert on YouTube promoting a franchised version of the Citibet platform to bettors in Malaysia and Singapore. Source: <https://www.youtube.com/watch?app=desktop&v=tkVHygHmsSA>

### **IBSaaS – Illegal Betting Software as a Service**

Citibet is not unique in this new business model. The biggest betting operators in Asia have taken inspiration from the Software as a Service (SaaS)<sup>541</sup> business model common in modern internet technology companies and made their entire sports betting markets, managed by hundreds of traders and sophisticated big data modelling, available to a host of third-party sites without the capital, expertise or other means to offer complex global sports and racing betting markets by themselves.

The biggest Asian operators thus now deploy their sportsbook technology not only on their *own* networks of betting websites, but on literally thousands of “franchisees”.

Some of these operators are very well-known brands, with licences in offshore betting havens such as the Isle of Man and the Philippines. Others, such as Singbet / aka Crown / aka Huangguan, widely believed to be one of the biggest unregulated sports betting operators in the world, are not known to be licensed in any jurisdiction. Regardless of licence status, the core customers for both types of operators and their “franchisees” are in jurisdictions where they are unlicensed (i.e. illegal betting).

As shown in the image below, which is an advert for a very well-known Asian betting operator's franchise version, franchisees can benefit from 30+ sports available for betting, 400+ expert traders, and the operator's long-established network of street-level illegal betting customer recruitment agents on the ground across Asia.

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541 Software as a Service (SaaS) is a software distribution model in which applications are hosted by a provider and made available to customers over the internet, typically on a subscription basis.

# Why Partner with [REDACTED]?

[REDACTED] API and Whitelabel Solutions provide the following features

- Official [REDACTED] Sportsbook Product:
  - Supporting over 30 types of Sports to bet on.
  - 15 different Bet Options.
  - 4 kinds of Odds Display.
  - Supporting over 14 languages.
  - 400+ Traders to ensure you get the best and most up to date odds!
- With only ONE API integration, you have access to popular Live Casino, Slots and other Games popular in Southeast Asia!
- Our system allows for multiple customization options to meet your needs and enable swift creation of your site.
- Promotion Wallet System supports you in crafting special promotions for a specific Game Type!
- Our easy to use Multi-Level Agent System allows for greater reach to Players.
- 24/7 Online Customer Service ready to assist you!

*Figure 4 - This advert for a very well-known Asian operator's API version highlights the 30+ sports, 400+ traders, and the fact that franchisees can benefit from the operator's long established network of illegal betting agents on the ground across Asia*

Notably, some prominent licensed operators, despite their claims of not serving unregulated markets, also offer their markets and technology as "IB SaaS". This practice potentially provides them a legal loophole, enabling them to operate within a grey area of international gambling laws, but it is clear that they are massively expanding the global target market of illegal betting.

### Why should racing and other sports care?

There may be a perception that Asian betting operators such as Citibet are only of local concern, to individual racing jurisdictions in Asia. But it takes bets on every racing jurisdiction in the world – and the expansion of its markets to a much wider mass market audience of “franchise” customers will likely only drive this liquidity expansion.

For example, the demise of racing in Singapore and Macau – both of which were large Citibet illegal markets – means that that large illegal betting turnover which was previously bet on Singapore and Macau racing has to flow somewhere and it remains to be seen what impact their shutdown will have on other racing jurisdictions.

Jurisdictions who say ‘it could never happen here’ should not be complacent, as shown by the rise in turnover on Australian racing, and the apparent targeting of UK racing betting consumers illustrated by the Cheltenham advert above.

Other sports should also not be complacent – the franchising of the betting markets of the world’s biggest unregulated bookmakers means that there is potential for massive expansion of the illegal betting audience, and thus liquidity to mask corrupt bets on fixed outcomes.

The threat to the integrity of sport is not from licensed and regulated legal betting operators, who share information on suspicious betting with sports authorities, law enforcement and regulators, but with the illegal operators who do not.

The owners of one of the largest sports betting platforms to have adopted this franchise model have even been widely rumoured to be directly involved in match-fixing themselves.

Asian illegal operators who have franchised out their markets on football, tennis, basketball and other sports have and will continue to be used as the primary platforms for sports corruption.

Corruption in racing and other sports is driven by the organised crime groups that profit from illegal betting, including from Citibet. Public domain cases showing this involvement include criminal cases involving two Australian drug traffickers, one with links to the Calabrian Mafia and one implicated in race-fixing, both of whom were Citibet account holders;<sup>542</sup> and the cross-border Hong Kong-Mainland China case study in 2017 detailed below.

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542 ‘Victoria Police calls for changes to sports betting laws as rigged betting goes offshore’, Herald Sun, 6 December 2015 ([www.heraldsun.com.au/news/flaw-order/victoria-police-calls-for-changes-to-sports-betting-laws-as-rigged-bets-go-offshore/news-story/2f04e0240252e58c2449ef1fcd2eb766f0&mementype=anonymous&mode=premium&v21=dynamic-groupa-control-noscore&v21spcbehaviour=append](http://www.heraldsun.com.au/news/flaw-order/victoria-police-calls-for-changes-to-sports-betting-laws-as-rigged-bets-go-offshore/news-story/2f04e0240252e58c2449ef1fcd2eb766f0&mementype=anonymous&mode=premium&v21=dynamic-groupa-control-noscore&v21spcbehaviour=append))

### Case study<sup>543 544</sup>

A cross-border police action between Hong Kong and Mainland China in December 2017 underlines the involvement of organised crime in Citibet and the scale of illegal profits involved. Police confiscated the equivalent of ~USD 13.8 million in illegal betting records and ~USD 1.4 million in cash, and arrested 71 people. Police believed some had triad backgrounds and were senior agents of the organisation. Most turnover was on football and racing, via illegal betting networks Huangguan ( 皇冠 ) and Citibet respectively, said Police, with pictures showing Citibet prominently displayed on computers used in the control room.



Figure 5 - A picture released by Police shows Mainland China mirror websites of Citibet displayed on two of the illegal betting syndicate's computer screens. Source: HK01 via Hong Kong Police press release

<https://www.hk01.com/%E7%A4%BE%E6%9C%83%E6%96%B0%E8%81%9E/138690/%E7%B2%B5%E6%B8%AF%E5%85%A9%E5%9C%B0%E6%89%93%E6%93%8A%E9%9D%9E%E6%B3%95%E6%94%B6%E5%A4%96%E5%9C%8D%E6%B3%A2%E9%A6%AC%E9%9B%86%E5%9C%98-%E6%AA%A2%E9%80%BE%E5%84%84%E5%85%83%E6%8A%95%E6%B3%A8%E7%B4%80%E9%8C%84%E5%8F%8A%E8%B3%AD%E6%AC%BE%E6%8B%9871%E4%BA%BA>

543 Christy Leung, 'Police seize more than HK\$100 million in illegal betting slips and arrest 71 in cross-border crackdown', South China Morning Post, 4 December 2017 (<https://www.scmp.com/news/hong-kong/law-crime/article/2122816/police-seize-more-hk100-million-illegal-betting-slips-and>); accessed 25 March 2024

544 魯嘉裕, '粵港兩地打擊非法收外圍波馬集團 檢逾億元投注紀錄及賭款拘 71 人', 香港 01, (04 December 2017), <https://www.hk01.com/%E7%A4%BE%E6%9C%83%E6%96%B0%E8%81%9E/138690/%E7%B2%B5%E6%B8%AF%E5%85%A9%E5%9C%B0%E6%89%93%E6%93%8A%E9%9D%9E%E6%B3%95%E6%94%B6%E5%A4%96%E5%9C%8D%E6%B3%A2%E9%A6%AC%E9%9B%86%E5%9C%98-%E6%AA%A2%E9%80%BE%E5%84%84%E5%85%83%E6%8A%95%E6%B3%A8%E7%B4%80%E9%8C%84%E5%8F%8A%E8%B3%AD%E6%AC%BE%E6%8B%9871%E4%BA%BA>, accessed 25 March 2024.



Illegal betting has been described as a foundation upon which most other organised crime activities are supported,<sup>545</sup> and Citibet profits can bankroll investment in other criminal enterprises such as drug trafficking, vice, and cyber- and telecoms-fraud. The massive liquidity in illegal betting makes it a prime conduit for money laundering. Some experts believe more than 10% of the global proceeds of organised crime, or USD 140 billion, is laundered via online betting each year.<sup>546</sup>

Most recently, the ARF Council has highlighted that illegal betting operators are now heavily involved in human trafficking and have adapted their technology to a new industry, the global epidemic of industrial cyber-scams. Notably, Citibet is believed to have operations in one of the so-called 'casino compounds' in Cambodia involved in such activity, although this cannot be proven.

### **Conclusion - Action has been taken but more needs to be done**

Citibet, and other operators like it, have massively expanded the illegal betting target market through new technology. This is a transnational organised crime problem.

The Citibet technology team is believed to be in Taiwan; it appears to have customer service staff in Cambodia; its ultimate owner(s) is/are suspected to be in Malaysia or Singapore; it is suspected to have thousands of agents all over the world. This transnational nature means a similarly transnational law enforcement response, in coordination with other key stakeholders such as racing and other sports authorities, the legal betting operators, internet service providers, is required.


One approach is blocking websites on which Citibet operates. Internet service providers and communications authorities can block these URLs. But because mirror websites are quick and cheap to set up and are essentially infinite, such efforts require ongoing network monitoring and analysis, and information sharing.

The "franchising" of Citibet and other illegal betting operators' markets to literally thousands of websites will expand access to and use of Citibet ever further.

Ultimately, one of the most effective means of combatting illegal betting is an appropriate legal betting market that can compete effectively. Consumers prefer to wager in legal markets, not with illegal operators. This is intuitive to understand, because they know their deposits and winnings will be safe, and they are not exposing themselves to criminal risk.

<sup>545</sup> L Moodie, Organized Crime Section. Illegal Gambling, Paper presented at the Gambling, Law Enforcement Systems Issues Conference, University of Alberta, Edmonton, March 8 2002. As cited in Banks, Gambling Crime and Society, 2017

<sup>546</sup> Christian Kalb and Pim Verschuuren, Institut de Relations Internationales et Strategiques, Money Laundering: the Latest Threat to Sports Betting?, IRIS Editions 2013



Given this preference, effective disruption of Citibet and other illegal operators, through coordinated international law enforcement, website blocking, payment monitoring, and enhancement to the legal product, is a necessity for better protection of those consumers as well as combatting the organised crime groups that profit from this industry.

## Education, education, education: the Importance of Training in Combatting Illegal Betting

*Brent Fisher, May 2024*

The primary reason why the ARF Council researches the illegal betting industry is because it is one of the main threats to the integrity of horse racing (and other sports). Illegal betting undermines fair competition and the credibility of sporting outcomes and can cause irreparable damage to racing, the careers of those involved, and the trust of fans worldwide. Illegal betting and integrity are thus inextricably linked.

As regulators and sporting bodies strive to maintain the integrity and purity of sports, the education of those charged with overseeing these standards becomes crucial. In Victoria, Australia, there is a concerted effort to enhance the capabilities of stewards and integrity officials employed within the thoroughbred, harness and greyhound racing industries through specialised training programs. The following article explores the innovative educational measures implemented in Victoria to empower these officials with the knowledge and tools necessary to combat the challenges posed by illegal betting and other integrity threats. This proactive approach not only aims to thwart immediate threats but also prepares these guardians to anticipate and respond effectively to future challenges in sports integrity.

### **Introduction**

The global focus and increased oversight of racing has heightened the need for racing integrity units worldwide to identify, combat and respond to various integrity risks/threats.

In the battle to ensure an ongoing “level playing field”, education is one of the greatest weapons, which can assist regulators and provide insights needed to outsmart those who seek to undermine the integrity of racing. Education and increased knowledge can have the ability to transform regulators into proactive integrity guardians.

In August 2019, the Victorian government introduced the Victorian Racing Integrity Board (VRIB), an independent cross-code integrity board that oversees the delivery of integrity functions by Racing Victoria, Greyhound Racing Victoria, and Harness Racing Victoria (the three racing codes in Victoria, VRI).

The Board was established to enhance the VRI’s integrity framework and ensure racing integrity in Victoria is subject to an independent and transparent system of checks and balances.

During the 2021/2022 calendar years, the VRIB and three Victorian racing codes, as well as other key stakeholders, set about the development and the upskilling and education of integrity officials within the VRI.

Two courses - a Racing Industry Professional Staff Development Program and a Graduate Certificate in Sports Integrity were developed, and Victoria University commenced delivery of these courses from May to September 2023.

The Racing Industry Professional Staff Development Program was primarily designed for less experienced integrity officials in the Victorian racing industry, with one to five years' experience, and consisted of modules including health and safety, conflict management, working with others and team leadership.

The Graduate Certificate in Sports Integrity was focused at more experienced personnel, with 5–20 years' experience, and covered topics such as Data Management in Sport; Sport Integrity and Ethics; Strategic Planning and Management for Sport Business and Managing Investigations in the Sporting Industry.

Learning outcomes of this post-graduate level course included:

- increased understanding and advanced knowledge utilising cross-disciplinary recognition to analyse illegal, corrupt and anti-social behaviour on the field of sport integrity;
- exhibit the application of legal and ethical principles to decision making processes when dealing with integrity issues in sport; and
- design and justify strategic initiatives involving structural, cultural, and operational change enabling sporting enterprises to adopt practices which focus on integrity and use it as a tool for creating additional public perceived value.

### **Case Study Approach**

The focus of both courses is that they are based on a practical case study approach. Real-life examples of matters that ended in either tribunal or court proceedings are discussed in a 360-degree manner – beginning with the intelligence (human or other sources) that prompted an investigation; the investigation techniques and protocols used; how the materials produced as a result of the investigation process are then collated into a brief of evidence in preparation for a tribunal or court hearing; the prosecutorial process determining whether the matter should proceed (e.g., is there a reasonable prospect of conviction based on the presented evidence and is the matter one worth pursuing in the interests of racing); and then a deliberation of the tribunal or court determination both in terms of liability and penalty.

The case study approach is important because it engages the students in active learning, allowing them to share their practical experiences and learn from others. It can involve participant-led presentations, exercises, role plays, debates, and guest speakers. The case study approach also enlivens the foundational, and informational or academic lectures and gives better context to the accompanying readings and assessments, incorporating additional readings or multimedia.

## Conclusion

With the increased focus on the governance and accountability of racing, a well-educated integrity official is the first line of defence against any attempt to erosion of the spirit of racing. The challenge for integrity officials in the modern era to regulate and govern the sport of racing, presents itself with many obstacles.

Though technology has assisted the role of integrity officials over many years, such as increased cameras at race meetings for race-day stewards and through the development of various platforms which lead to increased efficiencies and reduction of errors (equine swabbing and wagering monitoring, for example), it also presents new challenges for integrity officials, with the ongoing development and demand for encrypted software and technology which can inhibit investigation.

Such challenges need to be met (in part) through the ongoing upskilling and education of integrity officials to ensure they have the capability and the skillset required to adequately address the present scenario, but also to ensure they can address emerging issues and threats to the racing industry.

The courses undertaken and successfully completed by integrity officials across the three codes in Victoria during 2023 lay a foundation for these officials to be more confident and informed to adequately address current issues, and emerging trends and risks, which seek to undermine the integrity of racing and developing pathway for career racing integrity officials.

In my view, as guardians of integrity, we recognise and acknowledge that education is not a destination, but an ongoing continuous journey, propelling us forward in our mission to preserve the essence of racing not only now, but also for the future.

# Regulating the Legal Market and Preventing Illegal Betting

*Martin Purbrick, May 2024*

As sports betting continues to globalise, it becomes harder for consumers to differentiate between online legal and illegal betting and also more difficult for gambling regulators to understand the silent encroachment of illegal betting operators in their local market. Illegal betting operators increasingly purchase licences in jurisdictions that do not confer legality beyond that jurisdiction, creating a grey area for consumers who see them only as an online betting operator.

The global nature of online betting has made it difficult to clearly define what constitutes illegal betting. This ambiguity is exploited by illegal betting operators who claim to be 'licensed betting operators' because they have purchased licences from certain jurisdictions which specialise as offshore licensing havens. However, these licences provide zero legality in the jurisdictions in which these betting operators take bets. The widespread misconception among consumers that offshore online betting operators with a licence in a jurisdiction other than where they are located are legal has further compounded the issue.

In all developed countries where there is a modern Internet infrastructure, consumers have open access to the huge global range of online Internet based betting and gambling websites which the ARF Council has highlighted as involving a large amount of unlicensed (and usually illegal at the point of sale) betting operators, many operated by major organised crime groups particularly in Asia.

The ARF Council's analysis in the State of Illegal Betting report<sup>547</sup> in 2022 found that of 534 betting websites examined, less than 40% (207) were classified as Licensed and Regulated. The majority of websites examined are thus effectively illegal in most countries, being either Unlicensed and Unregulated or Licensed but Under-regulated.

ARF Council analysis and reporting has concluded that consumers are generally attracted to these online illegal betting markets because of price (better odds), product (more bet types), and customer experience (ease of access and use). This has led to the growth of online illegal betting with a growing number of consumers going to online illegal betting operators, but a challenge is measuring this.

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547 'The State of Illegal Betting Report', Asian Racing Federation, 18 May 2022, p.10 ([https://assets-global.website-files.com/5f9e2bde2b2ef4841cd6639c/62844a249c7d1e17ec718f02\\_State-of-Illegal-Betting-2022\\_v11-RGB-opt.pdf](https://assets-global.website-files.com/5f9e2bde2b2ef4841cd6639c/62844a249c7d1e17ec718f02_State-of-Illegal-Betting-2022_v11-RGB-opt.pdf))

Consumer access to illegal betting is not immediately measurable, largely because online betting customers do not respond honestly to survey questions that ask if they have taken part in an illicit or illegal activity. So we know from the ARF Council analysis and reporting that the illegal betting (and organised crime) problem is huge, but we have difficulty knowing exactly how many consumers from specific countries bet in these markets. This difficulty with measurement is causing gambling regulators to lag behind international developments in betting and gambling markets as they lack insight into the rapid changes.

### **Regulators focus on legal markets and licensed operators**

Gambling regulators inevitably focus largely on licensed legal betting operators in their own jurisdiction, and consequently often have limited or no insight into how illicit and illegal markets are changing. This lack of insight is heightened as illegal betting operators have been expanding in offshore locations where they are beyond the reach and often even the visibility of the authorities.

ARF Council research has shown how large numbers of online illegal betting operators have gravitated to offshore licensing regimes, in particular in Curacao, Malta, and the Philippines (see the 'State of Illegal Betting'<sup>548</sup>). In addition, large number of online illegal operators have expanded their operating bases across South East Asia in Cambodia, Laos, and Myanmar. The former have licences somewhere and the latter have no licence anywhere, but both groups of operators do not have gambling licences at the point of sale where the transaction with the consumer takes place, which is where the activity becomes illegal.

If an online betting operator does not have a licence in the country where they accept bets from consumers (i.e. at the point of consumption) then this is usually a criminal offence under the local gambling laws. However, there is far too often no apparent enforcement action by gambling regulators against offshore online unlicensed betting operators and also no major commentary from regulators regarding the problem. This issue stems from a lack of insight by gambling regulators into illegal betting markets and operators, which must change if they are to effectively regulate gambling that impacts and harms consumers in their local market.

### **Regulators not understanding illegal markets**

The lack of regulator insight into illegal betting markets is illustrated by the use of 'white label licensing' in some developed countries. White label betting websites have had a major role in the growth of illegal betting markets.

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548 'The State of Illegal Betting Report', Asian Racing Federation, 18 May 2022, p.10 ([https://assets-global.website-files.com/5f8e2bde2b2ef4841cd6639c/62844a249c7d1e17ec718f02\\_State-of-Illegal-Betting-2022\\_v11-RGB-opt.pdf](https://assets-global.website-files.com/5f8e2bde2b2ef4841cd6639c/62844a249c7d1e17ec718f02_State-of-Illegal-Betting-2022_v11-RGB-opt.pdf) accessed 10 March 2023)

A complete 'white label' is when a whole website and licence is provided by a third-party B2B company. The supplier provides all of the technology, while the operator's role is limited to branding and marketing and recruiting bettors. White-label websites are somewhat analogous to franchises, with minimal capital outlay required by the operator, but a large proportion of turnover funnelled upstream to the supplier/franchiser.

The white-labeller's website content, including odds and trading management, is thus provided to tens or more other betting operators, allowing them to display their markets – and also in the case of white-label betting exchanges, to channel bets from customers in illegal markets into the wider 'regulated' exchange, a key integrity risk.

White-label providers enable would-be betting operators to set up a betting website in weeks with almost zero technical or bookmaking expertise. But the high fees mean that a constant stream of new losing bettors must be found. This low-outlay, high-overhead cost structure is thus one reason for the proliferation of online illegal betting websites which rapidly come and go, and for the aggressive marketing of such websites via social media and other platforms.

### **Silent encroachment of illegal betting to displace legal markets**

In addition, many countries allow offshore online betting operators, most from Asia, to advertise at sports events, especially football, in their local jurisdiction despite the operators not being licensed in that country. By advertising in jurisdictions where gambling is legal, Asia-facing gambling operators are blurring the lines between 'legal' and 'illegal' gambling.

If online betting operators from one region advertise in a country where they do not possess a licence to accept bets, then they blur the lines between legal and illegal for consumers. In the jurisdiction where the advertising takes place consumers will have a misplaced view of the credibility a company brand about which they know nothing about. In the jurisdiction where the advertising is directed, for instance consumers in Asia watching sports competitions in Europe where Asian betting operators advertise, there is also a perceived legitimacy from seeing the brand on television. But this advertising does not confer legality, which only comes from a gambling licence in the jurisdiction where bets are accepted.

This practice is a silent encroachment of illegal betting operators in markets where they are not licensed. The websites of these "Asia-facing operators" are freely available to all consumers, who are part of a globalised online market. It is disingenuous to suggest that these online betting operators are not available in the country where they advertise but are not licensed if they geo-locate consumers, because VPNs are freely available and can easily circumvent these supposed restrictions.



### **Increased impact of gambling harm from illegal betting**

There is currently a critical public debate regarding how over-regulation of legal licensed betting operators may drive consumers to access the online illegal betting market. It is essential for the protection of consumers that gambling regulators recognise this debate and engage with stakeholders to better understand the issue of illegal betting.

Affordability checks imposed on betting operators by gambling regulators are an example of what is likely to be self-defeating and will inevitably lead to greater long-term levels of gambling harm to consumers. This is because the imposition of these checks directly impacts ease of use of online legal betting by consumers, which is a factor to drive them to online illegal betting websites where there are no checks on customer affordability or often even identity.

Because online illegal betting operators are not subject to any licensing conditions and regulation, there is immediate potential for far greater levels of gambling harm. Consumers experience debt from borrowing to fund betting with illegal betting operators, which is a vicious cycle as criminals are often those lending money at extremely high interest rates to fund continued gambling with the illegal market. This is the prospect facing many developed markets as affordability checks on legal licensed betting operators will inevitably drive consumers to the illegal markets.

Gambling regulators should consider the long-term impact of continually adding regulatory conditions to the legal betting market, when worse negative social impacts can come from illegal and illicit gambling channels. This has not been well considered by many gambling regulators, which are usually focussed on what they know - licensed betting operators. It is important for gambling regulators to better assess social harm from gambling in parts of the market that it does not know, which is online offshore illegal betting operators.

## 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 25 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

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**

Head of Research, ARF Council on Anti-Illegal Betting and Related Financial Crime

Senior Manager, Due Diligence & Research, The Hong Kong Jockey Club

James Porteous is a 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**

Sports Integrity, Safety and Security Risk Consultant

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. He has over 15 years of experience implementing systems and processes to detect suspicious betting across regulated and illegal markets and producing analytical reports, which are used 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.

### **Luca Esposito**

General Secretary, United Lotteries for Integrity in Sport (formerly Global Lottery Monitoring System)

Luca Esposito is General Secretary, United Lotteries for Integrity in Sport (formerly Global Lottery Monitoring System) and Executive Director, World Lottery Association and has extensive knowledge and experience of technology in betting.

### **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 Associate 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.

### **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 Governance and Legal, Irish Horseracing Regulatory Board

Clíodhna Guy has a career of over 15 years in sports administration and regulation. She has been in her racing role for 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.

**Kim Kelly**

Chairperson, International Harmonisation of Racing Rules Committee, International Federation of Horseracing Authorities

Kim Kelly was a Stipendiary Steward of the Hong Kong Jockey Club from 2002, and Chief Stipendiary Steward from 2009 until his retirement from that role in 2022. After leaving the HKJC he has continued to work with the Asian Racing Federation as well as the International Federation of Horseracing Authorities. Kim is one of the most respected Stipendiary Stewards in the world of horse racing with significant insight into the broad range of integrity management systems and structures in international horse racing.

**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. He has significant insight into international money laundering, transnational organised crime, and the related illegal betting.

**Claudio Marinelli**

Operations Coordinator, Anti-Money Laundering and Asset Recovery IMFTF Lead, INTERPOL Financial Crime & Anti-Corruption Centre (IFCACC)

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 TaskForce 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, India

Aahna Mehrotra is the Vice Chairperson on India's National Anti-Doping Disciplinary Panel and is a member of the Arbitrational 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.

### **Michael Phelan**

Sports Integrity and Policing Consultant

Michael Phelan is a former CEO of the Australian Criminal Intelligence Commission (ACIC), one of the most senior former law enforcement officers in Australia. His appointment to ACIC and AIC followed a more than 35-year career in law enforcement, including service as Chief Police Officer of ACT Policing and Deputy Commissioner for National Security at the Australian Federal Police.

**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

**Jason Whybrow**

Director, Sports Wagering and Competition Manipulation, Sport Integrity Australia

Jason Whybrow has extensive experience across a range of sport integrity areas. His earlier career was in horse racing as a Racing New South Wales stipendiary steward from 1998 to 2008, and he continues to be active as a part-time steward. In his current role at Sport Integrity Australia, Jason is engaged in policy development for sport integrity issues including sports wagering and competition manipulation and related evolving threats to sport.

