



## **Australian Government**

### **Department of Health**

## **Review – Impact of Illegal Offshore Wagering**

### **Submission from the National Integrity of Sport Unit - Department of Health**

#### **Executive Summary**

While noting the Review’s wide-ranging scope and terms of reference, and acknowledging the submissions provided will assist the Review team to formulate final recommendations, this submission presents a current assessment of the sports wagering market and implications for sports integrity. Noting the Review’s final recommendations will be provided to Government for consideration and potential development of a policy response, this submission does not represent or pre-empt any formal Government position.

Australia has a global reputation for a strong and inclusive sporting culture, fair competition and honest performance, and a commitment to sports integrity. The latter in particular is due to Australia’s introduction in 2011 of the *National Policy on Match-Fixing in Sport* and formation of a dedicated national sports integrity unit, allowing for a co-ordinated response to the range of connected integrity threats including match-fixing, doping, illicit drug supply and use, criminal infiltration of sport, and participant welfare issues.

These initiatives were seen as setting a new global standard for sports integrity, and an early and definitive response to the rising threat of sports corruption, particularly match-fixing. Many nations and sports administration bodies considered them benchmarks in the formulation of their own sports integrity frameworks. Continuing revelations about the extent and sophistication of global match-fixing activities have underlined the value of a strong sports integrity capability.

Since 2011 there has been further deterioration of the global sports integrity environment. The major external development has been the unprecedented expansion of the size and accessibility of partially-regulated and totally unregulated sports wagering markets, notably in Asia. This has served to heighten incentives to corrupt sports events, including by organised criminal networks, resulting in a litany of corrupted sporting outcomes around the globe. The associated decline in confidence about the sporting contest in turn undermines the economic, health, social and cultural benefits derived from sport.

In that context the National Integrity of Sport Unit, within the Department of Health, regards the deliberations of this Review to be fundamental to the national capability to ensure continued protection of the integrity of Australian sport, and through this the multiple benefits derived from the sports sector. The National Integrity of Sport Unit also regards the Review to be a valuable contribution to broader considerations about an enhanced national framework for sports integrity in Australia.

In relation to the sports integrity aspects of the terms of reference, in summary, the National Integrity of Sport Unit makes the following observations:

- Expansion of sports wagering markets intrinsically elevates the potential incentive to corrupt event contingencies and outcomes.
- It is highly preferable sports wagering occurs in a regulated environment, to allow for the monitoring and detection of, and appropriate responses to, incidents of fraud or corruption.
- The progress of technology has relegated the current methods by which in-play wagering may be conducted in Australia obsolete.
- Adopting a platform-neutral approach to allow in-play wagering is likely to attract a sizeable proportion of Australian punters currently wagering on in-play markets with off-shore semi-regulated or unregulated markets.
- The technical capacity to eliminate off-shore wagering from Australia will be difficult and expensive to attempt to administer.
- Some level of off-shore wagering is likely to persist, including through onshore commissioned agents networks, but may be marginalised through appropriate mechanisms onshore.
- Should online in-play wagering be allowed, it is likely to prove lucrative for the Australian wagering industry.
- Any significant increase in in-play wagering on Australian sports events will have implications for sports integrity in the absence of enhanced anti-corruption measures.

## Introduction

### *Definition of Sports Integrity*

The Australian Government established the National Integrity of Sport Unit in 2012 to provide national oversight, monitoring and coordination of efforts to protect the integrity of sport in Australia from the threats of doping, match-fixing, illicit drug use in sport, criminal association and other forms of sports corruption. The National Integrity of Sport Unit defines sports integrity as:

*‘The manifestation of the ethics and values which promote community confidence in sports, including:*

- *fair and honest performance and outcomes, unaffected by illegitimate enhancements or external interests, and*
- *positive conduct by athletes, administrators, officials, supporters and other stakeholders, on and off the sporting arena, which enhances the reputation and standing of the sporting contest and of sport overall.’*

The spectrum of integrity issues is therefore broad but interconnected, from serious criminality associated with match-fixing, through to civil sanctions associated with doping, code-of-conduct matters overseen by sports, player welfare and other considerations affecting diverse stakeholders. The ‘all threats’ approach embodied in the establishment of the National Integrity of Sport Unit is gaining ascendancy in global sports integrity efforts, and is an important element of effective and holistic sports integrity policy development. Given the Review’s terms of reference, this submission focusses on match-fixing and its close association with the expanding sports wagering sector.

### *Match-Fixing*

Match-fixing in sport and the corruption that flows from it is a critical issue for sports, governments and the sporting public. It undermines public confidence in the integrity of sport, sporting events and the products offered by betting agencies. Sports corruption overseas has led to the collapse of entire sporting codes, with abundant examples of match-fixing over recent years, particularly but not only in the sports of football (soccer), cricket and tennis. The 2013 Europol *Operation VETO* revelations, which identified 380 suspicious matches, 425 suspect individuals, and AUD11 million profits from fixed matches, only hint at the global scale of fixing<sup>1</sup>.

Match-fixing is not limited to professional or high profile national sporting competitions and has occurred in lower grade competitions and in individual second and third tier events. Indeed such tiers appear to particularly attract match-fixing efforts due to the ubiquity of betting markets, lesser integrity protocols and, arguably, higher vulnerability of persons associated due to inferior remuneration and other factors. The framing of markets on sub-elite Australian sporting competitions by semi-regulated and/or unregulated Asian betting providers has been of concern to the National Integrity of Sport Unit for some time.

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<sup>1</sup> EUROPOL media release of 6 February 2013

The growing pervasiveness of sports betting and a high gain/low risk equation has rendered match-fixing a highly attractive corruption activity for organised crime, complemented by other criminal activities such as the supply of illicit and performance enhancing drugs to athletes. Rapid uptake of digital technologies has eroded national boundaries and provided ready and effective platforms to facilitate global wagering. Australian sports are particularly vulnerable due to a combination of their popularity and the huge growth of online sports wagering in Asia, the absence of effective regulation in many Asian markets, and the conducive time zones.

### The Australian Sports Wagering Market

A developed understanding of the exposure of Australian sports to wagering is fundamental to developing match-fixing threat assessments and the development of mitigation strategies. The National Integrity of Sport Unit has committed much effort to defining this exposure as part of its efforts to advise and protect Australian sports from integrity threats.

The sports wagering market, both globally and domestically, has burgeoned over the past decade, with thousands of online bookmakers now offering betting markets on a vast and increasing array of sports. Australians are among the most prolific gamblers in the world with total sports betting expenditure in 2013-14 estimated at AUD4.6 billion, and online betting AUD2.75 billion<sup>2</sup>. Annual betting turnover in Australia on the Australian Football League (AFL) is estimated to be around AUD1.3 billion<sup>3</sup>, and the National Rugby League (NRL) AUD1.1 billion<sup>4</sup>.

Changing consumer preferences and the aggressive marketing of online betting operators have had a significant impact on sports betting in Australia. Product innovation and technological advances have made online betting increasingly convenient for punters. This has resulted in many wagers traditionally placed at bricks-and-mortar outlets being made instead through online channels. Advances in online and mobile betting platforms, together with the rising popularity of the sports betting segment, are likely to boost growth in the industry moving forward<sup>5</sup>.

According to Tabcorp's 2014 Annual Report, in terms of distribution channels, digital was a driver of growth, with turnover up 18.2%. Mobile devices made up 54% of Tabcorp's digital turnover, up from 35% in 2013<sup>6</sup>.

### Global Sports Wagering Market

In the past 15 years the online gambling industry has proliferated, moving from traditionally state or nationally regulated monopolies to a globalised industry, with millions of dollars wagered on sports and racing events around the world every day.

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<sup>2</sup> 2013-14 Australian Racing Fact Book

<sup>3</sup> Sportradar Security Services – NISU Australian Football Risk Assessment

<sup>4</sup> Sportradar Security Services – NISU Australian Rugby League Risk Assessment

<sup>5</sup> IBISWorld - A Good Bet: Growth in online gambling is attracting international bookmakers June 2014

<sup>6</sup> Tabcorp - 2014 Concise Annual Report

A study of the global gambling market in 2012 estimated AUD90 billion<sup>7</sup> was wagered annually through the regulated sports wagering market, though the National Integrity of Sport Unit considers this is to be a conservative estimate. International industry experts estimate the legal market is dwarfed by the semi-regulated and unregulated sports wagering markets with an estimated value in excess USD1 trillion wagered through the illegal sports gambling market annually<sup>8</sup>.

The growth in the amount of money wagered on sports globally has been accompanied by a rapid increase in the number of bookmakers offering sports betting products. In 2014, Australian A-League football games attracted an average of 225 different bookmakers offering betting markets, of which 205 were based overseas<sup>9</sup>.

Bookmakers also offer betting markets on an expanding range of sports and diverse leagues within sports, including sub-elite and youth competitions. Betting markets on under-18 football competitions, junior tennis tournaments, and football matches between suburban Australian teams are now regularly offered by semi-regulated and unregulated Asian bookmakers.

Global sports wagering markets are creating new and significant opportunities for criminal individuals and groups to launder proceeds of crime, and profit from the corruption of sporting events and sporting organisations.

### Sport Vulnerabilities - Off-Shore Wagering

Australian bookmakers are regulated by state and territory bodies, with licensing conditions imposing control over bookmaking operations. Account-based betting provides effective auditing capabilities while, conversely, overseas gambling within poorly regulated or unregulated markets remains opaque to sports and authorities, and translates into higher integrity risk.

Under the *National Policy on Match-fixing in Sport* betting providers in Australia have integrity agreements with individual sports. These agreements provide for information sharing on betting activity, a right of veto by sports on high risk bet types, and a return of revenue to sports to support integrity efforts. Around 10 sports in Australia have integrity agreements in place with Australian online betting operators including the Australian Football League, National Rugby League, Netball Australia and Tennis Australia.

In Victoria these agreements are underpinned by sports betting legislation (NSW has legislation in place but not yet enacted), while the majority of betting operators in the Northern Territory adhere to licensing conditions that essentially give effect to the legislation recognised in these other states. Related sport-based codes of conduct ensure athletes and administrators participating in competitions with sports betting markets are prohibited from gambling on their sport, with cross-checking arrangements enabled under integrity agreements. This is an important preventative measure to combat abuse of inside information for gambling purposes.

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<sup>7</sup> Kalb Verschuuren - *Money laundering: the latest threat to sports betting*, IRIS

<sup>8</sup> Assessment provided by Hong Kong Jockey Club, Victorian Police Sports Integrity Symposium 2014

<sup>9</sup> Sportradar Security Services – *NISU Australian Soccer Risk Assessment*

Although account based wagering has integrity benefits, it must be supported by appropriate and thorough bet monitoring and information sharing arrangements. This practice is currently inconsistent across sports and jurisdictions with compliance difficult to ensure in the absence of consistent regulatory powers.

### Australian Match-fixing Case Study

On 15 September 2013, Victoria Police arrested a number of people from the *Southern Stars Victorian Premier League* football competition for suspected match-fixing. These prosecutions were facilitated by the introduction of specific match-fixing legislation in Victoria as a direct result of the *National Policy on Match-Fixing in Sport*.

The betting activity occurred in Asia and the corrupt activity was detected by international sports bet monitoring company Sportradar as part of its relationship with Football Federation Australia. The players were recruited by a criminal syndicate – headed by infamous Singaporean match-fixer Wilson Raj Perumal – and offered to the Southern Stars club under a proposed sponsorship deal.

The Malaysian national who was sent to Australia to facilitate the match-fixing was charged with corrupting a betting outcome and sentenced to three years imprisonment, with two years suspended, to be followed by deportation to Malaysia. Several players were suspended from any football-related activity in Australia and those bans were subsequently extended worldwide.

### 'Platform Neutrality'

The Department of Communications and the Arts has policy responsibility for the *Interactive Gambling Act 2001* (IGA). The IGA aims to limit the provision of prohibited online gambling services to Australians and to minimise the scope for problem gambling among Australians. The IGA is not designed to address issues dealing with corruption or cheating in sports betting and other events and gaming that occur online.

Among other things, the IGA proscribes the provision of online gambling services in Australia and the advertising of such gambling services. The IGA is designed to regulate the provision of both Australian and overseas based prohibited online gambling services. In 2012, the National Integrity of Sport Unit contributed a submission to a Review of the IGA which highlighted the need for amendments to reflect, then, more recent sports integrity initiatives, particularly the *National Policy on Match-Fixing in Sport*. This remains the case.

Although there is currently no reliable data, anecdotally the provision of online in-play betting by offshore operators appears to appeal to a sizeable proportion of Australian consumers and is likely to continue under current legislative arrangements. Conversely, allowing online in-play betting in Australia (i.e. 'platform neutrality') is likely to attract significantly increased turnover, which, in the absence of other measures, has potentially significant integrity ramifications. Overseas wagering experience is that online in-play gambling is a very popular form of sports wagering, and likely to have high uptake in the Australian market if permitted.

Any move to permit online in-play wagering is likely to increase the risks to sports integrity and to consumers, but could offer revenue-raising opportunities to address those risks.

### Strengthened Sports Corruption Detection

Current national sports bet monitoring efforts in Australia are inconsistent in the face of modern global match-fixing threats. Betting operators are regulated by differing requirements in states and territories, primarily through diverse licensing conditions. While wagering anomalies detected by operators may be provided directly to sports and/or to law enforcement on a case-by-case basis, the system remains disaggregated and discretionary, lacks consistency in data accumulation and analysis, and is subject to selective or inconsistent integrity responses.

While a limited number of individual Australian sports subscribe to commercial bet monitoring services, such coverage is costly, incomplete across codes, and inconsistent across tiers within codes. Australia's federated administration arrangements pose significant challenges in achieving consistent integrity measures, and solutions must be found to optimise a truly national integrity response.

Many countries in Europe have moved, or are moving to, centralise and streamline wagering regulation and monitoring. Additionally, sports movements including the International Olympic Committee have established dedicated sports betting monitoring and integrity alert systems. International examples of centralised betting integrity capabilities exist in the United Kingdom (the United Kingdom Gambling Commission) and France (the French online gaming regulatory authority ARJEL).

In September 2014, the Council of Europe finalised the *Convention on the Manipulation of Sports Competitions*, now known as the *Macolin Convention*. The Convention promotes a consistent and united approach to combating match-fixing in Europe, but non-European states are able and indeed encouraged to become signatories, to promote an internationally harmonised approach to defeating match-fixing. A very similar approach was experienced in anti-doping, with the Council of Europe *Convention on Anti-Doping* a forerunner to the UNESCO *International Convention Against Doping in Sport*, adopted in 2006.