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United Nations Office on Drugs and Crime

GLOBAL REPORT ON CORRUPTION IN SPORT

ILLEGAL BETTING AND SPORT

9





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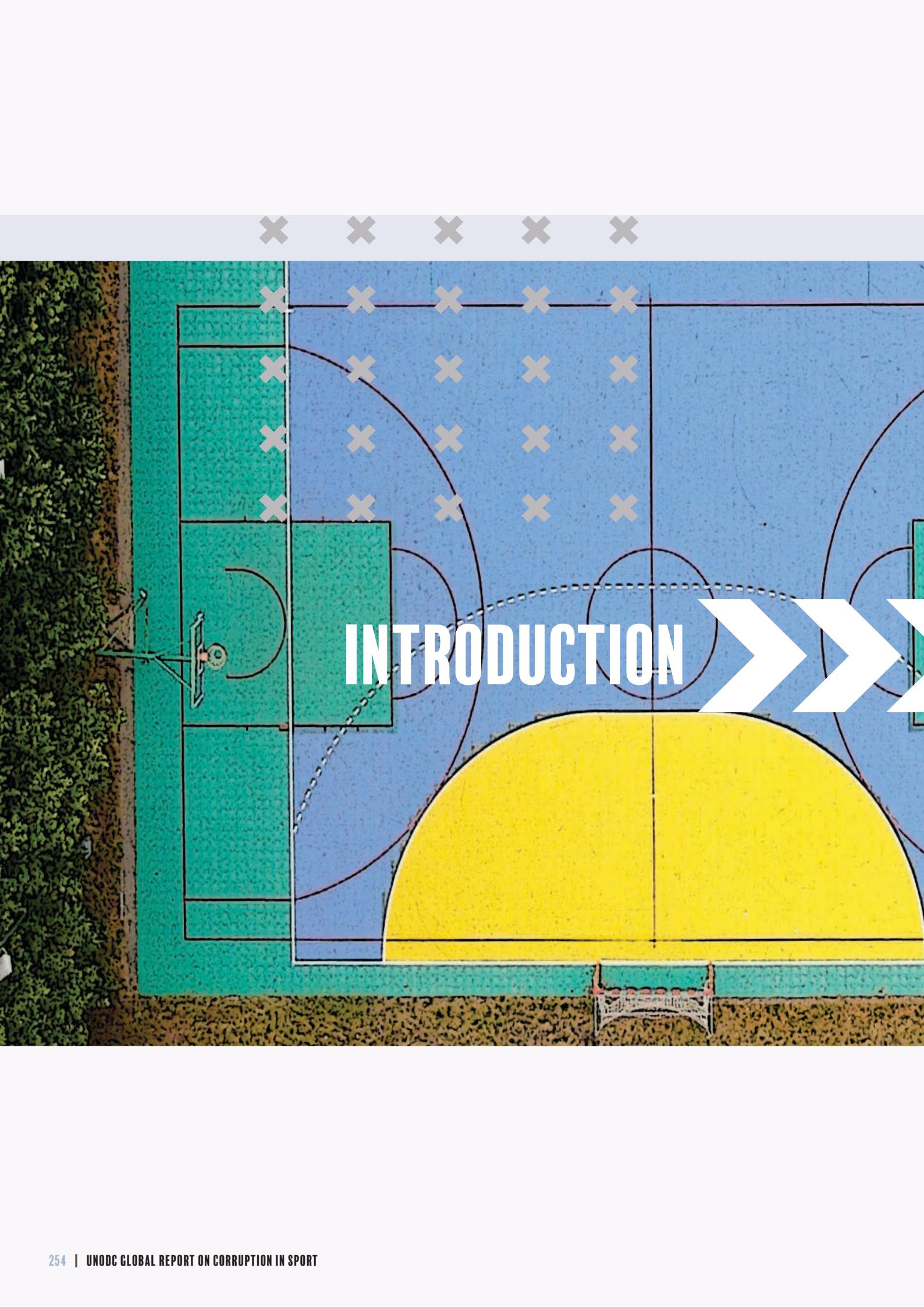
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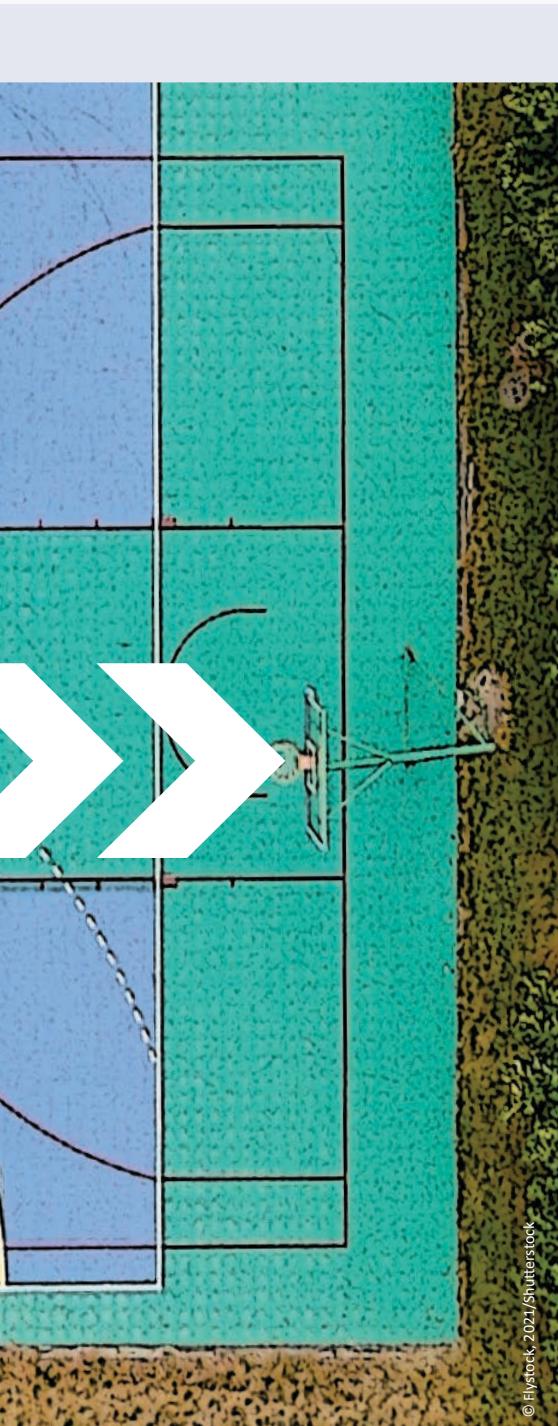
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A photograph of a basketball court. In the foreground, a large yellow basketball is positioned on the court. The court is marked with standard lines and has a green and blue surface. In the background, there are trees and a clear sky.

INTRODUCTION



INTRODUCTION

Illegal betting and the related manipulation of sport competitions are major threats to the integrity of sport and to its nature. The role of illegal betting in sports in money-laundering has become a global problem and the financial scale of the problem is such that illegal betting is not only a major driver of corruption in sport, but also a major channel for money-laundering.

While the clandestine nature of money-laundering makes it difficult to estimate the amount of money that is laundered, the amount laundered globally in one year is estimated to be between \$800 billion and \$2 trillion, equal to between two and five per cent of global gross domestic product (GDP).¹ Hence, government agencies, sports governing bodies, and national and international sports organizations must take a coordinated approach to tackling these threats.

The objective of the section is to give an overview of illegal betting and related issues, in particular money-laundering, and to identify international, regional and national initiatives to tackle these problems. Good practices and case studies are presented in the section, as are policy considerations for Governments and betting regulators.

¹ UNODC, "Money Laundering".

1. >>>

OVERVIEW OF ILLEGAL BETTING AND MONEY-LAUNDERING ISSUES IN SPORT

1.1 KEY CHARACTERISTICS OF LEGAL AND ILLEGAL BETTING MARKETS

1.1.1 LEGAL BETTING MARKET ON SPORTS

The global legal betting market on horse racing and sports in 2020 was estimated to be worth \$40 billion. The largest global market was Asia, where bets worth \$19.6 billion were made, followed by Europe with \$15.2 billion, North America with \$2.3 billion, Oceania with \$1.7 billion, Africa with \$751 million and Latin America with \$335.9 million. The growth of the legal online betting market is attributed to rising Internet penetration, increasing mobile phone use, easier access to online gambling, cultural approval and the significant proliferation of corporate sponsorships and celebrity endorsements.²

Legal sports betting continues to grow as new markets open up. In 2018, the Supreme Court of the United States of America ruled that state governments could authorize commercial sports betting, which had been banned under federal law since 1992.³ The Professional and Amateur Sports Protection Act was initially aimed at outlawing sports betting across all parts of the United States, because of "the harms it [sports betting] inflicts are felt beyond the borders of those States that sanction it."⁴ It was later declared unconstitutional.⁵ By 2020, 18 states had allowed the opening of regulated sports betting markets, leading to legal betting on sports of over \$20 billion in this two-year period alone.⁶ More states are preparing similar reforms.

The strength and scale of the illegal betting market in the United States is indicated by findings from a 2020 survey by the American Gaming Association that showed that 52 per

cent of bettors participate in the illegal market, and that 82 per cent were surprised to learn that they were making bets on illegal betting websites.⁷

The sports that are the most popular for betting are often those that are the most popular with sports fans around the world. In 2020, the most followed sports were football (soccer), basketball, volleyball, tennis, motorsports, cycling, extreme sports, mixed martial arts, badminton, baseball, golf, ice hockey, rugby and cricket.⁸ Naturally, audience levels vary in different countries. For example, in India, 93 per cent of all sports viewers watch cricket,⁹ while in the United States the most viewed sports are American football, basketball and baseball.¹⁰ Betting on sports is strongly linked to the viewing of sports and hence, televised games and events are key to sports-related betting turnover.



Globally, the e-sports audience is estimated to have grown from 281 million viewers in 2016 to 380 million viewers in 2018. The total is forecast to reach 557 million viewers for 2021 and is a lucrative new betting market.

Betting on sport differs according to the sport, depending on if it is a team game or a game between two individual players, or a race or a game of skill. The betting industry provides bet types for all sports, involving people (e.g. football and tennis), animals (e.g. horse racing) and vehicles (e.g. motor-sport). The availability of a range of types of bets is a common feature across both legal and illegal betting markets, although there tend to be more in illegal markets because there are no regulatory restrictions on operators. Some examples of bet types in major sports are as follows:

² H2 Gambling Capital, Global Summaries.

³ Adam Liptak and Kevin Draper, "Supreme Court ruling favors sports betting", *New York Times*, 14 May 2018.

⁴ Bill Bradley, "The Professional and Amateur Sports Protection Act: policy concerns behind Senate Bill 474", *Seton Hall Journal of Sport Law*, vol. 2, No. 5 (1992).

⁵ *Murphy v. National Collegiate Athletic Association*, 138 S. Ct. 1461 (2018).

⁶ David Purdum, "Sports betting's growth in U.S. 'extraordinary'", *ESPN*, 14 May 2020.

⁷ American Gaming Association, "2020 Survey of American Sports Bettors", 21 July 2020.

⁸ The Nielsen Company, "How the world's biggest sports properties engaged fans in 2020" (2021).

⁹ Broadcast Audience Research Council (BARC) India, "Cricket in India: it's not just a game", *THINK Newsletter* 2019.

¹⁰ Jim Norman, "Football still Americans' favorite sport to watch", *Gallup News*, 4 January 2018.

FIGURE I. EXAMPLES OF TYPES OF BETS THAT CAN BE PLACED IN FOOTBALL, TENNIS AND HORSE RACING

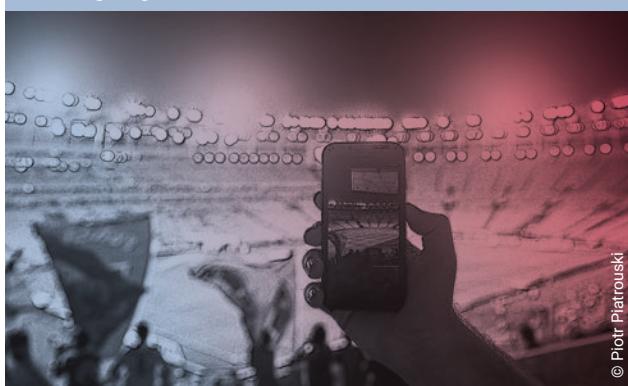
	FOOTBALL	TENNIS	HORSE RACING
BET TYPE	<ul style="list-style-type: none"> » Team A wins » Team B wins » Draw (tie) » Half-time score » Full-time score » Both teams score 	<ul style="list-style-type: none"> » Match winner » Tournament winner » Set winner » Set correct score » Total tie breaks » Most aces served » Total double faults 	<ul style="list-style-type: none"> » Win » Place (1st, 2nd or 3rd) » Quinella (1st and 2nd, any order)

These are just a few examples of the many different bet types available on sports. Betting operators around the world constantly update their betting products to attract customers. While legal betting operators usually abide by regulations with regard to the variety of betting markets and bet types they can offer in territories where those regulations exist, illegal operators do not.¹¹

COURTSIDING

Courtsiding is when a spectator at a match or a game relays details of the match or the game instantaneously to overseas betting entities, which may take advantage of the information and slightly delayed broadcasting times to manipulate betting markets to their advantage.

Notably, while several sports prohibit courtsiding at events (e.g. tennis, cricket and basketball), the legal debate over whether courtsiding is influencing a “betting outcome” and as such should be made illegal is ongoing.



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1.1.2. CHARACTERISTICS OF ILLEGAL BETTING

Integral to understanding the impact of illegal betting is its definition, which, in common with other transnational crimes, is not consistent or universally agreed upon. However, in order to bring more clarity to the definition of illegal betting, the following categorizations can be used to describe sports betting activity:

- a. White market: betting operators licensed to operate in all jurisdictions in which they take bets
- b. Grey market: betting operators licensed in at least one jurisdiction but take bets in areas where the betting product is illegal
- c. Black market: unlicensed betting operators that operate in multiple jurisdictions and can be understood as a form of transnational organized crime

While illegal betting takes place in both grey and black markets, the licensing framework for grey market operators is often opaque. Notably, over the last 20 to 30 years, a licensing system has developed in which several jurisdictions provide a licence for online betting operators, which is used by many operators to justify their online cross-border business.

The licensing system for gambling entities that operate globally on the Internet lends itself to abuse by unlicensed operators, which claim to be licensed by a jurisdiction. This situation illustrates why the regulation of Internet-based gambling requires a cross-State approach in order to be effective. With so many online betting operators taking bets in multiple jurisdictions, it is increasingly difficult to determine which are legal and which are not, except from the narrow position of whether the operator is licensed in the jurisdiction where the point of sale takes place.

¹¹ Asian Racing Federation, *Good Practices in Addressing Illegal Betting: A Handbook for Horse Racing and Other Sports to Uphold Integrity* (January 2021), e-book.

"A betting operator licensed in one jurisdiction (for example the Philippines or Malta), 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."

Illegal betting operators are subject to none of the anti-money-laundering oversight measures present in the legal betting or financial industries (notably some of these measures are used by transnational organized criminal groups to make proceeds of crime appear to be profits from licensed betting operations). For example, in 2015, police in Italy took action against an organized crime syndicate that used a network of 1,500 betting shops, 82 Internet sites and eleven gambling companies in Austria, Malta, Romania and Spain as a front for money-laundering.¹²

1.1.3 GROWTH OF ILLEGAL BETTING ON SPORTS

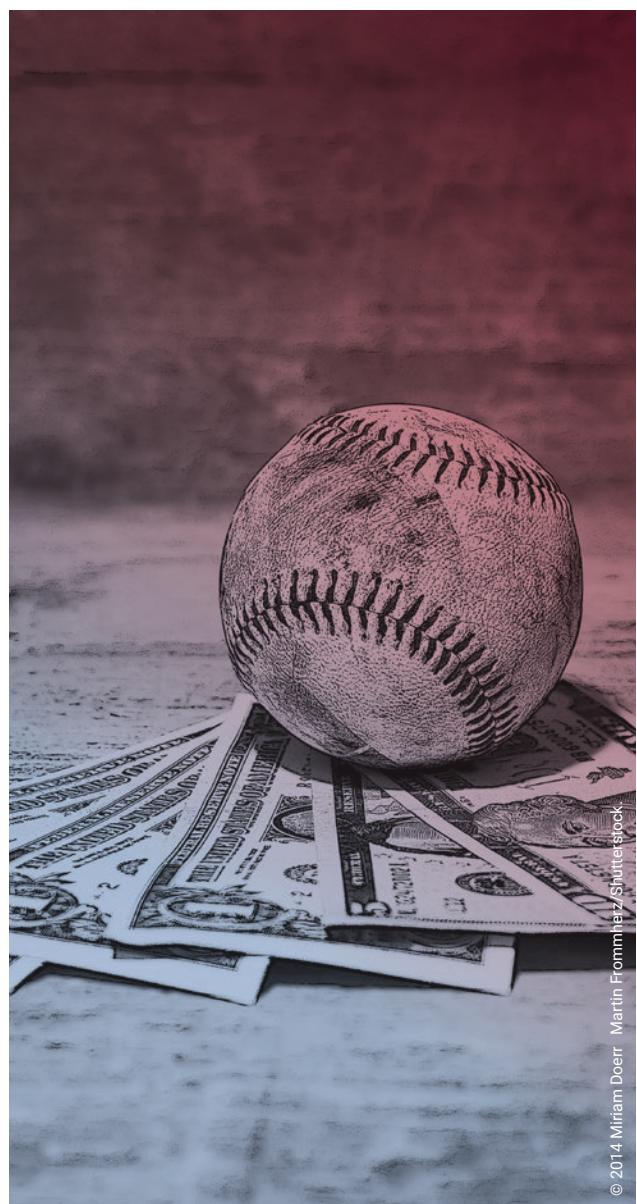
Over the past two decades, illegal online betting has expanded as a result of the massive growth in Internet use, the globalization of sports viewing and the consequent popularity of betting on sports in countries with limited legal gambling industries.

The Internet has allowed the operators of online gambling platforms to reach larger audiences in locations where gambling is considered illegal. The operators often exploit existing political or legal situations to strategically host online gambling platforms in these locations where they cannot be easily spotted by local authorities. Gambling interfaces, which could act as proof of illegal activity, are often placed behind doorways and access has to be manually provided through an agent, which performs the additional verification of potential customers. This illegal activity includes money-laundering through betting by abusing services provided by bookmakers, the selling of compromised accounts of sports and bookmaker companies, the hacking of prominent betting operators to gain competitive intelligence and the running of independent illegal betting operations online.¹³

Further to this, public forums, underground forums and social media and messaging platforms are playing a significant role in the globalization of illicit activities, including competition manipulation and illegal betting. Forums and

social media platforms are mostly used for discussions and promotions of services and initial contacts, while messaging platforms are used for private peer-to-peer communication, invite-only group discussions and real-time betting.

The use of cryptocurrencies and cryptocurrency mixing services in the context of illegal betting are also an emerging issue. They offer a reliable and almost untraceable international money transfer mechanism that can be used for betting purposes, as many betting sites now accept cryptocurrencies as a form of payment.



¹² Caroline Muscat and Matthew Xuereb, "Malta gaming firms at centre of Mafia probe", *Times of Malta*, 23 July 2015.

¹³ Daniel Lunghi and others, *Uncovering DRBControl: Inside the Cyberespionage Campaign Targeting Gambling Operations*, Trend Micro Research (2020).

1.2 THE RELATIONSHIP BETWEEN MONEY-LAUNDERING AND ILLEGAL BETTING ON SPORTS

The threat posed to sports by illegal betting is amplified by the increasing amount of money-laundering that is associated with this illicit activity. Estimates about the scale and scope of illegal betting vary, with some estimating that up to \$140 billion is laundered through sports betting every year¹⁴ and that the amount wagered on illegal betting markets is between \$340 billion and \$1.7 trillion.

Further to this, the Asian Racing Federation (ARF) has stated that "the illegal sports betting market is at least as big as the legal market in terms of margin (the portion of wagers kept by the bookmaker, i.e. customers' losses)" and that "it is estimated that as many as 80% of sports and racing bets worldwide are made illegally." Given the scale of illegal betting turnover, the industry is highly attractive to transnational organized criminal groups as means of money-laundering.

To combat this problem, it is vital to understand the nature of money-laundering relating to illegal betting from a criminal justice perspective, including the role played by transnational organized crime.

Money-laundering risks relating to casino gambling are generally well understood and many jurisdictions have anti-money-laundering programmes to minimize this risk.¹⁵ However, in many jurisdictions, particularly in offshore tax havens, such anti-money-laundering oversight is absent or ineffectual.

The huge growth in online illegal betting has been accompanied by a significant rise in money-laundering. The efficiency of online illegal betting allows it to be used as a vehicle for laundering money. Europol has stated that the "widespread use of cash couriers, money service businesses and increasingly e-wallets payment service providers are used to transfer the proceeds of crime linked to sports corruption cases and to fuel online betting accounts for large-scale competition manipulation".¹⁶

Illegal betting can be used as a vehicle for money-laundering using the following approaches:¹⁷

- » The depositing of proceeds of crime into a betting account and the withdrawal of funds as winnings, with a commission deducted by the betting operator
- » The establishment of an offshore company, either directly or through associates, its application for an online betting licence from a loosely regulated jurisdiction, and the laundering of proceeds of crime through the online illegal betting website, as well as the commingling of any legitimate profits, which are returned to the banking system
- » The establishment of an online illegal betting website without a licence, with the website taking no public bets but being used for the placement of proceeds of crime and the subsequent distribution of funds to others
- » Collusion with professional gamblers, whereby gamblers bet proceeds of crime on online betting websites, retaining a commission, before returning winnings
- » The depositing of proceeds of crime into an e-wallet, which is then used to transfer money into an online gambling account, with the winnings deposited back to the e-wallet for use for other online transactions

1.3 USE OF ILLEGAL BETTING ON SPORTS BY ORGANIZED CRIME GROUPS

Illegal betting markets are attractive for organized crime groups for the purpose of betting-related competition manipulation and money-laundering because of the greater anonymity, greater liquidity and better return on investment that they offer.

Europol stated that "Asian criminal syndicates are an "engine" of match-fixing. This is particularly due to the fact that approximately 65 per cent of the worldwide betting market is in Asia, in both regulated and unregulated or illegal sectors (the latter is reportedly ten times larger than the former)".¹⁸

While the major betting markets are in Asia, the organized criminal groups involved in money-laundering and corruption in sport are located around the world.

Criminals are involved in illegal betting on sports not only to launder gains from other criminal activity,¹⁹ but also because

¹⁴ Christian Kalb and Pim Verschuuren, *Money Laundering: The Latest Threat to Sports Betting?* (Paris, IRIS Editions, 2013).

¹⁵ "With the exception of casinos, and following an appropriate risk assessment, Member States (EU) may decide to exempt, in full or in part, providers of certain gambling services from national provisions transposing this Directive on the basis of the proven low risk posed by the nature and, where appropriate, the scale of operations of such services" (Art. 2, para. 2, Directive (EU) 2015/849).

¹⁶ Europol, *The Involvement of Organised Crime Groups in Sports Corruption* (August 2020).

¹⁷ Moneyval, *The Use of Online Gambling for Money Laundering and the Financing of Terrorism Purposes* (April 2013).

¹⁸ Ibid.

¹⁹ Fausto Martin De Sanctis, *Football, Gambling, and Money Laundering: A Global Criminal Justice Perspective* (Cham, Springer, 2014).

the return on investment is consistently very high. The operation of illegal betting on sports and other gambling platforms generates a high rate of return for organized crime groups because overhead costs are very low and the risks involved are far lower than compared to other serious criminal activity, such as drug trafficking.

Organized crime groups also increasingly exploit, especially in Europe, regulated betting operators by coordinating large betting activities in multiple countries with the extensive use of "betting mules". Betting mules are used to create multiple online betting accounts (up to thousands), using identity theft, in order to comply with the limited staking limits imposed by regulated betting operators. The betting mules are then used to bet on manipulated matches. Alternatively, organized crime groups may take direct ownership of these operators ("criminally controlled gambling operators"), using them for money-laundering purposes.

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Organized criminal groups in Asia are central to the global growth of illegal betting on sports and related corruption. Such is the scale of illegal betting markets in Asia and the financial returns on offer that organized crime groups in Europe also make use of this network. In addition, the multi-layered nature of Asian betting markets, which operate according to a pyramid structure (from the apex: bookmakers, super master agents, master agents and basic agents, with each level providing credit to the next one down), provides cut outs and anonymity for customers.²⁰ This diverse and complex structure is another major factor in the facilitation of money-laundering.

²⁰ Europol, *Involvement of Organised Crime Groups*.

1.4 CRYPTOCURRENCY AND ILLEGAL BETTING

Cryptocurrencies are based on blockchain technology, which is a decentralized ledger of all transactions across a peer-to-peer network, through which users can confirm transactions without the need for a bank to clear them.

Cryptocurrencies are increasingly popular for use in online betting. As a cryptocurrency is both secure and a form of electronic cash, it is ideal for use in online transactions. However, as cryptocurrencies can be used in peer-to-peer transactions without the involvement of a bank, there are significant risks relating to anonymity and how this enables transactions to be used for illegal purposes. Although the value of cryptocurrencies has fluctuated hugely, as established banks become more involved in facilitating the purchase of cryptocurrencies, there is growing confidence in their use for online betting. Instant peer-to-peer payment systems, also known as P2P payments or money transfer apps, which work with over hundreds of financial institutions, can be used to buy Bitcoin, which can be transferred to an account with a sports betting operator.

These systems allow anonymity, because they can be used across the Internet and therefore on a global scale, and because they have complex infrastructures involving multiple entities that leaves anti-money-laundering responsibilities unclear.²¹

In February 2020, the Asian Football Confederation and Sportradar reported that traditional payments from financial institutions and wire transfers were increasingly being made using cryptocurrencies.²²

The use of cryptocurrencies to facilitate illegal betting payments and related money-laundering has been reported in China. In October 2020, 77 people were arrested for using Tether, a cryptocurrency linked to the value of the United States dollar, in cross-border transactions to launder gambling proceeds worth nearly 120 million yuan.²³ It was reported that most of the Tether transactions were made on Huobi, a Seychelles-based cryptocurrency exchange, and that illegal online gambling sites were using gamblers' funds to buy Tether on Huobi and then selling the cryptocurrency, thus laundering the funds into legitimate cash accounts.²⁴

²¹ Financial Action Task Force (FATF), *Virtual Currencies: Key Definitions and Potential AML/CFT Risks* (Paris, 2014).

²² Reuters, "Asia sees sharp decline in match-fixing says AFC" 14 February 2020.

²³ Zhang Yuzhe and Denise Jia, "How illegal online gambling launders \$153 billion from China", Caixin, 21 December 2020.

²⁴ Ibid.

CASE STUDY: CRYPTOCURRENCIES AND BETTING IN MALTA

The Malta Gaming Authority (MGA) launched the first phase of the *Guidance on the use of Innovative Technology Arrangements and the acceptance of Virtual Financial Assets and Virtual Tokens through the implementation of a Sandbox Environment* (the Sandbox Framework) in January 2019. By means of the first phase, licensed gaming operators were enabled to accept cryptocurrencies as a means of payment. This was followed by the launch of the second phase in September 2019, which allowed operators to make use of other innovative technology arrangements, including distributed ledger technology platforms and smart contracts. MGA aimed to address the risks that are inherent to cryptocurrencies by listing specific requirements in the Sandbox Framework.



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2. >>>

EXAMPLES OF INITIATIVES ON TACKLING ILLEGAL BETTING ON SPORT

In 2020, at the Conference of States Parties to the United Nations Convention against Corruption, Governments were invited to provide information on initiatives and practices to address corruption in sport and to support the implementation resolution 8/4 on safeguarding sports from corruption. In addition to the responses received related to tackling illegal betting on sport, data from official sources and academic journals, studies and articles are also used in this section.

While no region is immune to the problem of illegal betting, available evidence suggests that Asia-Pacific States are particularly affected by both the supply of and demand for this type of illicit activity. It is also strongly suspected that illegal betting is a growing problem in African States and Latin American and Caribbean States, however, information on related trends and developments is limited.

2.1 ASIA-PACIFIC STATES

Many major illegal betting operators are based in Asia, where there is a large customer base in countries where a limited number of or no legal betting products are available.²⁵ Illegal online betting on sports has also been driven by the massive expansion of the customer base in Asia, which has led to the growth of illegal online betting operators in the region, which have then expanded their business to markets in the rest of the world.

The growth of illegal online betting on sports in Asia is attributed to a number of related factors. Firstly, between 2002 and 2007, most countries in Asia experienced significant economic growth. For example, Indonesia, Malaysia, the Philippines, the Republic of Korea, Singapore and Thailand, and Hong Kong, China all recorded average annual GDP growth of over 5 per cent, while India posted growth of 7.3 per

²⁵ Anti-Illegal Betting Taskforce, Asian Racing Federation, "Illegal betting in an Asian context", White Paper, September 2018.

cent and China of 10.5 per cent.²⁶ This growth led to a corresponding increase in disposable income for a large number of people across the region, giving them more money to spend on betting, which is a popular recreational pursuit.

Secondly, mobile Internet access in Asia grew hugely after 2000, again largely as a result of the increase in disposable income. In 2000, the total number of people in Asia with Internet access was estimated at 114 million; by mid-2021, it had risen to almost 2.8 billion.²⁷ This provided illegal online betting operators with a platform to deliver their betting products to customers. In addition, televised European

football, in particular games from the English Premier League, has become widely popular in the region, creating a fan base of hundreds of millions.

CHINA

In Hong Kong, China, the primary legislation governing betting on sporting events and gambling is the Gambling Ordinance, which dictates that gambling is unlawful unless the act falls within one of the exemptions under the statute.²⁸ The only licenced betting on sport permitted in the jurisdiction is through the Hong Kong Jockey Club, which provides betting on horse racing and football.

CASE STUDY: CASINO JUNKET OPERATIONS IN MACAU, CHINA AND LAW ENFORCEMENT ACTION ON ILLEGAL BETTING AND RELATED MONEY-LAUNDERING

Casino junket operations in Macau, China are used for the laundering of illicit funds, which are estimated by the Macau University of Science and Technology to total at least \$202 billion every year.

Casino junket operations in Macau, China allow customers to gamble in casinos. In Macau, China, there are six licenced casino operators, which sub-let rooms in casinos to VIP room promoters, who are junket operators. These junket operators have a network of agents that find customers, check their credit, give credit for gambling and collect debts. This activity can be legally problematic because gambling is largely illegal in China and the collection of gambling debts is not legally enforceable. Hence, junket operations and their agents exist in a grey area of gambling debt collection.

Casino junket operators have been reportedly involved in illegal betting for many years, either through the provision of bet settlement for customers or by directly operating online betting websites.

Casino junket operations in Macau, China provide an ideal channel for the laundering of illicit funds, estimated by the Macau University of Science and Technology to amount to at least 1.57 trillion Hong Kong dollars every year. The transfer of funds from junket operations is disguised as bona fide casino winnings or as unrelated payments between clients and junket debt collectors in China. In this regard, junket operations in Macau, China not only transfer casino gambling debts out of China, but also facilitate the transfer of other illicit funds as part of a money-laundering service.

The authorities in China have become aware of the extent of this activity and since 2019, there has been a crackdown on underground bank fund transfers and cross-border illegal betting, as well as authority-led criticism of junket operations in Macau, China. This has led the junket operations in Macau, China to diversify their operations, expanding into other parts of Asia, which has enabled them to operate informal fund transfer systems on a wider scale. The largest casino junket operations from Macau, China now have operations in Australia, Cambodia, Myanmar, the Philippines, the Republic of Korea and Viet Nam.

The expansion of these junket operations across Asia has been widely reported. In December 2020, law enforcement officers in Macau, China arrested four people for alleged involvement in running cross-border casinos in South-East Asia and maintaining online gambling websites, which were believed to have generated profits of at least 100 million Macau Pataca (\$12.5 million). The suspects had put together a family-style online betting syndicate based in China and Macau, China, and had attempted to hide the activity of the syndicate by masquerading as technology and advertising companies in Zhuhai, China and Macau, China. It is believed that the group had assisted other criminal groups in South-East Asia, including ones in Cambodia and Thailand, in setting up gambling websites. It is alleged that the group provided daily maintenance services for several illegal gambling websites, including those impersonating gaming operators from Macau, China.

This raid on the illegal betting websites is the latest in a series of actions by law enforcement to crackdown on illegal gambling in Macau, China. As of November 2020, 125 websites linked to illegal gambling or fraud had been identified. However, local police had been able to act against only 97 websites because the rest were hosted overseas and beyond the reach of the local authorities.

²⁶ Yiping Huang and Bijun Wang, "From the Asian Miracle to an Asian century? Economic transformation in the 2000s and prospects for the 2010s", Reserve Bank of Australia, Conference – 2011.

²⁷ Internet World Stats, Usage and Population Statistics, "Internet 2021 Usage in Asia".

²⁸ Gambling Ordinance, [17 February 1977], L.N. 44 of 1977.

THE PHILIPPINES

The Philippines has been a hub for online betting operators in Asia for over two decades. Online gambling licences were first issued in the northern province of Cagayan but were later centralized under the Philippine Amusement and Gaming Corporation (PAGCOR). On 1 September 2016, with government approval, PAGCOR approved regulations that gave them the authority to issue licences to offshore online betting operators.

The Philippines Anti-Money Laundering Council has also warned of an “increasing level of threat to money laundering and other fraudulent activities” in the country’s online gaming industry as a result of unregulated and unsupervised service providers.²⁹

The reason for introducing this type of licence is to curb illegal online betting in the country, ensuring online games are properly regulated. Applicants for the new Philippine Offshore Gaming Operators licence are required to pay a \$50,000 processing fee on application for an e-casino licence and \$40,000 for a sports betting licence.³⁰ On approval, applicants pay another \$200,000 for an e-casino licence and \$150,000 for a sports betting licence.³¹ Licensees are only allowed to accept bets from bettors based outside of the territorial jurisdiction of the Philippines.³²



²⁹ Republic of the Philippines, Anti-Money Laundering Council, “Understanding the internet-based casino sector in the Philippines: a risk assessment”, March 2020.

³⁰ Doris Dumlao-Abadilla, “Pagcor rolls out offshore gaming”, Philippine Daily Inquirer, 14 September 2016.

³¹ Ibid.

³² Ibid.

The popularity of Philippines Offshore Gaming Operators licence, with licensees now numbering around 60, has led to the country becoming a centre for online gambling, attracting around 100,000 Chinese nationals to work in the industry.³³ Although the regulations stipulate that customers must be located outside of the Philippines in jurisdictions where online gambling is allowed, it is estimated that over 90 per cent of customers are in China, where it is illegal to bet online.³⁴

2.2 EASTERN EUROPEAN STATES, WESTERN EUROPEAN AND OTHER STATES

The popularity of betting is also on the rise in Europe. For instance, in the United Kingdom, a gross gambling yield of 14.3 billion pounds sterling was generated between October 2018 and September 2019, with a large amount of revenue from online gambling.

There is no specific European Union legislation on sports betting. European Union member States are responsible for drawing up their own gambling laws, as long as this legislation does not infringe upon the freedoms to provide services or to open a business in another country in the European Union.

AUSTRALIA

The Government of Australia has a national policy on competition manipulation that articulates the roles of government departments, sports organizations and the betting industry, and commits to nationally consistent legislation with regard to competition manipulation.

In Australia, online gambling, which includes sports betting, is regulated at the federal level by the Interactive Gambling Act 2001, which is used to set the general online gambling policy for the country. Australian states and territories individually regulate online gambling in their jurisdictions in accordance with the principles set out in the Interactive Gambling Act 2001. The federal law makes it illegal for gambling providers to offer online casinos, in-play sports betting, sports betting services that do not have an Australian licence and betting on the outcome of a lottery.³⁵

³³ Julie Zaugg, “Philippines casinos catering to illicit Chinese gamblers are causing kidnappings and chaos in Manila”, CNN, 15 June 2020.

³⁴ Ibid.

³⁵ Australian Communications and Media Authority (ACMA), “About the Interactive Gambling Act”.

The Australian Criminal Intelligence Commission (ACIC), the national criminal intelligence agency for Australia, reported in 2019 that: "Several international organised crime groups are direct owners of online bookmakers. Multiple opportunities exist for domestic and international criminals to utilise online bookmakers to launder proceeds of crime and profit from the corruption of sporting and racing events. This includes the capacity to bet large amounts of money anonymously through offshore bookmakers."³⁶ ACIC collaborates with other Australian law enforcement agencies, international law enforcement agencies and international organizations to combat organized crime involvement in illegal betting on sports and related money-laundering.

The Victoria State Police has operated a Sporting Integrity Intelligence Unit since 2013. It was formed to investigate allegations of organized crime in sport and money-laundering through gambling markets. The Unit has conducted successful investigations into betting-related corruption in football, tennis and horse racing, and conducts intelligence and deterrence work to prevent sports corruption in Victoria.³⁷

The Review of Australia's Sports Integrity Arrangements³⁸ recommended the development of the Australian Sports Wagering Scheme to streamline current processes and provide clarity, transparency and consistency of the sports wagering regulatory system at the national level. Following a thorough consultation process with key stakeholders, including sports organizations, wagering service providers and state and territory regulators, the Government indicated that it would work towards the development of an appropriate model for streamlined regulation.

CURAÇAO

Curaçao, a territory of the Netherlands, started to issue online e-gaming licences in 1996. A single licence can cover multiple forms of interactive online gambling, including casinos, sports betting, exchanges and lottery.³⁹ The low cost of the licence, at 25,000 euros, and the status of the territory as an offshore financial centre, make Curaçao an attractive base of operations for online betting companies.

This situation is changing as the Government of the Netherlands has reached an agreement with the Government of Curaçao for the latter to confront financial and economic crime, including

³⁶ Australian Criminal Intelligence Commission, *Organised Crime in Australia 2017* (2017).

³⁷ Kieran Murnane and James Moller, "On the frontline: the role and operations of the Victoria Police Sporting Integrity Intelligence Unit", in *Match-Fixing in Sport: Comparative Studies from Australia, Japan, Korea and beyond*, Stacey Steele and Hayden Opie, eds (Abingdon, Routledge, 2018), pp. 187–203.

³⁸ Australian Government Department of Health, "The Review of Australia's Sports Integrity Arrangements".

³⁹ Curacao Egaming, "Packages".

better regulation of online gambling. As part of the agreement, the Government of Curaçao has agreed to ensure that its online gambling licencees act in accordance with the laws and regulations of the countries that they target.⁴⁰

MALTA

Malta has a three-tier framework of gambling legislation based on the Gaming Act (2018), regulations published by the ministry responsible for gaming and directives for licensees and rules published by the Malta Gaming Authority (MGA). MGA regularly publishes notices stating that they are not connected to certain online gambling entities and that any reference to MGA and/or gaming licence/s said to be issued by the Authority, as stated by those entities, are false and misleading. The investigations function within the Compliance Directorate of MGA is primarily responsible for investigating matters of a suspicious nature, which include illegal gaming, fraud and other breaches relating to the relevant gaming laws and regulations falling under the remit of the Authority. Many of the cases usually revolve around gaming operations performed to or from Malta or through a Maltese legal entity, without the relevant authorizations. The Anti-Money Laundering Supervisory Unit was set up in 2018⁴¹ and was tasked with the carrying out of supervisory examinations to ensure that gaming licence holders have the necessary policies, measures, controls and procedures in place and that these are effectively being implemented to prevent their businesses for being misused for money-laundering purposes.

UNITED KINGDOM OF GREAT BRITAIN AND NORTHERN IRELAND

The Gambling Commission of the United Kingdom has published guidelines for licence applicants with regard to the use of crypto-assets and blockchain technology as a currency for gambling or to fund a gambling business.⁴² In November 2020, the Bitcoin-based online casino Peergame announced that it had received an e-liscence from the Curacao Gambling Commission that allows customers to place bets directly from their Bitcoin wallets,⁴³ following in the footsteps of others such as sportsbet.io and bicasino.io.

The Gambling Act of 2005, the basis for all gambling regulation, is presently (2021) being reviewed by the Government of the United Kingdom.

⁴⁰ Steven Stradbrooke, "Curacao to rein in online gambling after Netherlands withheld pandemic bailout", CalvinAyre, 11 November 2020.

⁴¹ Christopher Formosa, "The Malta Gaming Authority sets up a new Anti-Money Laundering Supervisory Unit", Malta Gaming Authority, 13 February 2018.

⁴² Gambling Commission, "Blockchain technology and crypto-assets".

⁴³ Derek Tonin, "Peergame receives world's first Bitcoin SV gambling license from Curacao", CalvinAyre, 13 November 2020.

ISLE OF MAN

The Isle of Man, which is a British Crown dependency, introduced legislation specifically designed to benefit gambling and e-gaming firms in 2001. Online gambling licence holders are regulated by the Gambling Supervision Commission, which provides a regulatory service for licence holders that agree to not take bets from customers in the United Kingdom. In addition to the United Kingdom, there are a limited number of other locations from which bets cannot be taken, but licence holders are free to take bets from everywhere else.

SWITZERLAND

The Federal Gaming Commission is the supervisory authority for casinos. It monitors compliance with casino law and licensing regulations. It is also responsible for prosecuting illegal gambling, by blocking access to illegal online offers and by prosecuting criminal offences involving illegal gambling. The Swiss Gambling Supervisory Authority aims to ensure that players in Switzerland can participate in lotteries, sports betting and skill-based games in a safe and socially responsible manner.

UNITED STATES OF AMERICA

One of the priorities of the Federal Bureau of Investigation (FBI) is to investigate organized crime groups that operate illegal sports betting operations and to disrupt and dismantle these operations. The FBI recognizes that organized crime groups operate illegal betting on sports and use revenue from this activity to fund other criminal activities. In 2015, the then Assistant Director of the FBI pointed out that "in the age of the Internet, what used to be a crime conducted by local bookies on street corners can now operate as an international criminal enterprise."⁴⁴

Legitimate licensed sports betting operators are increasingly working to comply with betting laws and regulations and anti-money-laundering regulations, following know-your-customer guidelines and carrying out transaction monitoring and suspicious transaction monitoring. This activity is being driven by the increasing growth and globalization of the sports betting industry.

⁴⁴ Joseph S. Campbell (Assistant Director, Criminal Investigative Division, Federal Bureau of Investigation), "Law enforcement implications of illegal online gambling", Statement before the House Committee on Oversight and Government Reform, Washington, D.C., 9 December 2015.

2.3 RELATED UNITED NATIONS INITIATIVES AND INITIATIVES OF OTHER ORGANIZATIONS

INTERNATIONAL ORGANIZATIONS

In 2016, as a result of the work of Operation SOGA, coordinated by the International Criminal Police Organization (INTERPOL) since 2007⁴⁵, around 4,000 raids were conducted on illegal gambling operators, which handled bets worth \$649 million in China, France, Greece, Italy, Malaysia, Singapore, Thailand and Viet Nam.⁴⁶ Further to this, INTERPOL has also launched Operation HAECHI, a three-year project to tackle cyber-enabled financial crime, including money-laundering associated with illegal online gambling, supported by the Republic of Korea.⁴⁷

The UNODC Programme on Safeguarding Sport from Corruption and Crime is aimed at tackling corruption in sport. Notably, UNODC recognized irregular and illegal betting as a key risk leading to competition manipulation in its 2013 publication, *Criminalization Approaches to Combat Match-fixing and Illegal/Irregular Betting: A Global Perspective*. UNODC has also contributed to the work of the Asian Racing Federation Council on anti-illegal betting and related financial crime. Since 2019, UNODC has included the issue of illegal betting in its capacity-building and awareness-raising workshops and its international conferences held in Vienna.

Since 2011, the European Union Agency for Law Enforcement Cooperation (Europol) has been assisting law enforcement authorities in the European Union with the analysis of data from investigations into corruption in sport. Europol has established the Analysis Project Sports Corruption to coordinate action against corruption in sport. Europol has stated that "online betting is increasingly used by organised crime groups to manipulate sports competitions and criminals usually target lower-level competitions across different sports, with football and tennis the most targeted sports by criminal networks."⁴⁸

SPORTS AUTHORITIES

In 2011, IOC established the Working Group on Irregular and Illegal Betting in Sport to strengthen cooperation on corruption between sports organizations, Governments and betting agencies, with a focus on action in the areas of education, monitoring and legislation and regulations. The work of the

⁴⁵ INTERPOL, "INTERPOL helps smash illegal soccer gambling networks across Asia", 23 November 2007.

⁴⁶ INTERPOL, "More than 4,100 arrests in INTERPOL-led operation targeting Asian illegal gambling networks", 18 July 2016.

⁴⁷ INTERPOL, "Asia: USD 83 million intercepted in INTERPOL operation against online financial crime", 27 May 2021.

⁴⁸ Europol, "How are organised crime groups involved in sports corruption?", 5 August 2020.

Group led to the foundation of the IOC Integrity Betting Intelligence Systems (IBIS) in 2014. Through IBIS, regulators and operators provide alerts and relevant information on potential manipulation connected to sports betting on sports events.⁴⁹

A statutory objective of FIFA is to "to promote integrity, ethics and fair play with a view to preventing all methods or practices, such as corruption, doping or match manipulation, which might jeopardise the integrity of matches, competitions, players, officials and member associations or give rise to abuse of association football." This includes protecting the sport from risks related to illegal (and legal) betting. All officials, referees and players as well as match agents and intermediaries are subject to article 26 of the FIFA Code of Ethics 2020 Edition, which includes the following rules relating to betting:

- » They are forbidden from participating in, either directly or indirectly, betting, gambling, lotteries or similar events or transactions related to football matches or competitions and/or any related football activities.
- » They shall not have any interests, either directly or indirectly (through or in conjunction with third parties), in entities, companies, organizations, etc. that promote, broker, arrange or conduct betting, gambling, lotteries or similar events or transactions connected with football matches and competitions. Interests include gaining any possible advantage for the persons bound by the Code themselves and/or related parties.

People who breach the FIFA Code of Ethics can be subject to an investigation, which can lead to a fine of at least 100,000 Swiss francs and a ban on taking part in any football-related activity for a maximum of three years.⁵⁰

FIFA member associations are formed together into continental confederations. Each confederation has an established integrity unit to oversee integrity issues in their respective jurisdictions. Many member associations, of a total of 211, have already appointed an integrity officer at the national level.

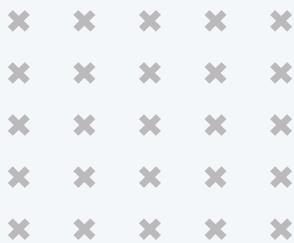
BETTING-RELATED ORGANIZATIONS

Major sports betting operators are cooperating to share betting data with sports organizations with the aim of combating corruption. The role of regulated betting operators in supporting efforts to maintain the integrity of competitions is vital in jurisdictions where effective regulation is in place. Operators have the ability to see account-level information and link bets to individuals. Many regulators require operators to report events over which they have integrity-related concerns as part of their licensing conditions, in a similar way to anti-money-laundering-related concerns. For instance, at the global level, the International Betting Integrity Association (IBIA) is a not-for-profit membership organization that counts many of the world's largest regulated betting operators among its members. IBIA members share sports betting information and report suspicious activity on betting markets. Furthermore, IBIA has information-sharing partnerships with leading sports bodies, including FIFA, UEFA, the International Tennis Integrity Agency (ITIA) and IOC, as well as with gambling regulators.

In 2021, ARF published *Good Practices in Addressing Illegal Betting*, a handbook for horse racing and other sports organizations. The handbook explains the nature of illegal betting and details how horse racing administrators and administrators in other sports can combat illegal betting through the use of betting analysis, intelligence, investigations and engagement with appropriate stakeholders in society. The work of the Foundation continues through the Council on Anti-Illegal Betting and Related Financial Crime, which is a permanent body.

⁴⁹ International Olympic Committee (IOC), "Factsheet: The Integrity Betting Intelligence System (IBIS)", 23 February 2020.

⁵⁰ Fédération Internationale de Football Association (FIFA), *FIFA Code of Ethics. 2020 Edition* (Zürich, 2020).



CONCLUSION AND POLICY CONSIDERATIONS



CONCLUSION

The volume of bets made on illegal and unregulated betting markets is such that it is highly attractive to transnational organized crime groups as a means of money-laundering. Such groups are also attracted to illegal betting as it offers greater anonymity, greater liquidity and can produce good returns on the money that they invest.

Illegal betting is a major driver of corruption in sport and has a direct relationship with the manipulation of sports competitions. Illegal betting takes place in both grey and black markets and the licensing framework for grey-market operators is often opaque, especially in the context of online betting platforms and jurisdictions offering bets on events taking place in other jurisdictions.

Available evidence suggests that Asia is particularly affected by illegal betting, both in terms of the supply of and demand for this type of illicit activity. It is also strongly suspected that illegal betting is a growing problem in Africa and South America, however, information on related trends and developments is limited.

POLICY CONSIDERATIONS

Governments can strengthen detection and reporting of illegal betting on sport and related money-laundering by:

- » Establishing national platforms and contact points for international cooperation with sports governing bodies and other key stakeholders, including law enforcement agencies and licensed betting operators, to combat illegal betting on sports
- » Ensuring national legislation includes laws that appropriately criminalize illegal betting and related manipulation of sport competitions, including obliging betting operators that offer betting on sports events to report instances of suspicious betting to regulators
- » Enhancing the capacities of relevant authorities, through training and allocation of adequate resources, in order to detect, investigate, prosecute and sanction those involved in illegal betting on sport

- » Developing regulations that require licensed betting operators to publish an official list of shareholders, parent companies and subsidiaries, to make clear the identity of their owners
- » Encouraging law enforcement agencies responsible for acting on illegal betting on sport to seek cooperation with operators of Internet payment systems in order to identify transactions that are suspected to be related to illegal betting
- » Encouraging relevant law enforcement and criminal justice authorities to consider illegal betting activities that involve laundering proceeds from illegal and criminal activity as dealing with the proceeds of crime
- » Encouraging Governments, gambling regulators and sports governing bodies to cooperate with Internet service providers in order to request these providers, where appropriate, to identify, block and remove illegal betting websites from the Internet and to report the situation to relevant law enforcement and criminal justice authorities

Betting regulators can strengthen frameworks to combat money-laundering and illegal betting on sport by:

- » Establishing anti-money-laundering units to encourage an enhanced holistic view of licensed gaming operators from a supervisory and monitoring perspective
- » Ensuring that anti-money-laundering controls include the following:
 - Anti-money-laundering requirements that follow Financial Action Task Force guidelines
 - The banning of the use of anonymous payment processing firms by betting operators
 - The recording of customer identification and betting data
 - The reporting to financial crime authorities of (a) suspicious transactions and (b) when a certain large bet threshold has been breached by an individual or a multiple associated transaction



UNODC

United Nations Office on Drugs and Crime





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SPORT
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CORRUPTION