

Illegal betting in an Asian context

Anti-Illegal Betting Taskforce,

Asian Racing Federation

September 2018

Definitions

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.’¹
– *Council of Europe Convention on the Manipulation of Sports Competitions*.

This document follows this commonly agreed-upon definition. Where appropriate, we draw distinctions between the black market – operators who have no licence from any jurisdiction – and grey-market operators as defined below.

Grey market betting operator A betting operator licensed in one jurisdiction (for example the Philippines or Malta), but which markets to and takes bets from customers in jurisdictions where its product is illegal. This is illegal betting as defined above, but these operators argue they are not acting illegally since they have a licence.

Though this document often refers to ‘grey-market and illegal bookmakers’, it should be remembered that grey-market operators taking bets from all of the jurisdictions under discussion in this paper (except New Zealand because of its unique regulatory approach) are acting illegally.

Offshore betting This term is generally used interchangeably in this document with grey-market operators. Online betting operators that are not licensed by the jurisdiction they operate in.

Turnover Total amount bet by customers.

Gross Margin Total amount bet by customers, minus payouts to winners.

Match-fixing Commonly used term for the manipulation of sports competitions, defined as: ‘An intentional arrangement, act or omission aimed at an improper alteration of the result or the course of a sports competition in order to remove all or part of the unpredictable nature of the aforementioned sports competition with a view to obtaining an undue advantage for oneself or for others.’²

¹ Council of Europe Convention on the Manipulation of Sports Competitions, 2014 (<https://rm.coe.int/CoERMPublicCommonSearchServices/DisplayDCTMContent?documentId=09000016801cdd7e> accessed 21 August 2018)

² Council of Europe, *ibid*

- Spot-fixing** A subset of match-fixing where specific parts of a sports match are fixed. For example, a tennis player may lose specific games during a match. The wide variety of bet types on offer at grey-market and illegal bookmakers enables this type of fixing.
- Organised crime** Definitions of what exactly constitutes organised crime vary widely. The United Nations Convention against Transnational Organized Crime (2000) provided an internationally shared definition of an organised criminal group as ‘a group of three or more persons existing over a period of time acting in concert with the aim of committing crimes for financial or material benefit.’³
- Transnational organised crime** Many institutions such as the European Commission, the United Nations, Europol and others feel the above definition no longer adequately describes the increasingly complex nature of organised crime in a globalised economy. They note that organised criminals operate increasingly in dynamic, loose international networks rather than strict local hierarchies. Transnational organised crime is thus offences carried out by organised criminal groups that are committed in more than one state and/or committed in one state but planned or controlled in another. Also included are crimes in one state committed by groups that operate in more than one state, and crimes committed in one state that impact on other states.⁴
- Money laundering** According to the Financial Action Task Force (FATF): ‘Money laundering is the processing of criminal proceeds to disguise their illegal origin. This process is of critical importance, as it enables the criminal to enjoy these profits without jeopardising their source.’
- ‘When a criminal activity generates substantial profits, the individual or group involved must find a way to control the funds without attracting attention to the underlying activity or the persons involved. Criminals do this by disguising the sources, changing the form, or moving the funds to a place where they are less likely to attract attention.’⁵

³ UNODC, *United Nations Convention Against Transnational Organized Crime And The Protocols Thereto* 2000, (<http://www.unodc.org/documents/treaties/UNTOC/Publications/TOC%20Convention/TOCebook-e.pdf> accessed 21 August 2018)

⁴ UNODC, *The Threat of Transnational Organized Crime* (<https://www.unodc.org/documents/data-and-analysis/tocta/1.The-threat-transnational-organized-crime.pdf> accessed 21 August 2018)

⁵ Financial Action Task Force, ‘What is Money Laundering’ (<http://www.fatf-gafi.org/faq/moneylaundering/> accessed 31 August 2018)

Problem gambling

There is no universal definition of problem gambling, but most concur that it is an urge to gamble compulsively despite harmful consequences or a desire to stop. Of the jurisdictions examined in this paper, Australia has a nationally agreed-upon definition as follows: ‘Problem gambling is characterised by difficulties in limiting money and/or time spent on gambling which leads to adverse consequences for the gambler, others, or for the community.’

This paper follows this definition when discussing problem gambling or gambling disorder. Where relevant, clinical distinctions using the PGSI and DSM-IV (explained below) are noted.

PGSI and DSM-IV

Two internationally-recognised and commonly used problem gambling assessments are the Problem Gambling Severity Index (PGSI) and the American Psychiatric Association’s *Diagnostic and Statistical Manual of Mental Disorders* (DSM).

The PGSI has nine questions with a maximum score of 27. Zero is non-problem gambling, 1-2 is low-risk, 3-7 is moderate risk, 8 or more is problem gambling.

The DSM-IV has 10 criteria with a maximum score of 10. Fitting three or more criteria classifies a respondent as a problem gambler, five or more as pathological.

The most recent edition (2013) of the DSM, DSM-V, reclassified the condition and removed one of the 10 criteria (relating to committing illegal acts). This classification was not used by any of the national surveys and research drawn upon for this document.

Contents

Introduction.....	6
Executive Summary	8
Part One: Illegal Betting	9
Illegal betting is big and growing	9
Illegal betting facilitates money laundering and transnational organised crime.....	12
Illegal betting threatens the integrity of sport.....	17
Illegal betting causes gambling disorder & associated social issues	19
Part Two: Illegal Betting Studies by Jurisdiction	22
Australia.....	22
New Zealand.....	26
Singapore	28
South Africa.....	31
South Korea	33
Hong Kong.....	35
Part Three – Combatting Illegal Betting.....	39
Combatting the growth of illegal betting markets	39
Combatting transnational organised crime and money laundering facilitated by illegal betting	40
Combatting threats to sporting integrity caused by illegal betting	41
Combatting gambling disorder & associated social issues caused by illegal betting ...	42
Conclusion	43
Bibliography	44
Annex 1 – How illegal market sizes and growth rates were calculated.....	47
Australia.....	47
New Zealand.....	47
Singapore	47
South Africa.....	48
South Korea	48
Hong Kong.....	48
Annex 3 – Asian Racing Federation Anti-Illegal Betting Taskforce members	50

Introduction

The Anti-Illegal Betting Taskforce of the Asian Racing Federation (ARF) was established in 2017 to foster international cooperation to combat illegal betting. The Taskforce is a small team of sporting integrity and illegal betting experts from Australia, New Zealand, Singapore and Hong Kong.⁶

The Terms of Reference of the Taskforce, approved by the Executive Committee of the ARF, are:

1. To develop materials profiling the information of the illegal betting market.
2. To foster the development of betting monitoring capabilities to support racing integrity operations.
3. To research the economic and social impacts of illegal betting.
4. To promote awareness of the AML risks created by the illegal betting market.
5. To identify technological and legislative options available to mitigate illegal betting.
6. To establish connections with academics working in relevant fields of research.
7. To foster closer links between ARF members and law enforcement bodies.
8. To establish collaborative arrangements with key betting operators to achieve the above.

The Taskforce conducted research to authoritatively show the extent of illegal betting, especially on horse racing, and publish results in a White Paper from the ARF.

This White Paper details the Taskforce's research into illegal betting in these jurisdictions, gives an overview of the negative impact of illegal betting, and makes recommendations to combat illegal betting.

The White Paper aims to show evidence of the extent of illegal betting in the following Asian Racing Federation jurisdictions: Australia, New Zealand, Singapore, South Africa and South Korea. These were chosen as providing a wide variety of economies, regulatory environments, cultural backgrounds and other factors. Hong Kong is also included in this White Paper because of the depth of prior research into illegal betting markets provided to the Taskforce by the Hong Kong Jockey Club.

⁶ See Annex 3 for list of members

Discussions amongst the Taskforce members quickly established key impressions of the illegal betting situation. The key issue is of criminality using the betting and racing industries for profit. If racing administrators do not influence governments and regulators to more effectively combat the illegal betting problem it could kill the sport.

The target audience of this White Paper is stakeholders in the horse racing industry, but also those in other sports who face the same threat. These include: government policy makers; governing bodies of horse racing and other sports; betting industry regulators; police and other law enforcement agencies; media; academics and think tanks; financial institutions; telecoms and internet service providers; legal licensed betting companies; and horse racing and other sports governing bodies.

In horse racing, working to ensure integrity on the track is important, but it is not enough. Administrators must recognise the risk from illegal betting that threatens racing integrity and collaborate to educate regulators and government agencies. Other sports must do the same, or face an existential threat from illegal betting to the survival of our sports.

Our message to authorities is not only that illegal betting is a threat to racing and other sports, but also that a less visible threat of money laundering underlines illegal betting and facilitates the growth of transnational organised crime. These issues require government action.

Martin Purbrick,

Chairman, Anti-Illegal Betting Taskforce,

Asian Racing Federation

Executive Summary

In 2017-18, the Anti-Illegal Betting Taskforce of the Asian Racing Federation conducted research on illegal betting markets and their impact in six ARF jurisdictions: Australia, New Zealand, Singapore, South Africa, South Korea and Hong Kong.

These horse racing jurisdictions differ widely in many aspects, but key commonalities were found in relation to illegal betting.

Illegal betting is large and growing in every jurisdiction, with illegal profits of at least USD 4.2 billion a year across all six. The size of the illegal market is also growing faster than its legal counterpart in every jurisdiction.

These large illegal profits lead to match-fixing and money laundering. Illegal betting-related sports corruption was identified in every jurisdiction, while transnational organised crime launders USD 140 billion via illegal betting channels every year.

Research shows that illegal betting causes excessive gambling – and thus gambling disorder – at a higher rate than legal betting; evidence supporting this was found in every jurisdiction. This higher incidence rate of gambling disorder is costly: financially, in terms of treatment; and to society, in issues such as depression, family breakdown and even suicide. Illegal betting is thus a huge cost to society.

These costs can be divided into direct and indirect costs: the direct economic cost can be measured in lost tax revenue, duties and other payments which legal betting operators provide – estimated at USD 10 billion a year across these six jurisdictions – plus the costs of treating gambling disorder caused by illegal betting.

Indirect costs include harm to society from gambling disorder-related issues, blows to the integrity of financial markets from money laundering, the funding of other criminality, and damage to reputation and sporting culture from match-fixing.

To combat illegal betting, close cooperation and collaboration is required between different stakeholders, including sports and betting organisations, law enforcement, regulators, academics and opinion leaders, media, financial institutions and internet and technology companies.

Douglas Robinson and James Porteous,

Anti-Illegal Betting Taskforce,

Asian Racing Federation

Part One: Illegal Betting

Illegal betting is big and growing

The illegal sports betting market is believed to be *at least as big* as the legal market in terms of profit margin, probably orders of magnitude greater. The legal sports betting industry is expanding and is an integral part of the global economy. In 2017, sports betting⁷ gross margin – the total amount bet by customers minus payouts to winners – was estimated between USD 17 billion⁸ to USD 63 billion.⁹ Betting on horse racing may be up to a third of that.¹⁰

The illegal market is so large because of the rapid proliferation of online betting operators with the concurrent growth of global Internet connectivity, mostly licensed by lightly regulated tax havens.¹¹ It is estimated that 80% of global sports bets are illegal.¹²

Assessing illegal markets is difficult, but it is estimated that the amount wagered illegally on sports betting in 2017 was between USD 340 billion to USD 1.7 trillion.¹³ Some believe it could approach USD 3 trillion.¹⁴

As a result, total margin on illegal sports betting is likely to be at least the same as the legal figure, since illegal payout rates are generally higher than legal equivalents.

Illegal payout rates are higher because grey-market and illegal operators are under no compulsion to provide payments to responsible gambling programmes or sports governing bodies, and pay little or no tax. Because grey-market and illegal betting operations operate with little or no restrictions, they offer many more markets and bet types than legal operators.

These factors – high payout rates and wide bet choice – make grey-market and illegal operators more attractive to betting customers, explaining why poorly-regulated markets are expanding at a faster rate than well-regulated legal markets.

In every jurisdiction, illegal betting markets are substantial compared to legal markets, and in all cases growing quickly, as shown below in Table 1.¹⁵

⁷ For the purposes of this document, sports betting includes horse racing betting unless specifically stated otherwise.

⁸ European Commission / IRIS, Preventing Criminal Risks Linked to the Sports Betting Market, 2017 (<http://www.iris-france.org/preventing-the-criminal-risks-linked-to-the-sports-betting-market/> accessed 31 August 2018)

Note that this report's authors admit their estimates are very conservative.

⁹ Data from betting industry market research firm H2 Gambling Capital

¹⁰ Horse racing betting is approximately a third the size of the total *land-based* betting market – for example at betting shops and race tracks. However, horse racing's proportion of the total online sports betting market is likely smaller.

¹¹ Sorbonne University / ICSS, Fighting Against the Manipulation of Sports Competitions, 2014 (<http://sorbonne-icss.univ-paris1.fr/media-and-press-zone/> accessed 31 August 2018)

¹² European Commission / IRIS, op cit

¹³ European Commission / IRIS, op cit, p 22.

¹⁴ Agence France-Presse, 'Global sports gambling worth 'up to \$3 trillion'' 15 April 2015 (<http://www.dailymail.co.uk/wires/afp/article-3040540/Global-sports-gambling-worth-3-trillion.html> accessed 31 July 2018)

Country	Year	Illegal betting margin (USDm)	Illegal betting margin as % of total market
Australia	2015	780	6%
New Zealand	2017	32	21%
Singapore	2015	336	37%
South Africa	2016	14	48%
South Korea	2016	1,448	62%
Hong Kong	2016	1,610	36%
Total		4,220	

Table 1: Illegal betting industry margins across six Asian jurisdictions; 2015-2017

As Table 1 shows, the total market size of illegal betting across these jurisdictions is huge. It is estimated that illegal operators make USD 4.2 billion in profits every year.¹⁶

The scale of these profits differs across jurisdictions. In South Korea, illegal profits are approximately USD 1.5 billion; in Australia, just under USD 1 billion; in Singapore, they are around USD 350 million, and in New Zealand and South Africa, the amounts are both below USD 40 million.

The illegal betting market in each jurisdiction as a percentage of the overall market is also different, although for Australia and New Zealand, these proportions comprise approximately one-fifth or less of the total betting market. In other jurisdictions, illegal betting typically comprises between one third to two thirds of the overall market.

Reasons for these differences include local betting appetites, different regulatory environments, the effectiveness of law enforcement action against illegal betting, as well as the take-up of technology. For example, it is no surprise that Australia, with its comprehensive suite of anti-illegal betting (and associated sports-corruption) legislation, supported by effective policies and teams within law enforcement, has the smallest proportion of illegal betting.

¹⁵ For in-depth sources and methodologies of these estimates see individual country reports. Calculations summarised in Annex 1

¹⁶ Discounting differences between jurisdiction estimates across the period 2015-2017.

Another pronounced commonality is that with just one exception, the growth of illegal betting is outpacing that of each jurisdiction's legal market.^{17 18} In South Africa and Singapore, the illegal growth rate is more than double that of legal markets. In South Korea, the illegal market is growing more than 80% faster than its legal counterpart. Even in Australia, growth in the illegal market is more than 30% that of the legal betting industry.

An average of illegal betting market growth over the legal industry shows that these are growing nearly twice as fast as legal betting.¹⁹

¹⁷ Growth rates for New Zealand's illegal betting industry could not be measured and thus New Zealand was excluded from this piece of analysis. The growth in illegal betting in Hong Kong is estimated to match that of legal betting.

¹⁸ Growth between legal and illegal markets is measured by the sum of the ▲ of legal and illegal compound annual growth rates. For further details of how market growth is calculated, please refer to Annex 1.

¹⁹ 81% as fast. Excluding Hong Kong from the mean increases this rate of growth to over 100%, equating to the mean of illegal betting market growth in Australia, South Korea, Singapore and South Africa being more than twice as fast as legal betting market growth on those jurisdictions.

Illegal betting facilitates money laundering and transnational organised crime

Illegal betting has always been associated with organised crime,²⁰ but in the days of street bookmaking this was largely confined to neighbourhoods or cities; in the globalised economy, illegal betting is vital to the transnational organised crime infrastructure.

Reasons include: it is very lucrative; it is widely and incorrectly seen as a victimless crime so there is little pressure on law enforcement to prosecute it; and the penalties are comparatively lower than other criminal enterprises.

By their nature, illegal betting operations are organised criminal syndicates. This is reflected in the fact that the traditional pyramid structure under which illegal street bookmakers operate as shown below in Figure 1²¹ has now been replicated in the internet age, with smaller regional online operators acting as agents / middlemen for the biggest grey-market Asian bookmakers, as shown below in Figure 2.



Figure 1 - The pyramid nature of illegal betting

Under the traditional pyramid structure as shown in Figure 1, the organiser of the illegal betting syndicate grants credit down the pyramid through his lieutenants and middlemen to brokers at the bottom.

²⁰ Ferentzy & Turner, 'Gambling and Organized Crime – A Review of the Literature', *Journal of Gambling Issues*, Issue 23, June 2009 (www.camh.net/egambling/issue23/pdfs/07turner.pdf accessed 01 August 2018)

²¹ Under this structure, common in the United States and Asia, agents recruit bettors and earn commission on their losing bets. Bettors bet on credit, which flows down from the top. See Koleman Strumpf, 'Illegal Sports Bookmakers', 2003 (<https://www.unc.edu/~cigar/papers/Bookie4b.pdf> accessed 1 August 2018) for in-depth examination of this.

These brokers find customers, assess their credit-worthiness and take their bets. The bets are passed up the pyramid to hedge liability and aggregate risk, with each rung of the pyramid taking a commission along the way.

This structure has now been replicated and emulated in the online world as depicted in Figure 2. Bets are still taken at street level, but customers can increasingly place bets directly with illegal websites. Similarly, the super agents and master agents to whom the brokers report often run their own online sites. These regional and national-level sites hedge between each other and with larger sites up the pyramid. At the top of the pyramid are the biggest Asian grey-market betting sites, which take billions of dollars in bets a year. The liquidity at these sites is so great that major sports betting sites from the rest of the world hedge with them.²²

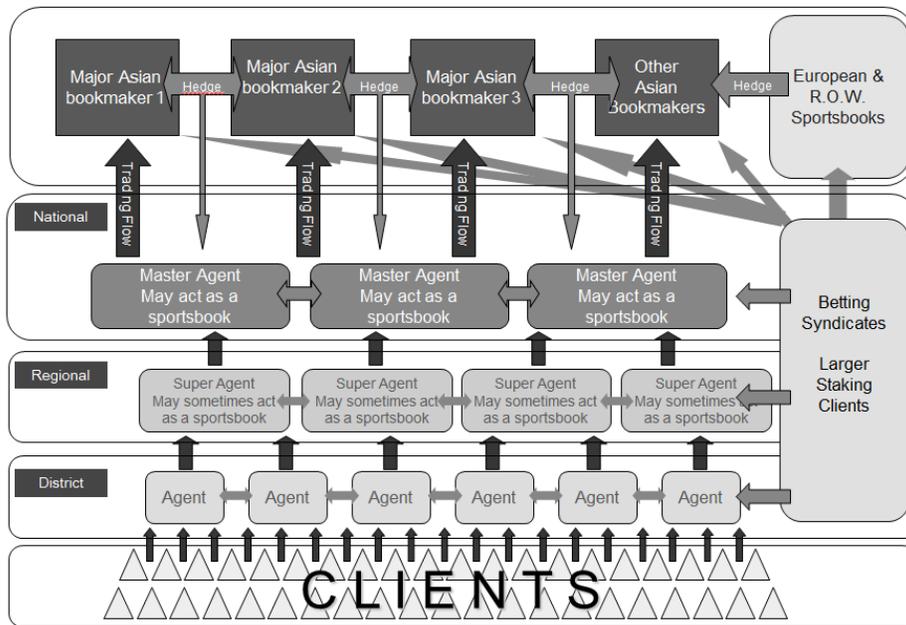


Figure 2 - The pyramid nature of Asian online betting markets

Online betting allows operators a great degree of anonymity, and the ability to swiftly move operations from one regulatory regime to another if pressure is applied by authorities. It is relatively cheap and simple to set up a betting website, providing a perfect means to both fund other criminal enterprises and help launder the proceeds.

²² David Forrest, 'Understanding the Impact of Asian Betting Markets', *International Association of Gaming Regulators Webinars* (www.iagr.org/membership/webinars accessed 31 July 2018)
 Full presentation available at this link:
www.igamingbusiness.com/sites/igamingbusiness.com/files/IAGR%20webinar%20formatted.ppt accessed 31 July 2018

It is no surprise then that transnational organised crime is heavily involved in illegal betting, to the point where it has been described as ‘a foundation upon which most other illicit activities are supported’.²³

In the United States, an analysis of federal convictions for illegal betting in 2014 found that illegal online betting, usually through websites licensed in Costa Rica, was the most common form of illegal betting. Organised crime groups including the Armenian Power Gang, Outlaws Motorcycle Club, several families of the New York and Philadelphia Cosa Nostra, a New York Chinatown gang, a Russian-American organised crime group and a Texas methamphetamine trafficking group all operated illegal gambling as part of their wider criminal enterprises.²⁴

As the author of the above paper noted, illegal betting by these groups is especially serious because the profits fund other criminal activity. The organised crime operations were also the largest enterprises involved in the illegal betting cases examined, with an average of 33 participants in each case. The average amount of money forfeited in these cases was USD 3 million per case, with some seizures substantially higher, up to USD 68 million.²⁵

In Europe, Europol states that all of the main organised criminal groups – Italian Cosa Nostra, 'Ndrangheta and Camorra, Chinese triads, Russian/Georgian groups, and others from Turkey, the Balkans and North Africa – have illegal activities in the betting and sport sectors.²⁶

For example, Italian organised crime groups have been stated by police to run betting websites licensed in Malta, a major European online betting haven.²⁷ In 2015, police seized EUR 2 billion of assets from the 'Ndrangheta, who experts state are behind most of Europe's cocaine trade. These assets included 82 gambling websites, with which the group laundered huge sums of money.²⁸

²³ 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

²⁴ Jay Albanese, 'Illegal Gambling and Organized Crime – an Analysis of Federal Convictions in 2014', *Trends in Organized Crime*, 2017, (http://jayalbanese.com/yahoo_site_admin/assets/docs/Albanese_ILGB_and_Organized_Crime_TOC_2017_18p.162121941.pdf accessed 1 August 2018)

²⁵ *ibid*

²⁶ European Commission / IRIS, *op cit*, p.13 (citing Europol)

²⁷ European Commission / IRIS, *op cit*, p.48-49

²⁸ BBC, 'Italian police seize €2bn in 'Ndrangheta mafia assets', 22 July 2015 (<https://www.bbc.co.uk/news/world-europe-33627093> accessed 28 August 2018)

The ease of setting up websites and gaining a licence in Malta has seen the island face criticism for not doing enough to tackle organised crime and corruption;²⁹ a journalist looking into these connections was murdered in a car bomb explosion in 2017.³⁰ When Malta recently turned its attention to this issue, one operator simply switched its licence domain to another betting tax haven, Curaçao, and continued operating uninterrupted.³¹

In Asia, the Philippines betting tax haven similarly enables the huge grey-market websites – many linked to organised crime – to ply their trade as ‘licensed’ bookmakers across the region, even though online betting is illegal or restricted in almost every jurisdiction in Asia. Notably, the Philippines bans its own people from betting with these websites.

Many of these Asian operators are linked to a web of transnational organised crime groups operating from Malaysia, Taiwan, Thailand, Vietnam and Hong Kong and connected to casino junket operators in Macau. Though Macau’s huge gambling market is legal, it has been massively infiltrated by organised crime. This is discussed at greater length in the section on Hong Kong in Part Two below.

Associated money-laundering

As well as funding other crime, grey-market betting is used to launder criminal proceeds. Illegal betting is in many ways the perfect avenue for money laundering, especially since the online boom. Experts believe that more than 10% of the global proceeds of organised crime, USD 140 billion, are laundered this way each year.³²

There are thousands of operators offering sports betting worldwide.³³ Many have no licence from any regulator; more than 80%³⁴ of those that do are licensed by low-oversight betting tax havens.³⁵ It is extremely difficult to determine the true identities of these operators because of the opacity within these lax regulatory regimes.³⁶ Determining who owns unlicensed websites is even more difficult.

²⁹ Monte Reel, ‘Why the EU is furious with Malta’, *Bloomberg Businessweek*, 11 September 2018

(<https://www.bloomberg.com/news/features/2018-09-11/why-the-eu-is-furious-with-malta> accessed 21 September 2018)

³⁰ Matteo Civillini and Cecilia Anesi, ‘How Maltese Online Gambling Became an ATM for the Italian Mafia’, Organized Crime and Corruption Reporting Project, 10 May 2018 (<https://www.occrp.org/en/thedaphneproject/how-maltese-online-gambling-became-an-atm-for-the-italian-mafia> accessed 29 August 2018)

³¹ Matthew Vella, ‘Five Italian gambling companies exit Malta following regulator probe into organised crime links’, *Malta Today*, 12 March 2018 (https://www.maltatoday.com.mt/news/national/85232/malta_gaming_crime_italy_mafia_regulator_probe_licences accessed 29 August 2018)

³² Christian Kalb and Pim Verschuuren, Institut de Relations Internationales et Strategiques, *Money Laundering: the Latest Threat to Sports Betting?*, IRIS Editions 2013

³³ *ibid*

³⁴ Sorbonne University / ICSS, *op cit*, vol.1 p.74

³⁵ 5th OECD Task Force for Countering Illicit Trade, ‘Free For All Zone’ - Free Trade & Special Economic Zones (FTZ & SEZ) International Online Betting Operators & Gambling’, 27 March 2017

([http://www.oecd.org/officialdocuments/publicdisplaydocumentpdf/?cote=GOV/PGC/HLRF/TFCIT/RD\(2017\)3&docLanguage=En](http://www.oecd.org/officialdocuments/publicdisplaydocumentpdf/?cote=GOV/PGC/HLRF/TFCIT/RD(2017)3&docLanguage=En) accessed 17 August 2018)

³⁶ *ibid*

Online betting has had several money laundering impacts. Payout rates are much higher with grey-market and illegal operators than legal, often 90% to 95% or even higher for VIP clients at certain Asian bookmakers,³⁷ meaning that criminals can launder criminal proceeds at a low cost. Dirty money is deposited with grey-market betting websites using anonymous e-payment processors, wagered at high payout rates, and then withdrawn as clean money.

A more advanced method employed by transnational organised crime groups is to set up and control a betting website. In betting tax havens, a purportedly legitimate, licensed site can be created from scratch with ease and at low cost, with no examination of the owner's identity. Criminal proceeds can be injected into the operation, and it can become a lucrative business in its own right.³⁸

There are considerable regulatory and technical challenges to tackling this. In most countries, betting with offshore betting websites is not an offence, while highly specialised technical, cyber and forensic skills are required to identify, charge and convict such criminals.

The transnational nature of online illegal betting – where for example a Malaysian crime syndicate may run websites hosted in Taiwan and licensed in the Philippines with customers in Mainland China – also makes it extremely difficult to determine under whose jurisdiction the crime took place.

Money laundering is also an issue for well-regulated, legal betting operators but, crucially, these comply with local and international anti money laundering (AML) regulations, unlike illegal operators. Even some of the best-known, publicly-listed and well-run legal betting companies in the United Kingdom³⁹ and Australia⁴⁰ have received large fines from regulators for AML failings – imagine, then, the scale of money laundering at illegal operators with zero AML requirements.

Money laundering linked to illegal betting and organised crime is a threat in every jurisdiction examined by the Taskforce, with authorities adopting a variety of measures to combat it.

³⁷ European Commission / IRIS, op cit p.29

³⁸ *ibid*

³⁹ UK Gambling Commission, 'William Hill to pay £6.2m penalty package for systemic social responsibility and money laundering failures', 20 February 2018 (<http://www.gamblingcommission.gov.uk/news-action-and-statistics/news/2018/William-Hill-to-pay-6.2m-penalty-package.aspx> accessed 1 August 2018)

⁴⁰ Peter Ryan, 'Tabcorp fined \$45 million for breaching money laundering, terrorism financing laws', ABC, 16 March 2017 ([http://www.abc.net.au/news/2017-03-16/tabcorp-fined-\\$45-million-for-breaching-money-laundering-laws/8360164](http://www.abc.net.au/news/2017-03-16/tabcorp-fined-$45-million-for-breaching-money-laundering-laws/8360164) accessed 3 August 2018)

The clearest action comes from Australia's Black Economy Taskforce report, which states:

*'There are clear breaches of both commonwealth and state legislation including anti-money laundering laws, by agents of unregulated gambling providers... We recommend that the Government examine how to make further use of existing laws, including anti-money laundering regulation ... in combatting illegal gambling.'*⁴¹

In other words, money laundering and illegal betting are intrinsically connected – and should be dealt with as such.

Illegal betting threatens the integrity of sport

The globalisation of sport and betting, and the rise of grey-market and illegal betting operators, are perfect ingredients for the corruption of sports. Match-fixers can arrange a fix safe in the knowledge that leading Asian illegal and grey-market bookmakers usually accept large bets on even the most obscure sporting events.

Unlike legal operators, illegal and grey-market operators do not share information about suspicious betting patterns or otherwise cooperate with law enforcement or sports governing bodies. In some cases, illegal bookmakers and/or their employees are believed to have not just turned a blind eye to fixes, but actively participated.

Sports manipulation has a huge social and economic impact, and if not stopped leads to a vicious cycle of corruption, as shown below in Figure 1.

Even if a match-fix is identified, the weight of evidence required to convict is often too high. Few jurisdictions have specific legislation against match-fixing, so fixers are often charged under general corruption or bribery legislation which can make conviction more difficult. This does not deter others. Unregulated betting operators do not support sports integrity efforts by assisting sports governing bodies, and illegal bookmakers may actively participate in match-fixing. This reduces funding for integrity programs, continuing the cycle.

⁴¹ Black Economy Taskforce, *Final Report*, 2017 (<https://static.treasury.gov.au/uploads/sites/1/2018/05/Black-Economy-Taskforce-Final-Report.pdf> accessed 1 August 2018)

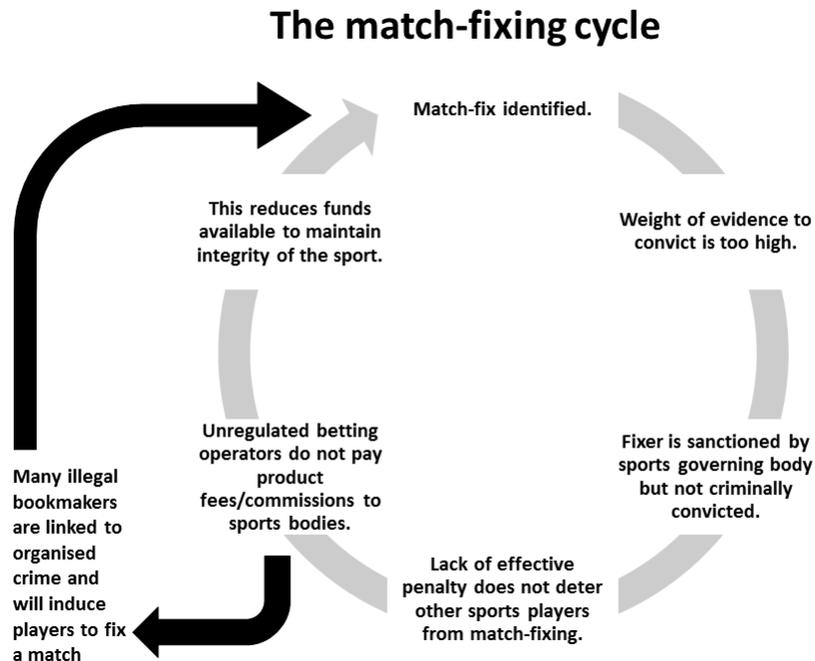


Figure 3 - the match-fixing cycle

In every jurisdiction examined in this White Paper, sporting corruption from illegal betting was found. Illegal betting is more attractive than legal to fixers because it generally offers far more markets and sporting events and accepts much larger wagers without asking questions. Illegal operators do not follow sporting integrity best practices such as alerting authorities to suspicious betting or sharing data with law enforcement.

Illegal betting-related match-fixing is a threat in every jurisdiction at every level. Strong criminal penalties specifically related to match-fixing and well-run integrity and education programmes, such as those in New Zealand and Australia, can help guard against the threat, but it remains ever present.

The vast amounts of liquidity available on even the most obscure sporting events at Asian illegal bookmakers mean large profits can be made for small outlay. Examples detailed in Part Two below also show how fixing can range from opportunistic, amateurish efforts to highly complex conspiracies involving multiple transnational organised crime groups.

Illegal betting causes gambling disorder & associated social issues

Much work has been done confirming the link between excessive betting and the onset of gambling disorder. Less research has contrasted illegal betting and legal betting in relation to gambling disorder, but there is a growing body of academic evidence showing that *illegal betting is worse than legal betting* in this regard, and has a greater negative impact on society.

There is evidence for this fact stretching back 20 years. Studies in the late 1990s conducted in New York and Mississippi in the United States found that excessive bettors were significantly more likely to gamble illegally.^{42 43} In 2001 in Sweden, the same findings were observed.⁴⁴ A 2005 study in the Netherlands showed that 5.9% of illegal gamblers were excessive bettors compared to just 0.8% of those who did not gamble illegally.⁴⁵

Most recently, a wide-ranging 2011 study covering 13 European countries, Australia, New Zealand, Canada and the United States also found that illegal betting was among the forms of betting most strongly associated with problem gambling, and noted that these were people ‘with a great interest in gambling, who are not content with the selection on the ordinary gambling market and attracted by specialised, complex and sometimes semi-professional high-stakes gambling, even if it is illegal.’⁴⁶

It is easy to see why illegal betting fosters gambling disorder: unlike legal betting operators, who offer their product in a socially-responsible manner and who often under a condition of licence actively look to mitigate negative impacts of gambling via responsible-gambling initiatives,⁴⁷ illegal betting operators generally have no such safeguards in place and even actively encourage customers to become problem gamblers.

Indeed, it is in illegal betting operators’ interest to *encourage* excessive gambling, ultimately leading to greater profits. One way in which they do this is to offer customers credit, encouraging compulsive betting and fuelling the onset of gambling disorder.

⁴² Rachel A Volberg, ‘Gambling and problem gambling in New York: A 10-year replication survey, 1986 to 1996’ ([https://gaming.ny.gov/gaming/20140409forum/Other%20Materials/Gemini%20Research.%20New%20York%20Gambling%20Repliation%20\(1996\).pdf](https://gaming.ny.gov/gaming/20140409forum/Other%20Materials/Gemini%20Research.%20New%20York%20Gambling%20Repliation%20(1996).pdf) accessed 30 August 2018)

⁴³ Rachel A Volberg, ‘Gambling and problem gambling in Mississippi’, 1997 (<http://citeseerx.ist.psu.edu/viewdoc/download?doi=10.1.1.7.9659&rep=rep1&type=pdf> accessed 30 August 2018)

⁴⁴ Volberg, R. A., Abbott, M. W., Rönnerberg, S. and Munck, I. M. (2001), Prevalence and risks of pathological gambling in Sweden. *Acta Psychiatrica Scandinavica*, 104: 250-256. (doi:10.1111/j.1600-0447.2001.00336.x accessed August 31 2018)

⁴⁵ de Bruin D., Meijerman, C., Leenders, F., Braam, R. (2005). *Verslingerd aan meer dan een spel: Een onderzoek naar de aard en omvang van kansspelproblematiek in Nederland*. Utrecht: WODC/CVO. <http://www.lexandgaming.eu/nl/wp-content/uploads/2015/01/Verslingerd-aan-meer-dan-een-spel.pdf>. Accessed 11 May 2017.

⁴⁶ Binde, P. (2011). *What are the most harmful forms of gambling? Analysing problem gambling prevalence surveys*. Centre for Public Sector Research (CEFOS) Working Paper 12. http://www.utbildning.gu.se/digitalAssets/1327/1327132_cefos-wp12.pdf. Accessed 9 May 2017.

⁴⁷ Blaszczynski et al, ‘A Science-Based Framework for Responsible Gambling: The Reno Model’, *Journal of Gambling Studies*, 2004 ([https://www.gaming.ny.gov/gaming/20140409forum/Nelson%20\(Harvard%20Medical%20School\)/Applicant%20Provided%20Material/Blaszczynski%20et%20al.%20Science-Based%20Framework%20for%20Responsible%20Gambling%20-%20The%20Reno%20Model.%20Journal%20of%20Gambling%20Studies.%202020\(3\).%20301-317%20\(2004\).pdf](https://www.gaming.ny.gov/gaming/20140409forum/Nelson%20(Harvard%20Medical%20School)/Applicant%20Provided%20Material/Blaszczynski%20et%20al.%20Science-Based%20Framework%20for%20Responsible%20Gambling%20-%20The%20Reno%20Model.%20Journal%20of%20Gambling%20Studies.%202020(3).%20301-317%20(2004).pdf) accessed 30 July 2017)

Illegal betting operators also do not follow legislation regarding permissible betting product types, maximum bet limits and advertising and marketing restrictions. They are free to use every advertising and marketing tactic and trick available to get bettors betting.

As a result, gambling disorder occurs much more frequently among those who bet via illegal channels. This contrast between illegal and legal modes is a relatively new and little-explored avenue of research, yet evidence to support this was found in every jurisdiction examined. In four of the jurisdictions examined – Australia, New Zealand, South Korea and Hong Kong – the evidence was unequivocal: illegal bettors are more likely to be at-risk, moderate-risk or problem gamblers and less likely to be non-problem gamblers compared to legal bettors. This data is summarised in Table 2 below:

Jurisdiction	Non-problem gamblers %		At-risk, moderate-risk or problem gamblers %	
	Legal bettors	Illegal/offshore bettors	Legal bettors	Illegal/offshore bettors
Australia ⁴⁸	40.3	21.5	59.7	78.5
New Zealand ⁴⁹	76.8	68.8	23.2	31.2
Singapore	No data ⁵⁰			
South Africa ⁵¹				30.4
South Korea ⁵²	83.7	64.7	16.3	35.3
Hong Kong ⁵³	62	28	39	73

Table 2 - Legal bettors vs illegal bettors

This should be a concern to governments and regulators as multiple global studies show that problem gambling has a highly negative effect – mentally and financially – not just on the gambler, but on their family members and society in general.^{54 55}

⁴⁸ PGSI scale, 2012 survey – from Gainsbury et al 2017, op cit

⁴⁹ PGSI scale, 2012 survey – from AUT *Offshore Gambling by New Zealanders Study* 2015, op cit. Note that in this case, the percentages refer to combined racing and sports bettors only, not poker, casinos or other forms of gambling, and compares online offshore with online NZ TAB only.

⁵⁰ Singaporean findings did not conclusively link betting frequency with the onset of gambling disorder.

⁵¹ The NGB's *Socio-Economic Impact of Illegal and Online Gambling in South Africa*, 2016 states that *problem* gambling is 30.4% among illegal gamblers, based on an IPSOS survey, and states that this is much higher than non-illegal gamblers, but the original survey data could not be obtained. It is also not known on what scale this is based.

⁵² DSM-IV-based scale (K-NODS), from Chongbuk University 2016 op cit

⁵³ PGSI scale, 2015 survey – from Tessler et al 2017, op cit

⁵⁴ Ruth Grant Kalischuk, Nadine Nowatzki, Kelly Cardwell, Kurt Klein & Jason Solowoniuk (2006) *Problem Gambling and its Impact on Families: A Literature Review*, *International Gambling Studies*, 6:1, 31-60, DOI: 10.1080/14459790600644176

⁵⁵ National Research Council. 1999. *Pathological Gambling: A Critical Review*. Washington, DC: The National Academies Press. <https://doi.org/10.17226/6329>.

Illegal betting operators thus impose a social cost – direct and indirect – on communities. Notably, some betting tax havens, such as Costa Rica and the Philippines, do not allow their own people to bet online – but are happy to outsource the social costs to other jurisdictions.

Part Two: Illegal Betting Studies by Jurisdiction

This section details summary findings of the impacts of illegal betting by jurisdiction. The key facts relating to illegal betting detailed in Part One were noted in every jurisdictions examined.

Australia

In many ways Australia leads the way among the six jurisdictions examined in recognising the dangers of illegal betting and its associated negative impacts, and in enacting regulation to combat it.

Betting is regulated at federal and state level, with the Interactive Gambling Act (2001)⁵⁶ the primary federal legislation. This was reinforced by the Interactive Gambling Amendment Act (2017),⁵⁷ in light of the changes to the industry caused by the online boom.

Betting operators must be licensed in Australia and there are several rules in place to minimise harm, such as restrictions on advertising. The 2016 amendment also outlawed credit betting. Legal operators must pay product fees and enter into integrity agreements with sporting and racing bodies, thus supporting the industries their businesses depend on.^{58 59}

While responsible betting operators comply with these regulations, illegal operators continue to target the Australian market. In 2016, illegal betting profits were estimated to be more than AUD 1 billion (USD 780 million).⁶⁰ Growing faster than the legal market (4.3% compound annual growth rate compared to 3.2%), these illegal profits were predicted to double by 2020.

⁵⁶ Federal Register of Legislation, *Interactive Gambling Act 2001* (<https://www.legislation.gov.au/Details/C2017C00291> accessed 30 August 2018)

⁵⁷ Federal Register of Legislation, *Interactive Gambling Amendment Act 2017* (<https://www.legislation.gov.au/Details/C2017A00085> accessed 30 August 2018)

⁵⁸ Australian Communications and Media Authority, *Interactive Gambling Act reforms* (<https://www.acma.gov.au/Industry/Internet/Internet-content/Interactive-gambling/interactive-gambling-act-reforms> accessed 30 August 2018)

⁵⁹ Jamie Nettleton, Jessica Azzizi, 'So you want an Australian Online Wagering Licence? This is what you need to know', 20 December 2014 (http://www.addisonslawyers.com.au/knowledge/So_you_want_an_Australian_Online_Wagering_Licence_This_is_what_you_need_to_know711.aspx accessed 30 August 2018)

⁶⁰ Based on estimates from:
Australian Productivity Commission Inquiry Report *Gambling (2010)* (<http://www.pc.gov.au/inquiries/completed/gambling-2010/report> accessed 30 August 2018);
Department of Broadband, Communications and the Digital Economy, *Review of the Interactive Gambling Act 2001* (<https://www.communications.gov.au/publications/final-report-review-interactive-gambling-act-2001> accessed 30 August 2018);
Commonwealth of Australia, *Review of Illegal Offshore Wagering*, 2015 (https://www.dss.gov.au/sites/default/files/documents/04_2016/review_of_illegal_offshore_wagering_18_december_2015.pdf accessed 30 August 2018)
Submission by Sportsbet Pty Ltd to the Review of the Impact of Illegal Offshore Wagering, 2015 (<https://engage.dss.gov.au/wp-content/uploads/2015/12/Sportsbets-Submission-to-the-Review-of-the-Impact-of-Illegal-Offshore-Wagering.pdf> accessed 30 August 2018)

Since illegal operators don't pay tax, it is estimated the government loses the equivalent of USD 273 million every year.⁶¹ The Interactive Gambling Amendment Act seeks to slow down or halt this rapidly growing illegal market.

Australian authorities understand the interplay between illegal betting, money laundering and transnational organised crime, and are taking concrete steps to prevent it.

The Australian Criminal Intelligence Commission (ACIC) has been monitoring money laundering and sports integrity matters related to illegal betting since 2010, and in 2016 launched a project to examine Australian criminal links to offshore betting operators. It found these links are well-established and strengthening, that offshore betting facilitates money laundering, and that criminals interact with these platforms through domestic and offshore agents linked to organised crime.⁶²

The ACIC in its most recent report on organised crime notes that money laundering is a 'key risk to Australia' and the 'common element in almost all serious and organised crime', and points out that several transnational organised crime groups are direct owners of online bookmakers.⁶³

Australia's Black Economy Taskforce has also noted how illegal betting and associated money laundering contributes to the country's AUD 50 billion black economy – economic activity outside the tax and regulatory systems.⁶⁴ The Taskforce's Final Report highlighted illegal betting exchange Citibet, which takes huge volumes of bets on Australian horse racing and is believed to be linked to Asian organised crime.

Encouragingly, in its response to the Taskforce's report,⁶⁵ the government agreed in principle to all five of the Taskforce's recommendations on tackling illegal betting. These include: requiring internet service providers to block offshore websites offering illegal betting; encouraging banks to prevent transactions to sites; separating unregulated betting from legitimate activity; analysing betting data to seek out potential criminal networks; and preventing betting from being used to hide tax evasion and money laundering. The chair, Michael Andrew, will now head up a taskforce implementing a whole-of-government response.

⁶¹ See Annex 1 below for methodology

⁶² Commonwealth of Australia, *Report of the Review of Australia's Sports Integrity Arrangements*, 2018 ([http://www.health.gov.au/internet/main/publishing.nsf/Content/63F0A5D7BDA5A0B5CA2582CF0005E6F9/\\$File/HEALTH-RASIA-Report-Acc.pdf](http://www.health.gov.au/internet/main/publishing.nsf/Content/63F0A5D7BDA5A0B5CA2582CF0005E6F9/$File/HEALTH-RASIA-Report-Acc.pdf) accessed 1 August 2018)

⁶³ Australian Criminal Intelligence Commission, *Organised Crime in Australia 2017* (https://www.acic.gov.au/sites/g/files/net1491/f/2017/08/oca_2017_230817_1830.pdf accessed 1 August 2018)

⁶⁴ Black Economy Taskforce, *Final Report*, 2017 (<https://static.treasury.gov.au/uploads/sites/1/2018/05/Black-Economy-Taskforce-Final-Report.pdf> accessed 1 August 2018)

⁶⁵ 'Australian Government response to the Black Economy Taskforce Final Report', 8 May 2018 (<https://static.treasury.gov.au/uploads/sites/1/2018/05/Government-response-final.pdf> accessed 1 August 2018)

Finally, as an example of how international collaboration is essential in tackling illegal betting and transnational organised crime, Australian expertise helped the FBI take down an international illegal betting, money laundering and drug-dealing enterprise that operated in Australia, the United States and Canada. The ringleader built and managed a multi-million-dollar international gambling business and used the proceeds for drug-trafficking. Twenty-one associates pleaded guilty. The sentencing judge declared the criminal enterprise's activities as 'staggering' and 'astounding'.⁶⁶

As a country famed for its sporting culture, threats to sporting and racing integrity from illegal betting are a major concern. Again, Australia has made good strides in this regard, but remains vulnerable.

In racing, for example, illegal betting exchange Citibet, mentioned above, makes vast profits from Australian racing. The average turnover per race on Citibet is comparable to the industry's average prize money per race, and since horses can be layed – bet on to lose – on Citibet, this poses an obvious integrity concern.

In sport, two examples highlight the contrast between illegal and legal operators as regards betting-related sports corruption.

The Southern Stars soccer match-fixing scandal was a transnational scheme involving a betting syndicate based in Hungary and Malaysia, players and coaches from Australia and the United Kingdom, and a Malaysian go-between.

The players were shipped in by fixers on the promise of earning a living from football, and instructed to orchestrate pre-determined scorelines dictated by the go-between. Suspicious betting patterns at Asian grey-market websites tipped off authorities, but not before the fixers had made an estimated USD 2 million in profits.⁶⁷ All this took place in the second-tier Victorian Premier League, underlining the huge amounts of money that can be bet on obscure competitions.

Four players pleaded guilty to match-fixing and were fined, the coach received a four-month suspended jail sentence and the go-between received a three-year sentence (two years suspended) and was deported.⁶⁸

⁶⁶ FBI, 'International Criminal Enterprise Dismantled', 3 May 2018, (<https://www.fbi.gov/news/stories/california-man-sentenced-for-running-drug-trafficking-and-gambling-organization-050318> accessed 1 August 2018)

⁶⁷ Nick McKenzie, Nino Bucci, Richard Baker, 'Revealed: the international Mr Big calling the shots in football betting' *Sydney Morning Herald* 16 September 2013 (<https://www.smh.com.au/sport/soccer/revealed-the-international-mr-big-calling-the-shots-in-football-betting-20130915-2tswu.html> accessed 16 August 2018)

⁶⁸ Samantha Bricknell, 'Corruption in Australian sport', *Trends & issues in crime and criminal justice No. 490*, Australian Institute of Criminology, 2015 (<https://aic.gov.au/publications/tandi/tandi490> accessed 1 August 2018)

In contrast, a more recent case involved former Australian Open Boys' tennis champion Oliver Anderson, who intentionally lost a set for betting purposes. In this case *legal* bookmaker Crownbet reported suspicious betting to the police,⁶⁹ highlighting how well-regulated operators work with authorities.

The association between illegal betting and problem gambling was shown in 2017 research from the Gambling Treatment and Research Clinic at the University of Sydney. This study found that bettors using illegal offshore websites were significantly likely to engage in almost every form of gambling, and gambled more frequently and for longer periods of time⁷⁰ – thus putting themselves at risk of developing gambling disorder.

Illegal offshore gamblers were also significantly more likely to be moderate-risk or problem gamblers⁷¹ than legal bettors (55.5% to 34.1%). Legal bettors were more likely to be non-problem gamblers (40.3% legal to 21.5% illegal), compared to illegal bettors.⁷²

Researchers concluded: 'gambling through domestically-licensed sites is associated with lower levels of gambling-related problems. Regulators need to act to reduce the availability of, and use of, offshore gambling sites.'⁷³

The social impacts of such problem gambling have been highlighted in previous research. Approximately 80-85% of a wide range of social issues are linked to excessive gambling in Australia. Problem gamblers negatively impact 5-10 others including family, friends and employers; lose an average of AUD 21,000 a year; are six times more likely than non-gamblers to get divorced; are four times more likely to suffer from alcohol abuse; are much more likely to commit crimes; and their children are up to 10 times more likely to become problem gamblers.

Australia has estimated the social cost from this to be at least AUD 4.7 billion a year (USD 3.5 billion).⁷⁴

⁶⁹ Nino Bucci, 'Former junior tennis champion Oliver Anderson avoids conviction after pleading guilty to match-fixing', *Sydney Morning Herald*, 23 May 2017 (<https://www.smh.com.au/national/former-junior-tennis-champion-oliver-anderson-avoids-conviction-after-pleading-guilty-to-matchfixing-20170523-gwavu5.html>) accessed 1 August 2018)

⁷⁰ Gainsbury, S., Russell, A., Hing, N., & Blaszczynski, A. (2017). Consumer engagement with and perceptions of offshore online gambling sites. *New Media and Society*. <http://journals.sagepub.com/doi/10.1177/1461444817738783>

⁷¹ Classified as scoring 3 or more on the 2001 PGSI index (Ferris & Wynne, 2001)

⁷² Gainsbury et al 2017, op cit

⁷³ *ibid*

⁷⁴ Department of Social Services, 'The facts about gambling' (<https://www.dss.gov.au/communities-and-vulnerable-people/programs-services/gambling/the-facts-about-gambling>) accessed 6 August 2018)

New Zealand

All betting is illegal in New Zealand unless authorised under the Gambling Act 2003. The New Zealand Racing Board is licensed to offer sports and racing betting through the NZ TAB. However, a loophole in the law allows offshore online operators to target New Zealand bettors with impunity.⁷⁵ Unlike the TAB, these operators pay no taxes to the New Zealand treasury, nor product, integrity or social responsibility fees. The TAB's betting profits, after tax and costs, go to racing and sport.⁷⁶

Recently, steps have been taken to try to address this, with the Racing Amendment Bill (2017) proposing an information charge and consumption tax on offshore operators targeting New Zealand customers.⁷⁷

Offshore profits from New Zealand bettors in 2017 are estimated at USD 32 million. The growth rate in the market⁷⁸ implies that by 2020 the number of New Zealand residents betting with offshore operators could be half the legal customer base.⁷⁹ Since offshore operators do not pay tax, the government is estimated to miss out on the equivalent of USD 60 million in revenue.⁸⁰

Offshore betting's facilitation of money laundering and organised crime has been noted by the government, which estimates that criminal proceeds of NZD 1.35 billion are laundered every year.

The New Zealand Racing Board will be subject to the most stringent of anti-money laundering measures from 1 August 2019 under the government's Anti-Money Laundering and Countering Financing of Terrorism (AML/CFT) Amendment Act 2017.⁸¹ But, of course, this law will not impact the vast sums of money wagered by New Zealanders with offshore operators, estimated to reach NZD 880 million in 2018. This underlines the advantages illegal and offshore operators face compared to legal counterparts: the NZRB will have to spend considerable amounts on compliance, while offshore rivals will not be affected.

⁷⁵ Department of Internal Affairs, Regulatory Impact Statement: Offshore Racing and Sports Betting ([https://www.dia.govt.nz/diawebsite.nsf/Files/Racing-Amendment-Bill-Regulatory-Impact-Statement/\\$file/Regulatory-Impact-Statement-Offshore-racing-and-sports-betting.pdf](https://www.dia.govt.nz/diawebsite.nsf/Files/Racing-Amendment-Bill-Regulatory-Impact-Statement/$file/Regulatory-Impact-Statement-Offshore-racing-and-sports-betting.pdf) accessed 30 August 2018)

⁷⁶ New Zealand Racing Board, 'About us' (<https://nzracingboard.co.nz/about-nzrb> accessed 30 August 2018)

⁷⁷ Source: Department of Internal Affairs, Racing Amendment Bill, August 2017

([https://www.dia.govt.nz/diawebsite.nsf/Files/Racing-Amendment-Bill/\\$file/Racing-Amendment-Bill.pdf](https://www.dia.govt.nz/diawebsite.nsf/Files/Racing-Amendment-Bill/$file/Racing-Amendment-Bill.pdf) accessed 30 August 2018)

⁷⁸ See Annex 1 for methodology

⁷⁹ Offshore Racing & Sports Betting Working Group, Final Report, October 2015

(<http://www.beehive.govt.nz/sites/default/files/Working%20Group%20-%20Final%20Report%20October%202015.pdf>)

⁸⁰ See individual country report for full methodology

⁸¹ New Zealand Justice Department, 'Tackling money laundering and terrorist financing' (<https://www.justice.govt.nz/justice-sector-policy/key-initiatives/aml-cft/> accessed 2 August 2018).

In sporting integrity, New Zealand is a good example of best practices – match-fixing is punishable by seven years in prison – yet is still under threat from betting-related sports corruption. In racing, illegal betting exchange Citibet, discussed under Australia above, also offers markets on New Zealand horse, harness and greyhound races.

As an example of the transnational nature of illegal-betting related sports corruption, one of New Zealand's prominent cricketers, Lou Vincent, was banned for life after admitting spot-fixing in dozens of matches in several countries⁸² for a fixer working for the vast Indian illegal betting syndicates.^{83 84}

New Zealand athletes are generally not well-paid, so are vulnerable to fixers, and the time zone suits Asian bettors.⁸⁵ The need to be ever-vigilant was shown in August 2017, when a player reported an approach from a fixer at the New Zealand Badminton Open.⁸⁶ The player immediately reported this, showing the importance of sports integrity education.

Offshore betting has also been shown to cause more excessive betting leading to problem gambling in New Zealand. According to a 2015 report from Auckland University's Gambling and Addictions Research Centre, New Zealand bettors using offshore sites bet more often, bet larger amounts of money, and are more likely to be at-risk or problem gamblers than those betting with the New Zealand TAB. Almost a third (31%) of offshore gamblers were judged to be at-risk, moderate-risk, or problem gamblers compared to 23% of legal bettors.⁸⁷

The societal impacts caused by excessive gambling have been noted in several studies by the government's Ministry of Health and Department of Internal Affairs. Briefly, people with gambling disorder are much more likely to have argued with people close to them; are much less likely to report good or excellent general health; have higher rates of tobacco, alcohol and drug use; are much more likely to report depression or anxiety; and are much more likely to engage in other illegal activity.⁸⁸

⁸² Associated Press, 'Lou Vincent receives life ban for match fixing', 1 July 2014 (<https://www.tvnz.co.nz/one-news/sport/cricket/lou-vincent-receives-life-ban-for-match-fixing-6016515> accessed 1 August 2018)

⁸³ Sagnik Chowdhury, 'Sonu Jalan: hustler and high roller', *Mumbai Mirror*, 10 June 2018 (<https://mumbaimirror.indiatimes.com/others/sunday-read/sonu-jalan-hustler-and-high-roller/articleshow/64525889.cms> accessed 1 August 2018)

⁸⁴ Ed Hawkins, 'Lou Vincent's confessions of a cricket fixer REVEALED... Crooked Kiwi says Asian bookies fixed English county matches', *Daily Mail* 15 May 2014 (<http://www.dailymail.co.uk/sport/cricket/article-2629678/How-Asian-bookies-fixed-county-cricket-Former-New-Zealand-batsman-Lou-Vincents-allegations-corruption-England-revealed.html> accessed 1 August 2018)

⁸⁵ Shane Cowlshaw, 'NZ's new FIFA judge on match-fixing', *Newsroom*, 24 April 2017, (<https://www.newsroom.co.nz/2017/04/23/19754/nzs-new-fifa-judge-on-match-fixing#> accessed 16 August 2018)

⁸⁶ Liam Hyslop, 'Match-fixing approach rebuffed at New Zealand Badminton Open', *stuff.co.nz* 7 August 2017 (<https://www.stuff.co.nz/sport/other-sports/95543913/matchfixing-approach-rebuffed-at-new-zealand-badminton-open> accessed 1 August 2018)

⁸⁷ Auckland University Gambling and Addictions Research Centre, *Offshore Gambling by New Zealanders Study*, September 2015 (https://www.health.govt.nz/system/files/documents/pages/offshore_gambling_study-final_report.pdf)

⁸⁸ Gambling and Addictions Research Centre, *National Gambling Study*, 2012 (https://www.health.govt.nz/system/files/documents/pages/national_gambling_study_report_2.pdf)

Singapore

Singapore's legal betting operators are the Singapore Pools (lottery, football and Formula One betting) and the Singapore Turf Club and Totalisator Board (horse race betting). All other operators are acting illegally when they take bets from Singapore customers.

The Remote Gambling Act (2014) made it an offence for offshore betting operators to take bets from Singaporean customers, and an offence for Singaporeans to bet with them. The Pools and Turf Club have been authorised to offer online betting since 2016 in a bid to divert online betting demand through legal channels.

These laws were necessary because of the vast illegal market in Singapore: illegal betting profits were estimated at SGD 461 million (USD 336 million) in 2015,⁸⁹ more than one-third of the total market. This illegal market was growing more than twice as fast as the legal market (8.6% compound annual growth rate compared to 3.5%), and costing the government the equivalent of USD 548 million in lost tax revenue.⁹⁰

The Remote Gambling Act also gives the government the power to block access to websites and payment transactions: the Ministry of Home Affairs says it has blocked more than 800 websites and more than 200 bank accounts used by illegal betting operators.⁹¹ But given the proliferation of such sites and the ease of setting up new ones, the Act's full impact on this huge illegal betting market remains to be seen.

Another recent law, the Organised Crime Act (2015), recognises that illegal betting is intrinsically an organised criminal enterprise and gives authorities more power to disrupt these activities. In June 2018, the first conviction for illegal betting under the act saw a man plead guilty to collecting bets and sourcing bettors for an illegal offshore syndicate that ran several websites. Turnover for just one site, for just six months, was more than SGD 26 million (USD 19 million).⁹²

Gambling and Addictions Research Centre, *Measuring the Burden of Gambling Harm in New Zealand*, May 2017, <https://www.health.govt.nz/publication/measuring-burden-gambling-harm-new-zealand>
Department of Internal Affairs, *Problem Gambling in New Zealand – a Brief Summary*, 2008., [https://www.dia.govt.nz/pubforms.nsf/URL/ProblemGamblingFactsFinal.pdf/\\$file/ProblemGamblingFactsFinal.pdf](https://www.dia.govt.nz/pubforms.nsf/URL/ProblemGamblingFactsFinal.pdf/$file/ProblemGamblingFactsFinal.pdf)

⁸⁹ See Annex 1 for methodology

⁹⁰ See individual country report for methodology

⁹¹ Ng Keng Gene, 'Police step up action to curb illegal World Cup gambling', *Straits Times*, 15 June 2018 (<https://www.straitstimes.com/singapore/police-step-up-action-to-curb-illegal-world-cup-gambling> accessed 30 August 2018)

⁹² Shaffiq Idris Alkhatib, 'First guilty plea under Organised Crime Act', *Straits Times*

Singapore is working to improve its anti-money laundering policies since being criticised by the Financial Action Task Force (FATF) in 2016.⁹³ FATF highlighted transnational threats and specific vulnerabilities such as the ease of setting up companies, and the fact that Singapore is in close proximity to high-risk money laundering jurisdictions.⁹⁴ This is particularly relevant in fighting illegal betting, since many of the biggest grey-market and illegal Asian betting websites are believed to be linked to organised crime figures across the border in Malaysia.

However, Singapore's international reputation has already taken a huge blow because of these transnational organised crime groups linked to illegal betting and match-fixing. In racing, illegal betting exchange Citibet turns over huge amounts on Singaporean races: an estimated SGD 800 million a year.⁹⁵ The average turnover per Singapore race on Citibet is more than USD 600,000, almost 10 times the average prize money per race, giving those involved an obvious incentive for corruption.

In other sport, the country has become synonymous with match-fixing for many because of the global fixing ring run by Wilson Raj Perumal and Dan Tan Seet Eng. They fixed football matches all over the world, independently and with transnational criminal groups.⁹⁶

They worked with organised criminals including, but not limited to, those in Italy, the Balkans, Eastern Europe and Africa, placing bets with Asian websites using Chinese intermediaries. Many believe that Tan, Perumal and others in the Singapore syndicate were merely useful tools for the real masterminds: Chinese organised crime. Their fluency in English and trusted passports, and Singapore's reputation as being far less corrupt than China, meant they could work internationally much easier than Chinese counterparts, according to this theory.⁹⁷

Singapore's sports integrity efforts have since been praised by some,⁹⁸ but the reputational damage from illegal betting and match-fixing may take many more years to wear off.

⁹³ Monetary Authority of Singapore, 'Anti-Money Laundering / Countering the Financing of Terrorism' (<http://www.mas.gov.sg/Regulations-and-Financial-Stability/Anti-Money-Laundering-Countering-The-Financing-Of-Terrorism-And-Targeted-Financial-Sanctions/Anti-Money-Laundering-and-Countering-the-Financing-of-Terrorism.aspx> accessed 2 August 2018)

⁹⁴ Bloomberg, 'Singapore can do more to combat money laundering, says FATF', 27 September 2016 (<https://www.scmp.com/business/banking-finance/article/2023038/singapore-can-do-more-combat-money-laundering-says-fatf> accessed 17 August 2018)

⁹⁵ Estimates based on dynamic datasets extracted from Citibet betting products covering Singaporean horse racing meetings over a one-month period in Q4 2016.

⁹⁶ Wilson Raj Perumal et al, 'Kelong Kings: Confessions of the world's most prolific match-fixer', 2014,

⁹⁷ *First Post*, 'Wilson Raj Perumal, the world's most prolific criminal match-fixer' 5 February 2013 (<https://www.firstpost.com/sports/wilson-raj-perumal-the-worlds-most-prolific-criminal-match-fixer-614381.html> accessed 16 August 2018)

⁹⁸ Alvin Chia, 'Match-fixing under control, so Singapore can help region', *The Straits Times*, 8 November 2016, (<https://www.straitstimes.com/sport/football/football-match-fixing-under-control-so-singapore-can-help-region> accessed 1 August 2018)

Regarding the impact of illegal betting on problem gambling, a report by the National Council on Problem Gambling published in 2014 found that illegal bettors in Singapore were three times more likely to have poorer self-control – to have bet for longer periods of time, with more money and more often than planned – than legal bettors.⁹⁹ This would make illegal bettors more likely than legal bettors to develop problem gambling.¹⁰⁰

The same report found that Singapore's pathological gamblers¹⁰¹ are vastly more likely to have experienced negative family outcomes than non-probable pathological gamblers: 75% to 2%. Only 50% of probable pathological gamblers were satisfied with their family life compared to 88% of non-probable.¹⁰² Problem gamblers were more likely to have suffered from anxiety, personality disorders and suicide attempts, while their families suffer emotional and financial distress.^{103 104}

⁹⁹ National Council on Problem Gambling, *Report Of Survey On Participation In Gambling Activities Among Singapore Residents 2014*, 5 February 2015 (https://www.ncpg.org.sg/en/pdf/2014%20NCPG%20Gambling%20Participation%20Survey_FINAL.pdf accessed 6 August 2018)

¹⁰⁰ *ibid*

¹⁰¹ Based on the diagnostic criteria in the Diagnostic and Statistical Manual of Mental Disorders, fourth edition (DSM-IV) developed by the American Psychiatric Association (APA).

¹⁰² National Council on Problem Gambling, *Report Of Survey On Participation In Gambling Activities Among Singapore Residents 2014*, 5 February 2015 (https://www.ncpg.org.sg/en/pdf/2014%20NCPG%20Gambling%20Participation%20Survey_FINAL.pdf accessed 6 August 2018)

¹⁰³ Teo et al, 'Demographic and Clinical Features of 150 Pathological Gamblers Referred to a Community Addictions Programme', *Annals Academy of Medicine* 2007 (<http://annals.edu.sg/PDF/36VolNo3Mar2007/V36N3p165.pdf> accessed 6 August 2018)

¹⁰⁴ National Council on Problem Gambling, 'What are the consequences?' (<https://www.ncpg.org.sg/en/Pages/LearnAboutProblemGambling.aspx?categ=2&article=7> accessed 6 August 2018)

South Africa

Under the National Gambling Act (2004), some commercial online sports betting licences are available to South Africa-incorporated companies. Unlicensed online betting is illegal, but offshore operators increasingly target the market. The National Gambling Amendment Act (2018) is at the time of writing intended to be introduced before parliament. It proposes to create a National Gambling Regulator with considerable powers to act against illegal betting, including seizing unlawful winnings, and banning financial institutions from processing money from illegal betting. Bookmakers will also have to pay for taking bets on the racing industry's Tote.¹⁰⁵

The scale of the illegal market in South Africa is difficult to assess, but industry sources have estimated illegal betting (land-based and online) represents an annual loss to GDP of the equivalent of USD 160 million. Illegal online betting's specific impact is estimated at a little under a third of this (USD 49 million), but the National Gambling Board admits the market size could be much larger.¹⁰⁶ The illegal betting market is growing rapidly, in line with the expansion of broadband connectivity throughout the country: the compound annual growth rate of the illegal market from 2007 to 2016 was more than twice the legal market (14.5% to 6.3%).¹⁰⁷

Awareness of the interaction between illegal betting, organised crime and money laundering is beginning to be raised, with the *Anti-Money Laundering Journal of Africa* warning regulators of the issue,¹⁰⁸ the National Gambling Board recognising the danger,¹⁰⁹ and the country's Financial Intelligence Centre noting this as an 'area of special concern'.¹¹⁰

Licensed betting operators must comply with the Financial Intelligence Centre Act, and the National Gambling Board monitors compliance, but again this can be flouted by illegal operators. New laws such as the National Gambling Amendment Bill and Cybercrimes and Cybersecurity Bill (2017) may strengthen regulators' power to act against money laundering and organised crime, but it remains to be seen how these impact the illegal market.

¹⁰⁵ Department of Trade & Industry, 'National Gambling Amendment Bill, 2016', Government Gazette Vol 615, 30 September 2016 <http://ngb.org.za/SiteResources/documents/2016/Bills/National%20Gambling%20Amendment%20Bill%202016.pdf> (accessed 5 December 2017)

¹⁰⁶ National Gambling Board, 'Socio-Economic Impact of Illegal and Online Gambling in South Africa', 2016 ([https://www.ngb.org.za/SiteResources/documents/2016/Final%20Summary%20Illegal%20gambling%20research%20report%20\(28%20Sep%2016\).pdf](https://www.ngb.org.za/SiteResources/documents/2016/Final%20Summary%20Illegal%20gambling%20research%20report%20(28%20Sep%2016).pdf) accessed 1 August 2018)

¹⁰⁷ H2 Gambling Capital estimates of legal and offshore markets.

¹⁰⁸ Justin Brown, 'Money mules clean dirty cash', *News24*, 16 October 2016 (<https://www.fin24.com/Tech/News/money-mules-clean-dirty-cash-20161014> accessed 30 August 2018)

¹⁰⁹ National Gambling Board 2016, op cit

¹¹⁰ Parliamentary Monitoring Group, 'Gambling Act: briefing by Financial Intelligence Centre' 23 February 2010 (<https://pmg.org.za/committee-meeting/11242/> accessed 2 August 2018)

Illegal betting-related sports and racing corruption is an issue, with South African racing very popular on illegal betting exchange Citibet. Citibet turnover on South African racing is almost 18% of legal turnover – the highest outside Asia, the site’s base.¹¹¹ Citibet’s average turnover per South Africa race is three times the average legal prize money, again an incentive to corruption.

In sport, South African cricket is at the time of writing embroiled in a long-running spot-fixing scandal that has seen multiple players banned for periods ranging from two to 20 years. Indian-born South African cricketer Gulam Bodi, who received the 20-year ban, was judged by Cricket South Africa to be the ringleader in corrupting other players and connecting them with illegal Indian bookmakers.¹¹² Bodi and others face potential prison time on corruption charges, which would be a watershed in the fight against sports corruption in South Africa.¹¹³ Participating players were paid USD 40,000 to USD 50,000 per match. From this small outlay, the illegal Indian betting syndicates would earn massive profits.

Research into the impacts of illegal betting on problem gambling is less extensive in South Africa, but a 2013 report by the National Gambling Board did find that more than 30% of South African illegal gamblers were at-risk or problem gamblers, three times the percentage among *all gamblers*, and 20 times the percentage among the population as a whole.^{114 115 116}

Illegal betting has also traditionally affected South Africa’s economically deprived more. There have been attempts to put a financial figure on the cost of problem gambling, estimating treatment of each problem gambler at the equivalent of USD 1,800 a year,¹¹⁷ more than USD 1 billion a year.¹¹⁸

¹¹¹ Based on dynamic datasets from 80 race meetings from September to October 2016

¹¹² Luke Alfred, ‘Two Indian nationals named in South Africa domestic spot-fixing scandal’, *cricbuzz*, 21 July 2018 (<https://www.cricbuzz.com/cricket-news/103238/spot-fixing-match-fixing-two-indian-nationals-named-in-south-africa-domestic-spot-fixing-scandal> accessed 1 August 2018)

¹¹³ Luke Alfred, ‘Prison time likely for fixing kingpin Bodi and six others’, *cricbuzz*, 14 July 2018 (<https://www.cricbuzz.com/cricket-news/103126/prison-time-likely-for-south-africa-domestic-cricket-fixing-kingpin-gulam-bodi-and-six-others> accessed 1 August 2018)

¹¹⁴ National Gambling Board, *The Social Impact of Gambling in South Africa, A Quantitative Perspective*, 2013 (<http://www.ngb.org.za/SiteResources/documents/Social%20impact%20of%20gambling%20quantitative%20perspective%202013.pdf> accessed 6 August 2018)

¹¹⁵ National Gambling Board, *Socio-Economic Impact of Illegal and Online Gambling in South Africa*, 2016 ([http://www.ngb.org.za/SiteResources/documents/2016/Final%20Summary%20illegal%20gambling%20research%20report%20\(28%20Sep%202016\).pdf](http://www.ngb.org.za/SiteResources/documents/2016/Final%20Summary%20illegal%20gambling%20research%20report%20(28%20Sep%202016).pdf) accessed 6 August 2018)

¹¹⁶ National Gambling Board, *Annual Report 2015-16*, 2016, (<http://www.ngb.org.za/SiteResources/documents/2016/Annual%20Report/NGB%20Final%20Annual%20Report%202015-16.pdf> accessed 6 August 2018)

¹¹⁷ Adjusted for inflation from NORC figure cited in *HSRC/NGB Research on Social Impact of Gambling in SA*, 2000, (http://www.ngb.org.za/SiteResources/documents/5_HSRC_Social_Impact.pdf accessed 6 August 2018)

¹¹⁸ Based on 1.5% population who are problem gamblers

South Korea

All gambling is illegal in South Korea except government-run lotteries, casinos (all but one of which foreigners-only) and betting on football, basketball, horse racing, boat racing and cycling. All online gambling is prohibited except for lottery sales.¹¹⁹ Strict penalties and imprisonment are imposed on South Korean citizens that breach the law,¹²⁰ but the size of the illegal betting market shows that many are prepared to risk this.

The illegal market size was estimated at USD 78 billion in 2015, four times the size of the legal market (USD 19.7 billion).¹²¹ The illegal market is growing at almost twice the rate of the legal market, 6.8% to 3.7% compound annual growth rate over 2008 to 2016. Illegal online betting was more than half the total illegal market share in 2015, up from a third in 2011.¹²² This massive illegal market means massive amounts of lost potential tax revenue, estimated at the equivalent of USD 7.9 billion a year.¹²³

Naturally this has led to transnational organised crime and money laundering. South Korea's strict illegal betting punishments have seen the country's organised crime groups outsource operations to other parts of Asia, a phenomenon noted in Vietnam,¹²⁴ the Philippines¹²⁵ and Thailand¹²⁶ to name but three recent instances.

North Korea has for several years exploited the South Korean appetite for betting, with government-trained hackers operating illegal betting websites across Asia aimed at customers in the South.¹²⁷ ¹²⁸ ¹²⁹ This helps the North evade sanctions and generate foreign currency, estimated at KRW 1 trillion (USD 890 billion) a year. The issue has become such a problem that the US government specifically targeted illegal online betting in recent sanctions.¹³⁰

¹¹⁹ International Comparative Legal Guide, Korea Gambling, 2015

¹²⁰ Ministry of Government Legislation, South Korea Criminal Act, Chapter XXII (<http://www.moleg.go.kr/english/korLawEng?pstSeq=52670> accessed 30 August 2018)

¹²¹ See Annex 1 for methodology

¹²² Chungbuk National University, *Third Survey on Illegal Betting*, 2016; (<https://goo.gl/STRLMn> accessed 30 August 2018)

¹²³ See full country report for methodology

¹²⁴ Peter Amsel, 'Vietnam wastes no time deporting South Korean online gambling operators' *calvinayre.com*, 20 January 2016 (<https://calvinayre.com/2016/01/20/business/vietnam-deports-south-korean-online-gambling-operators/> accessed 30 August 2018)

¹²⁵ Peter Amsel, 'Philippines bust more South Korean online gambling ops' *calvinayre.com*, 12 September 2017 (<https://calvinayre.com/2017/09/12/business/philippines-bust-south-korean-online-gambling-ops/> accessed 30 August 2018)

¹²⁶ Peter Amsel, 'Are all South Koreans in Thailand running online gambling sites?' *calvinayre.com*, 18 October 2017 (<https://calvinayre.com/2017/10/18/business/south-koreans-illegal-online-gambling-thailand/> accessed 30 August 2018)

¹²⁷ Chosun Ilbo, 'N.Korea makes money from online gambling,' (http://english.chosun.com/site/data/html_dir/2015/10/21/2015102101793.html)

¹²⁸ Reuters, 'North Korea hacking increasingly focused on making money more than espionage: South Korea study' 28 July 2017 (<https://www.reuters.com/article/us-northkorea-cybercrime/north-korea-hacking-increasingly-focused-on-making-money-more-than-espionage-south-korea-study-idUSKBN1AD0BO> accessed 3 August 2018)

¹²⁹ UPI, North Korea now has 6,000 hackers, runs lucrative gambling site, https://www.upi.com/Top_News/World-News/2016/07/07/North-Korea-now-has-6000-hackers-runs-lucrative-gambling-site/8971467898350/

¹³⁰ Govtrack, H.R. 1644: Korean Interdiction and Modernization of Sanctions Act <https://www.govtrack.us/congress/bills/115/hr1644>

The same hackers are believed to have carried out an USD 81 million cyber-heist of the Bangladesh central bank, proceeds of which are believed to have been laundered through Macau casino junkets (see section on Hong Kong below) and a Philippines-licensed betting operator.¹³¹

In common with other jurisdictions, illegal Asian betting exchange Citibet takes bets on South Korean racing with annual turnover estimated to be in the range of USD 9.3 million. Of course, none of this illegal wagering benefits the local racing industry. Illegal betting has long had a negative impact on sport in South Korea, with the 2011 scandal involving more than 57 players in the country's national soccer league which led to four suicides and made headlines around the world only the most well-known.¹³²

New sports also provide new avenues for illegal betting syndicates. E-sports – competitive video games – is hugely popular in South Korea. Its popularity and the fact that betting on it mostly takes place on illegal websites has seen organised crime move in: fixing is described as incredibly widespread.¹³³ A recent example came in late 2017, when a South Korean e-sports professional fixed a match for an illegal betting website operator for just USD 4,000.¹³⁴

There is extensive information on the link between illegal betting and problem gambling in South Korea, thanks to a regular in-depth survey on illegal betting conducted by the National Gambling Control Centre and Chungbuk University. The most recent edition in 2016 found that illegal bettors were more than twice as likely to be pathological, problem or at-risk¹³⁵ gamblers than legal counterparts (35% to 16%).¹³⁶ The incidence rate of pathological gambling was almost four times greater among illegal bettors than legal (18.6% to 5.2%).

These illegal bettors reported much higher (three times on average) incidence rates of problems in every category of life addressed by the survey: financial, 'life in general', family, health, relationships, career, and academics.¹³⁷ The cost of treating gambling disorder was estimated to be KRW 26 trillion (USD 24 billion) per year.

¹³¹ Alan Katz and Wenxin Fan, 'A Baccarat Binge Helped Launder the World's Biggest Cyberheist', *Bloomberg*, 3 August 2017 (<https://www.bloomberg.com/news/features/2017-08-03/a-baccarat-binge-helped-launder-the-world-s-biggest-cyberheist> accessed 6 August 2018)

¹³² BBC, 'Match-fixing' South Korean footballers banned for life' 17 June 2011 (<http://www.bbc.com/news/world-asia-pacific-13807142> accessed 30 August 2018)

¹³³ Chris Godfrey, 'It's incredibly widespread': why eSports has a match-fixing problem', *The Guardian*, 31 July 2018 (<https://www.theguardian.com/games/2018/jul/31/its-incredibly-widespread-why-esports-has-a-match-fixing-problem> accessed 1 August 2018)

¹³⁴ Matt Brian, 'Overwatch' has its first match-fixing scandal', *engadget*, 24 April 2017, (<https://www.engadget.com/2017/04/24/overwatch-match-fixing-korea/> accessed 1 August 2018)

¹³⁵ Korean National Opinion Research Centre DSM Screen for Gambling Problems (K-NODS)

¹³⁶ National Gambling Control Centre / Chungbuk University, *Third Survey on Illegal Betting* 2016 (<https://goo.gl/STRLMn> accessed 6 August 2018)

¹³⁷ National Gambling Control Centre / Chungbuk University, *Third Survey on Illegal Betting* 2016 (<https://goo.gl/STRLMn> accessed 6 August 2018)

Hong Kong

Gambling is illegal in Hong Kong apart from three products provided by the Hong Kong Jockey Club, the government's licensed operator: betting on horse racing and football and a lottery.¹³⁸ However, Hong Kong bettors are targeted by a huge range of offshore and local illegal operators, many of which are linked to or directly run by organised crime.

Illegal betting profits in Hong Kong in 2016 were estimated to be HKD 12 billion to HKD 13 billion (USD 1.6 billion at the midway point).¹³⁹ By comparison, the Hong Kong Jockey Club's net margin (the amount left over after paying out winning bets and government duties) was HKD 11.45 billion in financial year 16/17.¹⁴⁰ As in other jurisdictions examined, the illegal market is also growing rapidly: at least the same pace as the legal market.

As a non-profit, the Hong Kong Jockey Club returns its betting profits to society through tax, duty and charitable donations. In financial year 16/17, 79% of betting and lottery revenue was returned in this fashion. The HKJC is Hong Kong's largest single taxpayer and one of the world's 10 biggest charitable donors.¹⁴¹ Illegal operators, naturally, return none of their profits to society, and in fact use them to fund other criminality. It has been estimated that if illegal betting profits in Hong Kong could be diverted to legal channels, society would benefit to the equivalent of USD 1.2 billion a year.¹⁴²

Triad societies – Chinese organised crime groups – run the vast majority of this illegal betting. An analysis of 439 local media articles related to law enforcement action against illegal betting in Hong Kong from 2011 to 2017 found that triads were mentioned as being involved in three-quarters of reports relating to illegal bookmaking.¹⁴³

Regionally, this is exacerbated by lax regulatory regimes in the Philippines and increasingly other Asian countries, a high demand for money laundering among China's newly rich, and the deep involvement of transnational organised crime in Macau casino junkets. This has seen a confluence of illegality that has been spreading out of the Pearl River Delta into Asia-Pacific and Europe.

¹³⁸ And other minor exemptions, such as mahjong in licensed parlours and private poker games.

¹³⁹ See Annex 1 for methodology

¹⁴⁰ Hong Kong Jockey Club, *Annual Report, 2017* (<http://corporate.hkjc.com/corporate/english/history-and-reports/annual-16-17.aspx> accessed 30 August 2018)

¹⁴¹ *ibid*

¹⁴² Oxford Economics, *Impact of Illegal Gambling in Hong Kong*, April 2016 (<https://www.oxfordeconomics.com/recent-releases/impact-of-illegal-gambling-in-hong-kong> accessed 30 August 2018)

¹⁴³ HKJC internal research. Bookmaking is used here to draw the distinction between sport and racing betting as opposed to other forms of illegal betting, such as unlicensed mahjong, card games, slot machines and so on.

Hong Kong's *laissez-faire* business environment allows for the easy formation of shell companies and access to financial markets for transnational organised crime, as highlighted within the Hong Kong government's recent *Money Laundering and Terrorist Financing Risk Assessment Report*.¹⁴⁴

The report noted that illegal betting played a role in subsequent money laundering cases 44 times between 2011 and 2015. It also stated that gambling debts – whether incurred illegally in Hong Kong or legally in Macau – resulted in loan-sharking-related crimes which were the cause of a further 55 money laundering cases.

There is no legal credit betting in Hong Kong or Mainland China, so the vast bulk of these loan-sharking cases stem from credit betting with illegal bookmakers, or via Macau casino junket operators – groups that offer credit to high rollers to help them avoid Mainland China's currency controls, then illegally collect the non-enforceable debts.¹⁴⁵

Triads are behind the vast majority of this illegal betting, loan-sharking and money laundering across the territory. They also operate in Mainland China, Macau and in Chinese communities around the world.¹⁴⁶ In one instance, a triad leader and associates used cross-border illegal bookmaking syndicates to launder HKD 357 million (USD 45 million) between 2006 and 2011. Three people were convicted of money laundering in 2015 and sentenced to 18 and 38 months' imprisonment.¹⁴⁷

With the huge popularity of horse racing in Hong Kong, this deep involvement of organised crime in illegal betting is clearly a grave concern to the integrity of the sport. Since the dark days of the 1980s, when the 'Shanghai Syndicate's' vast illegal-betting related fixing operation was uncovered,¹⁴⁸ the HKJC has earned a hard-won reputation for racing integrity of the highest standard, but constant vigilance is required to uphold this, especially in the face of emerging online threats. One of these, illegal Asian racing betting exchange Citibet, takes vast sums of money on Hong Kong racing: its turnover on this is estimated to be 25% of legal turnover. Again, these profits benefit the organised crime-linked owners of Citibet rather than Hong Kong society.

Other sports in Hong Kong, especially football, have also been hit by illegal betting related sports corruption. The most recent example illustrated the small sums that can persuade players to fix matches – and the fear fixers instil in those they corrupt.

¹⁴⁴ Hong Kong Government, '[Money Laundering and Terrorist Financing Risk Assessment Report](#)', April 2018

¹⁴⁵ A junket operator is a company which brings VIP high-rollers to the casinos of Macau, gives them chips on credit, then collects debts in China, even though both of these procedures are illegal. Many high-ranking members of triad societies – the main Chinese organised crime groups – have become hugely wealthy through this trade.

¹⁴⁶ Canada's casinos, for example, were recently criticised in a report by a former Royal Canadian Mounted Police officer for enabling vast money laundering by Chinese high-rollers brought in by triads following the Macau model.

¹⁴⁷ *ibid*

¹⁴⁸ UPI, 'Millionaire businessman given suspended sentence', 3 September 1986

(<https://www.upi.com/Archives/1986/09/03/Millionaire-businessman-given-suspended-sentence/4409526104000/> accessed 30 August 2018)

Former local footballer of the year Lee Wai-lim pleaded guilty to match-fixing in May 2018. As the team's coach, he bet illegally with a player from another team, and accepted just HKD 20,000 (USD 2,550) to direct his players to fix a match in the Hong Kong Reserve League in 2016 – highlighting the obscure markets which can be bet on illegally.¹⁴⁹

A court heard that players were routinely asked to follow an illegal bookmaker's fixing instructions and had to compensate the bookmaker if they failed to carry off the fix.¹⁵⁰ Lee was 'terrified' after his players failed to carry out one fix, and demanded money from them to compensate the illegal bookmaker.¹⁵¹

A previous case saw Croatian player Sasa Mus jailed for 12 months. He teamed up with the team's sponsor and deputy manager in the fix.¹⁵² The deputy manager pleaded guilty to illegally betting with the 'Huangguan' (皇冠, 'crown') illegal betting network.¹⁵³ This vast web of illegal betting sites, believed to be run by one of Hong Kong's leading organised crime figures, is extremely popular with Chinese-speaking illegal bettors.

The links between illegal betting and problem gambling were recently shown in a pioneering study published in the *Asian Journal of Gambling Issues and Public Health* in 2017, where it was found that Hong Kong illegal bettors bet larger amounts and more often than legal counterparts. More than half (55%) of illegal bettors gambled three to four times per week, compared to only 20% of legal bettors, while illegal bettors gambled more than three to four times as much money every month on racing and sports betting than legal bettors (HKD 5,400 compared to HKD 1,700 on racing; HKD 5,400 to HKD 1,200 on sports).¹⁵⁴

¹⁴⁹ Chris Lau, 'Former Hong Kong footballer of the year Lee Wai-lim spared jail in match-fixing case', *South China Morning Post*, 4 May 2018 (<https://www.scmp.com/news/hong-kong/hong-kong-law-and-crime/article/2144661/former-hong-kong-footballer-year-lee-wai-lim> accessed 1 August 2018).

¹⁵⁰ Jasmine Siu, 'Former Hong Kong footballer of the year admits to pocketing cash to fix two matches', *South China Morning Post*, 11 January 2018 (<https://www.scmp.com/news/hong-kong/hong-kong-law-crime/article/2127820/former-hong-kong-footballer-year-admits-pocketing-cash-fix> accessed 16 August 2018).

¹⁵¹ *Ibid*, *South China Morning Post* 4 May 2018

¹⁵² Julie Chu, 'Croatian soccer player Sasa Mus jailed for match-fixing', *South China Morning Post*, 16 December 2014 (<https://www.scmp.com/news/hong-kong/article/1662969/croatian-soccer-player-sasa-mus-jailed-match-fixing> accessed 16 August 2018)

¹⁵³ Chris Lau, 'Happy Valley's former deputy manager admits illegal bet on team', *South China Morning Post*, 15 October 2014 (<https://www.scmp.com/news/hong-kong/article/1616412/happy-valleys-former-deputy-manager-admits-illegal-bet-team> accessed 17 August 2018)

¹⁵⁴ Tessler et al, 'An exploratory study of illegal gamblers in Hong Kong', *Asian Journal of Gambling Issues and Public Health*, December 2017 (<https://www.ncbi.nlm.nih.gov/pmc/articles/PMC5712323/> accessed 6 August 2018)

As a result, there are far more excessive¹⁵⁵ illegal bettors than legal bettors in Hong Kong: 56% of illegal bettors were classed as excessive bettors compared to just 15% of legal bettors. If the definition is widened to include low-level excessive betting, almost three quarters (73%) of illegal bettors face this issue, compared to 39% of legal bettors.¹⁵⁶

Gambling disorder in Hong Kong is linked to: poor performance at work or in studies; great financial loss or hardship; poor mental health; crime such as stealing; disharmony or breakdown in the family; and suicidal thoughts or acts.¹⁵⁷ Since illegal gambling causes gambling disorder at a higher rate than legal, it may be assumed that these issues affect illegal gamblers more and there is some evidence to support this: illegal gamblers were three times more likely than legal gamblers to have reported suffering from a wide range of issues including depression, debt and breakdown of relationships.¹⁵⁸

Perhaps the most worrying impact of illegal gambling in Hong Kong is the evidence that it leads to suicide – believed to be linked to the shame caused by debt and threats from the organised crime-linked loan sharks that prey on excessive gamblers.

Credit betting and loan sharking are rife in illegal gambling in Hong Kong and unmanageable debt is one of the key predictors of suicide risk in the territory.¹⁵⁹ Illegal excessive gamblers are statistically more likely to have suicidal thoughts than legal excessive gamblers.¹⁶⁰ In nine per cent of suicide cases, debt accumulation caused by illegal gambling was reported as a cause.¹⁶¹

Illegal gambling operators naturally do not contribute to responsible gambling or other social responsibility programmes to alleviate or prevent these negative impacts of excessive gambling. Legal operator the Hong Kong Jockey Club, in contrast, was instrumental in setting up the Ping Wo Fund, which finances research, education and treatment centres for problem gambling in Hong Kong. The HKJC's financial commitment to the Ping Wo Fund will exceed HKD 360 million (USD 45.9 million) by 2018/19.¹⁶²

¹⁵⁵ Problem Gambling Severity Index scale

¹⁵⁶ Tessler et al, 'An exploratory study of illegal gamblers in Hong Kong', *Asian Journal of Gambling Issues and Public Health*, December 2017 (<https://www.ncbi.nlm.nih.gov/pmc/articles/PMC5712323/> accessed 6 August 2018)

¹⁵⁷ Ping Wo Fund, 'Report on the Study of Hong Kong People's Participation in Gambling Activities in 2016', (https://www.hab.gov.hk/file_manager/en/documents/policy_responsibilities/others/gambling_report_2016.pdf accessed 31 August 2018)

¹⁵⁸ Tessler et al, 'An exploratory study of illegal gamblers in Hong Kong', *Asian Journal of Gambling Issues and Public Health*, December 2017 (<https://www.ncbi.nlm.nih.gov/pmc/articles/PMC5712323/> accessed 6 August 2018)

¹⁵⁹ Wong P, Chan W, Chen E, Chan S, Law Y, Yip P. 'Suicide among adults aged 30–49: A psychological autopsy study in Hong Kong'. *BMC Public Health*. 2008;8:147. doi: 10.1186/1471-2458-8-147. (as cited in Tessler 2017, op cit)

¹⁶⁰ Chan, CC, Li WW, Leung ECI (2016) *Problem Gambling in Hong Kong and Macao: Etiology, prevalence and treatment*. Singapore, Springer. (as cited in Tessler 2017, op cit)

¹⁶¹ Yip PSF, Yang KCT, Ip BYT, Law YW, Watson R. 'Financial debt and suicide in Hong Kong SAR'. *Journal of Applied Social Psychology*. 2007;37(12):2788–2799. doi: 10.1111/j.1559-1816.2007.00281.x (as cited in Tessler 2017, op cit)

¹⁶² Hong Kong Jockey Club, 'Ping Wo Fund', <http://www.hkjc.com/responsible-gambling/en/commitment/index.aspx> accessed 31 August 2018

Part Three – Combatting Illegal Betting

Combatting illegal betting requires close cooperation and collaboration between all stakeholders: the betting industry, government regulators, sporting bodies, law enforcement, financial institutions and the media among them. Illegal betting is also a transnational problem because of the rise of online betting, so international cooperation is vital.

As shown in this White Paper, illegal betting is not a ‘victimless crime’ as many wrongly believe. It funds organised crime, facilitates money laundering, corrupts sporting integrity, and devastates families by causing problem gambling at a higher rate than legal betting. All of these issues impose huge direct and indirect costs on societies.

Below are some ideas for readers of this paper – whatever their role as stakeholders in this issue – to consider, share and work on within their own jurisdictions and internationally in order to fight illegal betting.¹⁶³

Combatting the growth of illegal betting markets

A clear universal definition of illegal betting must be adopted at international level, as based on that in the Council of Europe’s Macolin Convention against match-fixing:

‘Any sports betting activity whose type or operator is not allowed under the applicable law of the jurisdiction where the consumer is located.’¹⁶⁴

This is a simple, readily understood definition. But at present 80% of sports bets are illegal because this definition is not universally adopted or understood.

Unprincipled betting operators who may hold a licence from a ‘betting haven’ illegally target customers in countries where they are not licensed, exploiting the lack of understanding of this grey area, aided and abetted by lax regulatory regimes.

Education of stakeholders of this grey area and how it is exploited by the unscrupulous and organised crime is essential. An international criminology study on illegal betting from a body such as the UNODC or similar has been mooted to help achieve this.

Jurisdictions should impose clear regulations on those wishing to run betting operations – companies should be incorporated and licensed by the specific jurisdiction in which they operate, rather than betting tax havens.

¹⁶³ Several of these recommendations are inspired by, or adapted from, those in the European Commission’s *Preventing Criminal Risks Linked to the Sports Betting Market*, 2017

¹⁶⁴ Council of Europe Convention on the Manipulation of Sports Competitions, 2014 (<https://rm.coe.int/CoERMPublicCommonSearchServices/DisplayDCTMContent?documentId=09000016801cdd7e> accessed 21 August 2018)

To further reduce the impact of those who will continue to ignore such legislation and operate in the grey area, several techniques can be implemented. A published blacklist of illegal operators has proven to be effective in some jurisdictions. In the context of this White Paper, for example, the Asian Racing Federation could publish and maintain a blacklist of operators that illegally target bettors in ARF jurisdictions.

Official warnings from authorities to illegal operators to comply with local laws are the next step. Legislation requiring internet service providers to block illegal websites – with strong fines for non-compliance – impacts traffic to illegal websites. Payment processors should be required to block financial flows for illegal online gambling. Advertising of illegal operators should be banned.

Legal betting operators can also take steps to make their own product more competitive versus illegal operators by improving their technological offering – more attractive websites and smartphone apps for example – and product choice and variety. However, legal operators are often at a disadvantage to illegal counterparts in this regard as they may be required by legislation to limit their betting markets and bet types, and maintain payout rates at lower levels than illegal operators, who pay no taxes or other duties. Jurisdictions should review their current payout rate restrictions and how the level impacts on the illegal betting market.

Combatting transnational organised crime and money laundering facilitated by illegal betting

As above, education is first and foremost: lawmakers and the public at large need to be made aware of the intrinsic link between illegal betting operators and organised crime.

All licensed betting operators should be required to publish an official list of shareholders, parent companies and subsidiaries, to show their ultimate beneficial owners. At present, there is virtually no way of finding out the ultimate beneficial owners of the vast majority of the thousands of illegal betting sites.

Anonymous payment processors should be eliminated, customer betting data should be recorded, and suspicious transactions or large bets above a certain threshold should be reported to financial crime authorities. Betting operators should be required to comply with strict anti-money laundering regulations such as those recommended by the Financial Action Task Force, and to have dedicated anti-money laundering staff.

Education and training of law enforcement in cyber-crime and anti-money laundering techniques is also vital, as is international cooperation between these law enforcement bodies.

It may be argued that illegal operators in the grey area will merely continue to ignore such regulations. This is why education and cooperation between international stakeholders is vital, to bring pressure to bear on betting tax havens and jurisdictions who act irresponsibly and enable illegal and grey-area betting. And as mentioned above, operators who do not comply with such regulations should be added to an international blacklist.

Combatting threats to sporting integrity caused by illegal betting

In the last five to 10 years, awareness of the threat to sporting integrity has been successfully raised in many jurisdictions. Many valuable recommendations have already been made by national and international bodies such as the European Commission, Australian government and others.

Briefly, some examples of best practice that have or are beginning to be adopted in many jurisdictions include: a dedicated sporting integrity taskforce, often funded by a levy on betting operators; education programmes for athletes; specific legislation making match-fixing an offence (rather than being tried under general fraud or corruption laws) with severe penalties for those convicted; requirements for betting operators to share data on irregular and suspicious betting activity; a ban on athletes from betting on the sports in which they take part.

A clear stance should also be taken by sporting governing bodies on the sponsorship of sport by betting operators. For example, in the English Premier League, the most-watched football league in the world, every team bar one has at least one 'betting partner', usually several. This is the same in most major European football leagues and is an obvious conflict of interest in sporting integrity terms.

The vast majority of these 'betting partners' are grey-market operators who specifically target customers in Asia where their product is illegal. Some are linked to organised crime. By sponsoring football teams and advertising pitch-side during matches, they acquire legitimacy in the eyes of bettors and circumvent local laws against betting advertising. Sporting authorities are either unaware of such issues or happy to ignore them – again a reason why education about illegal betting, forcing lawmakers and opinion leaders to bring pressure to bear, is essential.

Finally, a fundamental point should be noted: the root cause of match-fixing is the vast illegal betting market linked to transnational organised crime which facilitates it. Although match-fixing has rightly gained much attention, it is almost a spin-off of the unregulated markets that enable it. Tackle these illegal markets and their facilitation of organised crime and money laundering as in the first two recommendations above and match-fixing will naturally wither.

Combatting gambling disorder & associated social issues caused by illegal betting

As mentioned in Part One, the link between excessive betting and problem gambling is well understood. Now further efforts should be made to highlight the fact that illegal betting fosters excessive betting and problem gambling at a higher rate than legal. Academic research into the topic should be encouraged, perhaps financed by well-regulated licensed betting operators (although strictly at arm's-length to avoid conflicts of interest).

Education of stakeholders, once again, is vital to underline the distinction between legal and illegal betting in this regard.

Licensed operators should be required to implement responsible gambling programmes and have self-exclusion policies in place. Credit betting should be outlawed. Internal systems could be implemented to highlight when customers' betting patterns appear to be displaying signs of excessive behaviour.

Minors and vulnerable people should be excluded from betting, advertising should be carefully restricted and the industry should contribute to research, education and treatment of problem gambling, either voluntarily or via the type of problem gambling levies that exist in some jurisdictions.

Again, unscrupulous operators in the grey zone will ignore or pay lip service to such regulations – another reason that would see them added to an international blacklist.

Conclusion

Illegal betting is large and rapidly growing in every jurisdiction examined. If left unchecked, it could subsume legal markets.

This should concern not just the legal betting industry, but sporting bodies, society at large, financial regulators, law enforcement and governments.

For too long, illegal betting has been seen as a victimless crime. But as this paper shows, illegal betting is a direct *cause* and *means* of match-fixing and money laundering. It provides revenue for transnational organised crime, and enables these to launder other criminal proceeds. In today's globalised economy, illegal betting impacts markets and economies across the world.

Illegal betting harms society by encouraging compulsive behaviour, leading to problem gambling which tears families apart.

At a purely financial level, illegal betting is a direct drain on economies since operators pay no tax, duties or otherwise contribute to society.

What then should be done?

As repeatedly underlined in Part Three, stakeholder engagement is essential: education and cooperation with counterparts in law enforcement, the financial industry, media, academic researchers, non-governmental organisations and of course government regulators.

Some jurisdictions examined in the paper – Australia for example – have shown how effective stakeholder engagement can lead to real impact. With the Australian media, sporting governing bodies, financial regulators and government officials generally aware and agreeing on the issues raised by illegal betting, there are positive, concrete, legislative steps being taken to prevent it.

We hope the findings in this paper and the associated five in-depth country briefing packs will prove useful in this process of stakeholder engagement and education by ARF members – not just in the five jurisdictions examined, but in all jurisdictions.

Bibliography

- Albanese, Jay 'Illegal Gambling and Organized Crime – an Analysis of Federal Convictions in 2014', *Trends in Organized Crime*, 2017,
http://jayalbanese.com/yahoo_site_admin/assets/docs/Albanese_ILGB_and_Organized_Crime_TOC_2017_18p.162121941.pdf
- Auckland University Gambling and Addictions Research Centre, *Offshore Gambling by New Zealanders Study*, September 2015
https://www.health.govt.nz/system/files/documents/pages/offshore_gambling_study-final_report.pdf
- Australian Criminal Intelligence Commission, *Organised Crime in Australia 2017*
(https://www.acic.gov.au/sites/g/files/net1491/f/2017/08/oca_2017_230817_1830.pdf)
- Australian Government response to the Black Economy Taskforce Final Report', 8 May 2018 <https://static.treasury.gov.au/uploads/sites/1/2018/05/Government-response-final.pdf>
- Banks, James, *Gambling, Crime and Society*, Palgrave MacMillan 2017
- Black Economy Taskforce, *Final Report*, 2017
(https://static.treasury.gov.au/uploads/sites/1/2018/05/Black-Economy-Taskforce_Final-Report.pdf)
- Blaszczynski et al, 'A Science-Based Framework for Responsible Gambling: The Reno Model', *Journal of Gambling Studies*, 2004
[https://www.gaming.ny.gov/gaming/20140409forum/Nelson%20\(Harvard%20Medical%20School\)/Applicant%20Provided%20Material/Blaszczynski%20et%20al,%20Science-Based%20Framework%20for%20Responsible%20Gambling%20-%20The%20Reno%20Model,%20Journal%20of%20Gambling%20Studies,%202020\(3\),%20301-317%20\(2004\).pdf](https://www.gaming.ny.gov/gaming/20140409forum/Nelson%20(Harvard%20Medical%20School)/Applicant%20Provided%20Material/Blaszczynski%20et%20al,%20Science-Based%20Framework%20for%20Responsible%20Gambling%20-%20The%20Reno%20Model,%20Journal%20of%20Gambling%20Studies,%202020(3),%20301-317%20(2004).pdf)
- Bricknell, Samantha, 'Corruption in Australian sport', *Trends & Issues in Crime and Criminal Justice* No. 490, Australian Institute of Criminology. 2015
<https://aic.gov.au/publications/tandi/tandi490>
- Commonwealth of Australia, *Report of the Review of Australia's Sports Integrity Arrangements*, 2018
[http://www.health.gov.au/internet/main/publishing.nsf/Content/63F0A5D7BDA5A0B5CA2582CF0005E6F9/\\$File/HEALTH-RASIA-Report-Acc.pdf](http://www.health.gov.au/internet/main/publishing.nsf/Content/63F0A5D7BDA5A0B5CA2582CF0005E6F9/$File/HEALTH-RASIA-Report-Acc.pdf)

- Council of Europe Convention on the Manipulation of Sports Competitions, 2014
<https://rm.coe.int/CoERMPublicCommonSearchServices/DisplayDCTMContent?documentId=09000016801cdd7e>
- European Commission / IRIS, *Preventing Criminal Risks Linked to the Sports Betting Market*, 2017 <http://www.iris-france.org/preventing-the-criminal-risks-linked-to-the-sports-betting-market/> - 'PRECRIMBET'
- Ferentzy & Turner, 'Gambling and Organized Crime – A Review of the Literature', *Journal of Gambling Issues*, Issue 23, June 2009
www.camh.net/egambling/issue23/pdfs/07turner.pdf
- Forrest, David, 'Understanding the Impact of Asian Betting Markets', *International Association of Gaming Regulators Webinars*
(www.iagr.org/membership/webinars)
- Gainsbury, S., Russell, A., Hing, N., & Blaszczynski, A. (2017). Consumer engagement with and perceptions of offshore online gambling sites. *New Media and Society*.
<http://journals.sagepub.com/doi/10.1177/1461444817738783>
- Hong Kong Government, *Money Laundering and Terrorist Financing Risk Assessment Report*, April 2018 https://www.fstb.gov.hk/fsb/aml/en/doc/hk-risk-assessment-report_e.pdf
- Kalb, Christian and Verschuuren, Pim, Institut de Relations Internationales et Strategiques, *Money Laundering: the Latest Threat to Sports Betting?*, IRIS Editions 2013
- National Council on Problem Gambling, Report Of Survey On Participation In Gambling Activities Among Singapore Residents 2014, 5 February 2015
https://www.ncpg.org.sg/en/pdf/2014%20NCPG%20Gambling%20Participation%20Survey_FINAL.pdf
- National Gambling Board, *Socio-Economic Impact of Illegal and Online Gambling in South Africa*, 2016
[https://www.ngb.org.za/SiteResources/documents/2016/Final%20Summary%20illegal%20gambling%20research%20report%20\(28%20Sep%202016\).pdf](https://www.ngb.org.za/SiteResources/documents/2016/Final%20Summary%20illegal%20gambling%20research%20report%20(28%20Sep%202016).pdf)
- National Gambling Control Centre / Chungbuk University, *Third Survey on Illegal Betting 2016* <https://goo.gl/STRLMn>
- New Zealand Justice Department, 'Tackling money laundering and terrorist financing'
<https://www.justice.govt.nz/justice-sector-policy/key-initiatives/aml-cft/>
- OECD Task Force for Countering Illicit Trade, 'Free For All Zone' - *Free Trade & Special Economic Zones (FTZ & SEZ) International Online Betting Operators &*

Gambling, 27 March 2017

[http://www.oecd.org/officialdocuments/publicdisplaydocumentpdf/?cote=GOV/P
GC/HLRF/TFCIT/RD\(2017\)3&docLanguage=En](http://www.oecd.org/officialdocuments/publicdisplaydocumentpdf/?cote=GOV/P
GC/HLRF/TFCIT/RD(2017)3&docLanguage=En)

Sorbonne University, ICSS, *Fighting Against the Manipulation of Sports Competitions*,
2014 - 'SORBONNE' <http://sorbonne-icss.univ-paris1.fr/media-and-press-zone/>

Strumpf, Koleman *Illegal Sports Bookmakers*, 2003
<https://www.unc.edu/~cigar/papers/Bookie4b.pdf>

Tessler et al, 'An exploratory study of illegal gamblers in Hong Kong', *Asian Journal of
Gambling Issues and Public Health*, December 2017
(<https://www.ncbi.nlm.nih.gov/pmc/articles/PMC5712323/>)

UNODC, The Threat of Transnational Organized Crime
[https://www.unodc.org/documents/data-and-analysis/tocta/1.The-threat-
transnational-organized-crime.pdf](https://www.unodc.org/documents/data-and-analysis/tocta/1.The-threat-
transnational-organized-crime.pdf)

UNODC, *United Nations Convention Against Transnational Organized Crime And The
Protocols Thereto*, 2000,
[http://www.unodc.org/documents/treaties/UNTOC/Publications/TOC%20Conven
tion/TOCebook-e.pdf](http://www.unodc.org/documents/treaties/UNTOC/Publications/TOC%20Conven
tion/TOCebook-e.pdf)

Annex 1 – How illegal market sizes and growth rates were calculated

Australia

Illegal market size: AUD 1 billion, USD 780 million

Based on estimates in the Australian Government's 'Review of Illegal Offshore Wagering', December 2015¹⁶⁵ and using an AUD:USD exchange rate of 1.28:1.

Legal/illegal betting market growth rates were generated on a compounded annual growth rate basis from 2010-2015 utilising a variety of public source information.^{166 167 168 169 170 171}

New Zealand

Illegal market size: NZD 44 million, USD 32 million

Because of New Zealand's unique regulatory structure, illegal refers to the offshore market.

Figures are based on projected 2017 turnover generated from New Zealanders on offshore betting websites of NZD737 million and assuming an offshore margin of 2% of turnover and using an NZD:USD exchange rate of 1.375:1 (Annual 2017 average).

Source of the NZD737m estimate is extrapolated from the New Zealand Government's 2015 estimate of NZD515m and extrapolating out using growth rate of 16.2% (from the Offshore Racing & Sports Betting Working Group, 'Final Report', October 2015¹⁷² and Department of Internal Affairs, 'Regulatory Impact Statement: Offshore Racing and Sports Betting').¹⁷³

Legal offshore betting market growth rates based on projections in above reports from 2010 to 2020.

Singapore

Illegal market size: SGD 461 million, USD 336 million

¹⁶⁵ https://www.dss.gov.au/sites/default/files/documents/04_2016/review_of_illegal_offshore_wagering_18_december_2015.pdf accessed 1 August 2018

¹⁶⁶ <https://www.communications.gov.au/publications/final-report-review-interactive-gambling-act-2001>

¹⁶⁷ https://www.dss.gov.au/sites/default/files/documents/04_2016/review_of_illegal_offshore_wagering_18_december_2015.pdf

¹⁶⁸ <https://engage.dss.gov.au/wp-content/uploads/2015/12/Sportsbets-Submission-to-the-Review-of-the-Impact-of-Illegal-Offshore-Wagering.pdf>

¹⁶⁹ <http://https://engage.dss.gov.au/wp-content/uploads/2015/12/Sportsbets-Submission-to-the-Review-of-the-Impact-of-Illegal-Offshore-Wagering.pdf>

¹⁷⁰ <http://www.pc.gov.au/inquiries/completed/gambling-2009/report>

¹⁷¹ <http://www.qgso.qld.gov.au/products/reports/aus-gambling-stats/aus-gambling-stats-32nd-edn.pdf>

¹⁷² <http://www.beehive.govt.nz/sites/default/files/Working%20Group%20-%20Final%20Report%20October%202015.pdf>

¹⁷³ [https://www.dia.govt.nz/diawebsite.nsf/Files/Racing-Amendment-Bill-Regulatory-Impact-Statement/\\$file/Regulatory-Impact-Statement-Offshore-racing-and-sports-betting.pdf](https://www.dia.govt.nz/diawebsite.nsf/Files/Racing-Amendment-Bill-Regulatory-Impact-Statement/$file/Regulatory-Impact-Statement-Offshore-racing-and-sports-betting.pdf)

Based on 2015 estimates from Singapore Tote, Singapore Government¹⁷⁴ and using SGD:USD exchange rate of 1.37:1 (Annual 2015 average).

Legal/illegal betting market growth rates were generated on a compounded annual growth rate basis from 2002-2015 utilising public source information.^{175 176177178}

South Africa

Illegal market size: ZAR 205 million, USD 14 million

Based on extrapolation from estimate of offshore market from H2 Gambling Capital. Note that this is in line with other estimates such as the 2011 USD7 million (SORBONNE), 2017 USD23 million (PRECRIMBET)

Legal/illegal betting market growth rates were generated on a compounded annual growth rate basis from 2007-2016 utilising public source information and data from betting industry market analysts H2 Gambling Capital.¹⁷⁹¹⁸⁰

South Korea

Illegal market size: KRW 1.68 trillion, USD 1.448 billion

Based on government estimate¹⁸¹ of turnover of KRW84 trillion and assuming illegal margin = 2% of turnover and a KRW:USD exchange rate of 1,160:1.

Legal/illegal betting market growth rates were generated on a compounded annual growth rate basis from 2008-2016 utilising public source information.¹⁸²¹⁸³¹⁸⁴

Hong Kong

Illegal market size: HKD 12.5 billion, USD 1.61 billion

From Hong Kong Jockey Club internal research based on a territory-wide survey of habits of local legal and illegal bettors and a HKD:USD exchange rate of 7.76:1.

¹⁷⁴ <https://www.channelnewsasia.com/news/singapore/govt-doesn-t-encourage-online-gambling-but-recognises-reality-of-7743122>

¹⁷⁵ Singapore Tote Board, *Annual Report 2015*, (<http://www.toteboard.gov.sg/docs/default-source/module/annual-report/annual-report-for-financial-year-ending-31-march-2015-9-97mb-134-pages.pdf> accessed 6 August 2018)

¹⁷⁶ Singapore Tote Board, *Annual Report 2004* (http://www.nas.gov.sg/archivesonline/government_records/viewer?uid=520f78e0-47d8-11e7-9199-0050568939ad-S_62of2004 accessed 6 August 2018)

¹⁷⁷ Ministry of Home Affairs, *Oral Reply to Parliament Question on Remote Gambling*, 2016 (<https://www.mha.gov.sg/Newsroom/in-parliament/oral-replies-to-pqs/Pages/Oral-Reply-to-Parliament-Question-on-Remote-Gambling-by-Mr-Desmond-Lee.aspx>)

¹⁷⁸ Melissa Lin, 'Punters find ways to bet online despite ban', *Straits Times*, 11 October 2016 (<https://www.straitstimes.com/singapore/punters-find-ways-to-bet-online-despite-ban> accessed 6 August 2018)

¹⁷⁹ H2 Gambling Capital, South Africa offshore betting market data

¹⁸⁰ PwC, *Gambling Outlook for South Africa, 2017-2021*, (<https://www.pwc.co.za/en/assets/pdf/gambling-outlook-2017-2021.pdf> accessed 8 August 2018)

¹⁸¹ https://www.kcgp.or.kr/np/recsroom/2/recsroomView.do?curPage=1&MENU_SE_CODE=BBS001006&BBS_SN=10216&SEARCH_CH_PREFIX=BBS008004&SEARCH_LANGUAGE=&SEARCH_TYPE=title&SEARCH_TXT=

¹⁸² Korea University, Primary Survey on Illegal Betting, 2009

¹⁸³ Korea University, Secondary Survey on Illegal Betting, 2012

¹⁸⁴ Chungbuk National University, Third Survey on Illegal Betting, 2016; <https://goo.gl/STRLMn>

Legal/illegal betting market growth rates were generated on a compounded annual growth rate basis from 2005-2017 utilising public source information¹⁸⁵ and internal Hong Kong Jockey Club illegal betting market research.

¹⁸⁵ Hong Kong Jockey Club, *Annual Report*, <http://corporate.hkjc.com/corporate/english/history-and-reports/annual-15-16.aspx> accessed 8 August 2018

Annex 3 – Asian Racing Federation Anti-Illegal Betting Taskforce members

Andrew Harding	Secretary General, Asian Racing Federation Secretary General, ARF Anti-Illegal Betting Taskforce Executive Director Racing Authority, Hong Kong Jockey Club
Martin Purbrick	Chairman, ARF Anti-Illegal Betting Taskforce Director of Security & Integrity, Hong Kong Jockey Club
Thomas Chignell	Racing Integrity & Betting Analysis Manager, Hong Kong Jockey Club
Neil Grimstone	Investigations Manager, New Zealand Racing Integrity Unit
Nathan Hayward	Chief Investigator, Racing New South Wales
Douglas Robinson	Secretary, ARF Anti-Illegal Betting Taskforce Senior Due Diligence & Research Manager, Hong Kong Jockey Club
Tim Robinson	Head of Investigations and Intelligence, Racing Victoria