



WLA Discussion Paper

Sports integrity and lotteries

World Lottery Association

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Foreword

The WLA aims to provide its membership with information and data on contemporary issues that is both useful and relevant to the global lottery industry. In so doing we look to complement and augment services that are already provided by the regional associations with services that are pertinent to the international lottery community as a whole.

The WLA Executive Committee has therefore directed the WLA, in alignment with its forward-looking strategy, to engage with professionals from within and outside the lottery and sports betting industries on the production of three discussion papers. The topics of these papers are “Online gaming for lotteries”, “Social gaming and lotteries”, and “Sports integrity and lotteries”.

These discussion papers will be further refined and finalized as WLA position papers. Our ultimate goal is to establish new industry standards and best practices on these topics.

The trust of our players is fundamental to our lottery organizations and all their games must be built upon a strong foundation of transparency and honesty. For WLA member organizations that offer sports betting, the integrity of sports and the integrity of the lottery business have a symbiotic relationship which can only be maintained if the object of the bet – the competing athletes – are held to the highest standards of probity.

This particular paper, “Sports integrity and lotteries”, defines the phenomenon of match-fixing and emphasizes its role in undermining the integrity of sports. It outlines the factors that facilitate match-fixing and the betting situations that can be conducive to it. The paper also reviews current measures to combat match-fixing and makes recommendations on what WLA members offering sports betting can do to preserve the integrity of sports.

As WLA members you are on the frontline of day-to-day business, in which theory becomes practice. We respect you as the “true” experts in our industry, and would like to encourage your active participation on the further evolution of these discussion papers. Should you wish to share your thoughts with us on the development of this document, we would like to hear from you. Please send your comments by e-mail to WLA Communications Coordinator Paul Peinado at pp@world-lotteries.org.

We look forward to hearing from you.

Jean-Luc Moner-Banet
WLA President

Jean Jorgensen
WLA Executive Director

Executive Summary

The betting-related manipulation of sporting events – a threat for the integrity of sports

The advent of the Internet has spawned a dramatic change in the sports betting industry. It is now possible to bet on almost every form of sporting competition from the comfort of a personal computer or a mobile device. One even has the possibility to place bets, moment for moment, as the competition is going on. Simultaneously, the world has witnessed a tremendous growth in cases of match-fixing and corruption in sports. This is an international problem, with new cases being revealed each day. Although football has been most notably afflicted, other sports, such as basketball, cricket, and rugby are also finding themselves facing the bane of match-fixing.

There are two reasons behind this situation:

1. Internet and betting

Organized crime targets sports and betting through illegal betting operators based in countries that are known gambling havens.* Countless scores of betting operators have been set up in countries and territories such as Alderney, Antigua, Cagayan, Gibraltar, the Isle of Man, Kahnawake, and Malta to name a few. It has been established that online gambling, especially illegal online gambling, has been also used as a means of laundering money. As the Internet defies sovereign borders, it has been difficult to bring the perpetrators of such criminal activity to justice. Consequently, the incidence of match-fixing and betting fraud has risen in the last 15 years.

2. Sports organizations lack the means to deal with corruption

Broadly speaking, sports organizations are typically run by volunteers who have little experience in dealing with crime and corruption. Organized crime has found ways to exploit this situation. Match-fixing has proved to be a highly profitable criminal activity with little impunity for its perpetrators. For instance, The “Calcioscommesse” (Italy) case has shown that fixers earned up to 20 millions of Euros for one single match. In the “Ye” case (Belgium), the Court asked for a few months imprisonment and small fines for the ones who are supposed to be the brains of the fixes. Moreover, many sports clubs face financial difficulties, and are only able to pay their players sub-standard wages. In an effort to corrupt these clubs and influence the outcome of their matches, criminals often move in and either invest in the clubs or recruit their low-paid players to work for them.

* Cf. Money laundering : The latest threat to sports betting, Éditions IRIS, 2013 (p. 72 – 80)

Since 1990, with the Internet, the integrity of sports is being threatened by the growing number of illegal sports betting operators, a condition that is being exacerbated by the above-mentioned vulnerabilities of sports organizations. In less than a decade, sports betting has gone global and its misuse by organized crime is undermining the fundamental values of sports. Now is the time for all stakeholders – public authorities, sports organizations, and betting operators – to act to preserve the integrity of sports.

The following international organizations have taken decisive action that supports the WLA's observations:

International Olympic committee (IOC)

The IOC has advocated international cooperation in the fight against match-fixing. At the XIII Olympic Congress held in Copenhagen, Denmark in 2009, the IOC recommended that, "Governments should recognize that close collaboration and action in the fight to put an end to illegal and irregular betting and match-fixing is essential, both in relation to Olympic-accredited events and to the wider world of sports competition." The IOC established an intelligence system linking all stakeholders involved in the fight against corruption and related manipulation through betting on sports. Known as the "Integrity Betting Intelligence System" (IBIS), the system collates information and alerts on manipulation through betting on sports. The system went operational for the Sochi 2014 Olympic Winter Games, and will remain operational between editions of the Olympic Games for the benefit of international federations to use at their major international events and other multi-sport events. The WLA entered into an agreement with the IOC in October 2013, whereby the WLA will inform the IOC if the WLA possesses information on betting patterns that could indicate possible manipulation of Olympic Games and other designated sporting events. Major international sports federations such as FIFA (football), ITF (tennis), and ICC (cricket) are following the same line.

FIFA

In July 2007 the FIFA Early Warning System (FIFA/EWS) GmbH was launched for the specific purpose of monitoring sports betting on all FIFA tournaments and competitions. FIFA/EWS operates as a non-profit organization, independently of the commercial betting industry. Around 1500 games are monitored per year by FIFA/EWS.

In 2005, the WLA and FIFA formally agreed to work together to protect and maintain the integrity of football. The agreement between FIFA and the WLA was renewed in August 2011. Under the terms of the agreement, WLA members provide FIFA / EWS with any information on

suspicious betting patterns that they collect during any of the following FIFA events:

- FIFA World Cup (incl. all preliminary matches)
- FIFA Women's World Cup
- FIFA Confederations Cup
- FIFA U-20 World Cup
- FIFA U-20 Women's World Cup
- FIFA Club World Cup
- FIFA Beach Soccer World Cup
- FIFA Futsal World Cup
- Olympic Football Tournaments (men and women)

The information provided to FIFA/EWS by the WLA is used for the investigation of various suspicious betting patterns, such as: an unusually high betting turnover in a match; an unusual distribution of bets on the outcome of a match; valid rumors questioning the credibility of a match; or any other relevant information that might be useful with regard to identifying match-fixing speculation connected with FIFA competition matches.

European Union

Under the Polish Presidency in 2011, the Council of the European Union set the fight against match-fixing as one of its highest priorities. As outlined in a discussion paper, presented at an informal meeting of the EU Sports Ministers in October 2011, in Krakow, Poland "...the aim of the Presidency is the adoption by the EU Council of operational conclusions on the fight against match-fixing. To be a credible promoter of the topic and to properly diagnose the problem, the Presidency commenced a dialogue on the issue with all stakeholders, including other EU Member States, the sports movement and the betting industry. It also looked at initiatives taking place in other forums, such as the Council of Europe." The discussion paper further states, "...a significant role should be played by the Expert Group on Good Governance, set up under the EU Work Plan for Sport. Its mandate covers also the issue of match-fixing."

UNESCO

The final report of the 5th UNESCO World Sport Ministers Conference (MINEPS V) held in Berlin, Germany from May 28-30, 2013, established that "There was broad consensus, both during plenary discussions and among participants of the Expert Forum, that the integrity of sport is under attack from manifold corruption, global sport fraud, match-fixing and the rise of international organized crime.

Recognizing that these issues will rapidly escalate, if not addressed, participants called for a concerted effort by governments, the sport movement and betting operators to tighten regulations and develop policy in this area. In terms of global leadership, it was acknowledged that threats to the integrity of sport were clearly delineated in the Declaration of Berlin* and, as such, MINEPS V had facilitated a clear demarcation, at the international level, to keep sport clean”.

Council of Europe

At its sixth plenary meeting, held from January 21–22, 2014 in Strasbourg, France, the EPAS Drafting Group finalized version 6 of a Convention Against the Manipulation of Sports Competitions. The convention aims to combat the manipulation of sports competitions in order to protect the integrity of sports and sports ethics in accordance with the principle of the autonomy of sports.

To this end, the main objectives of the Council of Europe Convention are:

- a. To prevent, detect and sanction national or transnational *manipulation* of national and international *sports competitions*;
- b. To promote national and international cooperation against the *manipulation of sport competitions* between the public authorities concerned, as well as with organizations involved in sports and in sports betting”.

* <http://unesdoc.unesco.org/images/0022/002211/221114e.pdf>

Match-fixing definitions

Among other terms, match-fixing is sometimes also referred to as sports manipulation, sporting fraud, sports corruption, or spot-fixing.

Gorse and Chadwick were one of the first ones to give a wide definition of match-fixing, defining sports corruption as “any illegal, immoral, or unethical activity that attempts to deliberately distort the result of a sporting contest (or any element of it) for the personal material gain of one or more parties involved in that activity” (Gorse and Chadwick, 2011).

The same year, the Australian Sports Minister (Sports and Recreation Ministers’ Council Communiqué 2011) gives another definition: “Match-fixing” involves the manipulation of an outcome or contingency by competitors, teams, sports agents, support staff, referees and officials, and venue staff.

Such conduct includes:

- a. The deliberate fixing of the result of a contest, or of an occurrence within the contest, or of a point spread;
- b. Deliberate underperformance;
- c. Withdrawal (tanking);
- d. An official’s deliberate misapplication of the rules of the contest;
- e. Interference with the play or playing surfaces by venue staff; and
- f. Abuse of insider information to support a bet placed by any of the above or placed by a gambler who has recruited such people to manipulate an outcome or contingency”.

The EPAS (Council of Europe), in its Convention Against the Manipulation of Sports Competitions, offers the following definition: “Manipulation of sports competitions” means 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 sports competition and to obtain an undue advantage for oneself or for others.

The explanatory report, supplemental to the Council of Europe Convention Against the Manipulation of Sports Competitions, mentions the following items:

- The words “aimed at” indicate that the definition includes not only arrangements, acts or omissions which improperly alter the result or course of a competition, but also the acts committed with the intention of improv-

erly altering the result or course of a competition, even if the arrangement, act or omission is unsuccessful (e.g. if a player on whom pressure has been brought to bear is not actually selected for the competition).

- The term “in order to” indicates an intention to obtain an undue advantage for oneself or others, even if this intentional arrangement, act or omission, aiming at illegally modifying the results or course of a sports competition, fails to obtain the advantage sought (e.g. if the competition in question is the subject of an alert issued by the regulator and the betting operators refuse to take bets on the competition, thereby preventing the undue advantage from being obtained).
- The term “improper” refers to an arrangement, act or omission, which infringes the existing legislation or the regulations of the sports competition or organization concerned. It may be aimed at alterations of the course or result of a competition that would be sanctioned by sports regulations only.
- The term “intentional” means that the arrangement, act or omission is deliberately aimed at improperly influencing the natural and fair course – through a foul, penalty or action on the field altering the intermediate result or phase of the game – or the result of a sports competition through the score, marks, time, or ranking.
- The objective of such an arrangement, act or omission is to obtain an undue advantage (undue because it arises from an improper arrangement, act or omission) for oneself or for another person: this advantage may take the form of financial gain (for example, a bonus paid to the winner by the competition organizer, a bonus paid to a competitor by their employer, a bribe accepted by a competition stakeholder, winnings from a sports bet placed on the relevant competition or a capital gain realized by the owner of a qualified club who sells their shares, or some other tangible or intangible advantage, such as advancing to a higher level in the

competition, or simply the “glory” of winning). The term “undue advantage” therefore does not imply that every manipulation is related to criminal offences such as fraud or corruption.

Regarding the above mentioned definitions, and owing to the important number of match-fixing cases related to betting, the following segmentation proposes four different categories of sports manipulation:

	<i>Manipulation without any direct compensation given to the sport actors*</i>	<i>Manipulation with direct compensation given to the sport actors*</i>
<i>Manipulation not related to sports betting</i>	<i>Example:</i> Sports arrangement (Match of the “shame”: West Germany – Austria/football/ World Cup 1982)	<i>Example:</i> Corruption with bribes (Marseille – Valenciennes/ football/1993)
<i>Manipulation related to sports betting</i>	<i>Example (litigation pending):</i> Arrangement on the half time score (Cesson – Montpellier/ handball/2012)	<i>Example:</i> Organized Crime and match-fixing (Calcioscommesse/football/ From 2009)

* Compensation includes financial remunerations, fringe benefits (for example: gift), hiring commitment for a top team, better salary, etc. It also includes the promise not to execute a threat of violence or blackmail.

Winning through betting is not considered as compensation, as it poses an advantage for the sport actor himself, without outside intervention.

1 Factors influencing match-fixing

Several economists delivered analyses on factors influencing match-fixing. Becker (1968) and Ehrlich (1996) are the pioneers of the “Crime economy paradigm”, and their work was adapted to match-fixing by David Forrest (2008). Maennig (2002) improved the model with a psychology-based approach.

According to these theories, an individual will decide to fix a competition if he finds it poses some advantage. The different issues influencing such a decision are:

- A small probability that the fraud is detected and sanctioned;
- A high probability that the fix succeeds;
- The individual’s holdings;
- Potential winnings issued from a successful and not detected fraud (related to betting and/or bribes);
- Financial losses coming from a detection of the fraud (fines, loss of salary due to a sport suspension, breach of sponsoring contracts, decrease of sport value, etc.);
- The subjective “cheating assessment” (excitation or guilt for instance);
- Non-financial benefits (glory related to the victory).

These theoretical guidelines can be used in a number of situations:

- A small probability that the fraud is detected can equally occur with top competitions (attracting high betting liquidities) or smaller ones (not covered by betting monitoring systems);
- The probability that a match-fix will succeed is high when:
 - A sports actor is facing financial problems, or has not been paid promptly or properly.
 - The sporting challenge is low as with end-of-season games, friendly games, or the team simply has nothing to win or lose.
 - The subject of the bet is easy to influence, such as receiving a yellow card or conceding a corner during a football match.
- Typically, the more difficult a competition is to fix, the higher the bribes will be (cf. Calciopcommesse);
- For a match-fixer, it is much more interesting to bet in a country where the average pay out is around 93% than it is in a country where the payout remains under 60%;
- The level of the sanction, is instrumental in intimidating potential match-fixers as well as sports actors. Sanctions can be delivered on a disciplinary basis, as with fines or port suspension, or on a criminal basis, as with fines or imprisonment.
- The influence of non-financial benefits on match-fixing depends on the psychology of the target. Young players, in particular minors, are easily intimidated by criminals. Players that are about to retire are also easily swayed as they are more inclined to worry about their futures and less interested in glory or fame.

2 Betting-related factors that influence match-fixing

The following betting-related situations can be conducive to match-fixing:

- A bet is especially easy to influence when its result depends on only one person, be it the referee, the goalkeeper, or a tennis player. Sometimes a sports actor who willingly plays a part in fixing a competition doesn't even have the feeling that he is cheating. For example, a tennis player who loses a point during a match or a football player who concedes a corner during a game.
- Bets on matches with insignificant competitive value, such as friendly matches, secondary division matches, or matches with no media coverage are favorable for match-fixing.
- High payouts: The higher the payout is the more profitable it might be for the match-fixer.
- No stake limits: If match-fixers detect a high probability that the fix will succeed they may bet high to increase their potential winnings. Although in Europe betting operators generally limit stakes to minimize their financial risk it is often possible to bet high stakes in parts of Asia such as Cagayan, the Philippines.
- Lack of, or insufficient bet monitoring reduces the possibility of adequate fraud detection.

In addition to the above-mentioned risks, illegal betting operations should remain an important point of focus. With illegal betting operators it is highly likely that fraud will not be detected, as it is impossible to monitor the illegal market. Furthermore, illegal operators generally offer higher winnings than the legal operators and therefore a better return on the punter's investment.

Note:

The definition adopted by the Council of Europe Convention Against the Manipulation of Sports Competitions reads as follows: "illegal sports betting" means all sports betting activity whose type or operator is not allowed under the applicable law of the jurisdiction where the consumer is located.

It has been estimated that around 80% sports betting sales globally are illegal. As such, many experts see the betting market as a "deficient market".* Therefore, illegal betting is seen as one of the most significant threat to the integrity of sports today. Even if measures taken to combat illegal betting prove to be effective, the legal and technical issues that remain are complex.

* Pierre-Charles Pradier (Economist – Chair "Sorbonne – ICSS")

3 What distinguishes a member lottery's sports betting from that of traditional bookmakers and of offshore betting companies?

	<i>WLA Members</i>	<i>Traditional Bookmakers</i>	<i>Offshore sports betting companies</i>
Legality	100% legal and strictly controlled by the States	Generally legal over 75% of GGR	Generally legal from 5 to 50%
Core business	Draw games	Originally horse and sports betting Today also FOBT	Online sports betting
Sustainability	Generally founded first half of 20 th Century	Generally founded first half of 20 th Century	Founded after 1995
Part of online in GGR	Generally under 20%	Generally between 15 and 40%	100%
Economic model (in percentage of GGR)	High contribution (>50%) Funding of sport and good causes plus Sponsorship Costs (generally under 50%) Operational profit generally under 5%	Average contribution (10%) Sponsorship Costs (generally from 60% to 70%) Operational profit generally from 15% to 25%	Low contribution (<5%) Sponsorship Costs (generally over 70%) Operational profit generally from 15% to 25%
Historical sports betting product	Pari mutuel (Toto)	Fixed odds betting	Fixed odds betting and live betting
Range of sports betting products offered	Generally limited number of sports Generally under 30 bets offered for one football game Live betting generally under 40% of GGR	Up to 50 sports Up to 100 bets offered for one football game Live betting generally under 40% of GGR	Up to 50 sports Up to 200 bets offered for one football game Live betting generally over 60%
Average pay out rate (retail)	Generally under 75%	Generally between 80% and 85%	–
Average pay out rate (online)	Generally under 85%	Generally over 92%	Generally over 92%

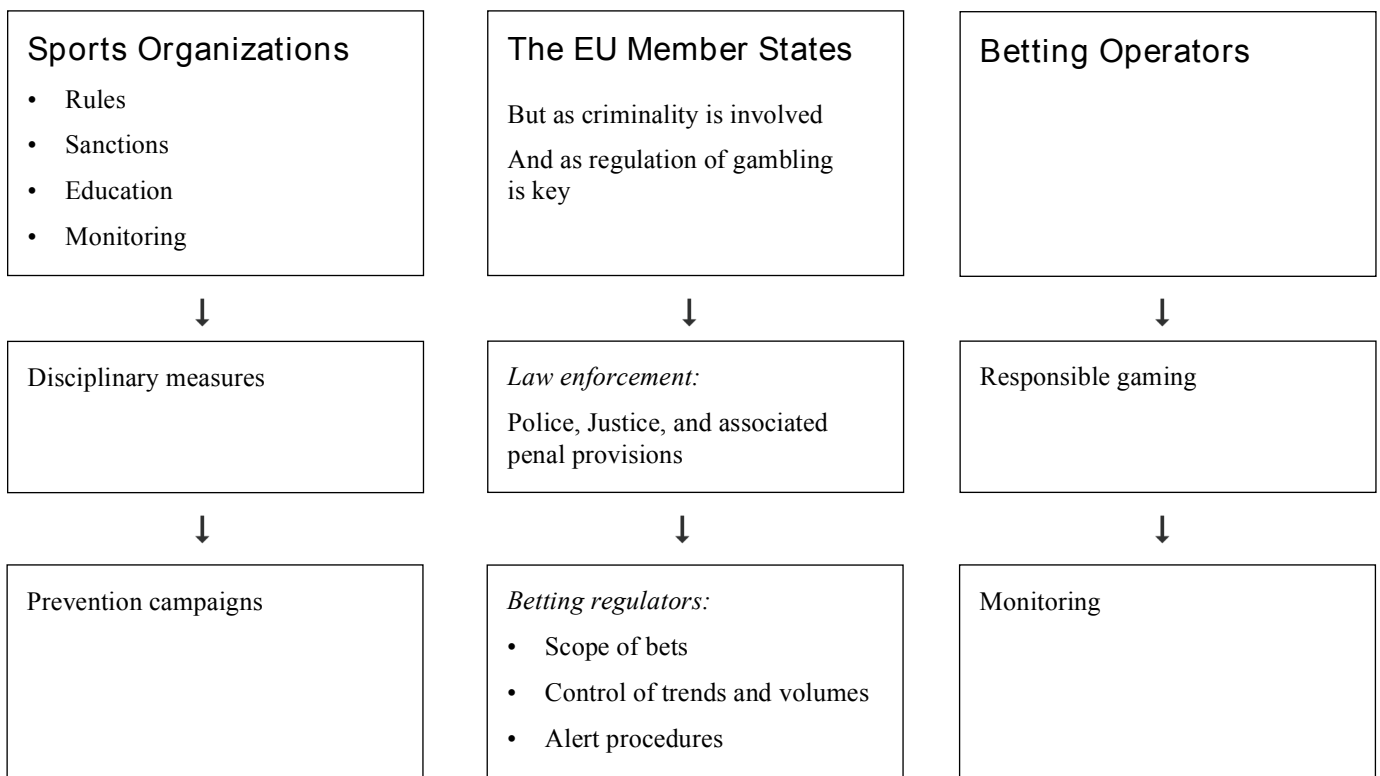
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	<i>WLA Members</i>	<i>Traditional Bookmakers</i>	<i>Offshore sports betting companies</i>
Stake limits for online betting	Applicable for about 50% of the lotteries Ethical risk management (no limitations for efficient punters)	Rarely Limitations for efficient punters	Rarely Limitations for efficient punters
Online KYC* processes (identity, age, and banking check)	Generally quite good (limited to one country and security check)	Generally quite weak (depending on the home country of the license)	Generally quite weak (depending on the home country of the license)
Offline KYC processes (identity, age and banking check)	Winners of big prizes or multiple prizes are generally subject to verification	Winners of big prizes or multiple prizes are sometimes subject to verification	–
Betting monitoring system	ELMS receives around 50 reports on suspicious bets yearly. WLA members stop the corresponding bets	ESSA receives under 10 reports on suspicious bets yearly from traditional bookmakers	ESSA receives under five reports on suspicious bets yearly from offshore sports betting companies
Are employees prohibited to bet?	Generally YES	Policy varies from company to company	Policy varies from company to company
Control of sports Organizations, clubs, individuals, etc.	NO	NO	Varies from company to company
Money laundering	A number of suspicious reports occur yearly	Seldom reported	Seldom reported

* Know Your Customer

4 The stakeholders

In Europe, match-fixing issues concern three major stakeholders, whose objectives are at times contradictory – sports organizations, the EU member states, and the betting operators.



There is a need for international cooperation:



5 Existing best practices regarding match-fixing and sports betting

The EL was one of the first to adopt a code of conduct to fight against match-fixing and to aim at protecting the integrity of sports.

- The first version of the code of conduct was signed in 2007 by 36 EL Members.
- In 2011, the EL adopted a Resolution during the EL General Assembly in Helsinki that affirmed the EL Members' commitment to the fight against sport betting risks.
- In 2013 and 2014, the EL Sports integrity Action Plan and a Code of Conduct formalized the EL Members' commitment to defend the values of the European sports model in light of the new challenges to the integrity of sports.

In summer 2009, the UK Minister of Sports brought together a panel of experts, including key people from the principal organizations involved – the betting industry, law enforcement, the players, the fans, sports governing bodies, the legal profession, and the gambling commission – to look at a wide range of issues related to sports betting integrity.

The Gambling Commission and the betting industry have jointly supported two further initiatives to strengthen the integrity regime.

- The Industry to consider, through its trade organizations, the development of high level principles to aid the convergence of reporting standards.
- For operators to vary betting terms and conditions to make the contravention of sports, or other professional or employer rules on betting, a breach of the operator's own terms and conditions.

Although there will need to be further discussions between the betting industry and the Gambling Commission on these matters, the industry has agreed in principle that it should explore the workability and effectiveness of these suggested changes.

The Council of Europe Convention Against the Manipulation of Sports Competition mentions the following requirements to be implemented by betting regulators from the countries having signed the Convention.

- Sports betting regulatory authorities shall limit, where appropriate, the supply of sports betting, following

consultation with the national sports organizations and sports betting operators, particularly excluding sports competitions, which are designed for under 18's or where the organizational conditions and/or stakes in sporting terms are inadequate.

- The systematic use in sports betting of means of payment allowing financial flows above a certain threshold defined by every country shall be traced.
- Betting on competitions on which an appropriate alert was issued shall be suspended.
- Each signatory shall adopt such measures to prevent conflicts of interest and the misuse of inside information by any person involved in providing sports betting products. These include but are not limited to; betting on their own products; the abuse of a position as sponsor or part-owner of a sports organization; a competition stakeholder being involved in compiling betting odds for the competition they are involved in; sports betting operators who control or who are controlled by a company acting as a competition organizer/stakeholder and offering bets on the competition they are involved in.
- Each signatory country shall adopt such measures to oblige sports betting operators to report irregular or suspicious betting without delay to the betting regulatory authority.
- Each signatory country shall consider including the manipulation of sports competitions in its money laundering prevention framework, in requiring sports betting operators to apply customer due diligence, record keeping and reporting requirements.

The Council of Europe Convention has been adopted in 2014. Much in the same way that the World Anti-Doping Agency (WADA) established the International Convention against Doping in Sports, which was unanimously adopted by the 33rd UNESCO General Conference in October 2005.

In regard to match-fixing, the Remote Gambling Association (RGA)¹ and the European Gaming and Betting Association (EGBA)² enacted the following two measures:

- *2005:* The creation of the European Sport Security Association (ESSA)³, whose purpose is to identify and report on suspicious betting patterns to sports governing bodies such as FIFA and the IOC as well as to a range

of gambling regulators such as the British Gambling Commission and its counterparts in Alderney, Malta and Gibraltar. ESSA serves a similar function as the EL/ELMS's Match-Info, which the EL established in 1999. On the heels of the EL, ESSA also developed its own code of conduct⁴, which is mainly based on the participation in a bet monitoring system and the establishment of conflict-of-interest rules.

- 2011: In cooperation with EU-Athletes and ESSA, EGBA launched a code of conduct on sports betting to provide guiding principles and advice to athletes throughout Europe on issues surrounding sports betting and the integrity of sports. The five guiding principles are:
 - Know the rules
 - Never bet on yourself or the opponent

- Play safe – don't bet on your own sport at all
- Be careful about handling sensitive information
- Fixing a game: absolute no-no

On the other hand, ESSA clearly tries to minimize the risks that sports betting can pose for the integrity of sports. In their brochure "Crying Foul – 12 Myths About Sports Betting"⁵, published in 2010, ESSA makes an attempt to disparage a number of concerns by maintaining the following:

- There is no evidence to back the claim that fixed-odds betting is more dangerous than pool betting.
- Live betting is no more vulnerable to fraudulent activity than pre-match betting.
- Side bets are not detrimental to the integrity of sports if they are transparent and well managed.

1 Remote Gambling Association: 25 Members (1 March 2014) i.e. 888, bet365, betfair, Gala Coral, Gamesys, IGT, Ladbrokes, Microgaming, Meridian, Netplaytv, Openbet, Paddy Power, Playtech, Poker Stars, RankGroup, SBOBET, Scientific Games, Skybet, Sportingbet, Sportech, Stan James, Stanleybet International, Tombola, Unibet and William Hill.

2 European Gaming and Betting Association: 6 Members (1 March 2014) i.e. Bet-at-Home, Betclac, Bwin.party, Digibet, Expekt, Unibet

3 European Sport Security Association: 18 Members (1 March 2014) i.e. Association of British Bookmakers britanniques (ABB), Bet365, Bet-at-home, Betclac, Bwin.party, Betvictor, Digibet, Expekt, Goldbet, Hong-Kong Jockey Club, Interwetten, Ladbrokes, Paddy Power, Sportingbet, Stanjames, Stanleybet, Unibet and William Hill

4 http://www.eu-ssa.org/essa_wp/wp-content/uploads/2013/06/ESSACode_of_Conduct_Draft_Amended.pdf

5 http://www.eu-ssa.org/essa_wp/wp-content/uploads/2013/08/12-myths-about-sports-betting-Digital.pdf

6 Best practice recommendations for running sports betting as part of a lottery

Owing to their obligation to support the general interest and the sustainable development of sports, state lotteries typically implement specific measures to protect the integrity of sports and to reduce the risk of match-fixing. These measures are supported and strengthened by the fact that state lotteries operate 100% legally.

The following recommendations have been presented for discussion by the WLA Executive Committee. Each recommendation was appraised in regard to its pro and contra arguments. These recommendations were derived from an assessment by the European Lotteries sports betting working group.

13 recommendations for WLA Members offering sports betting

Recommendation 1: Do not offer bets on competitions involving minors.*		
<i>Pro:</i> The protection of minors is part of the Council of Europe Convention. Minors are easier to influence. Some cases of match-fixing involving minors have been recorded in the past.	<i>Contra:</i> Some WLA Members offer bets on minors' competitions.	<i>Comment:</i> –
Recommendation 2: Only offer bets on items related to the result of the sports competition.** (HT/FT result, handicap, score, first/last scorer, total goals, team to score first)		
<i>Pro:</i> Side bets easier to influence. More and more cases of spot-fixing have been recorded recently. Side bets are the first step to more important fixes.	<i>Contra:</i> The small stakes allowed on these bets lead to minor match-fixing cases. Most of WLA Members that offer sports betting offer this kind of bet. Poses a potential loss of customers.	<i>Comment:</i> The view of sports organizers is essential on this issue. Many WLA participants suggested not to offer bets on secondary competitions (to be defined).
Recommendation 3: Do not offer betting exchanges.		
<i>Pro:</i> The possibility to sell a victory, especially in the case of a competition with many participants. No bets closing in case of suspicious patterns. Professional betting (betting accounts accepted for companies). Anonymity. Strong money laundering risks due to high pay outs.	<i>Contra:</i> Betting exchange leaders' transparency.	<i>Comment:</i> Betting exchanges are financial products and should be specifically regulated.

* The definition of what a minor is depends on the country. The age of majority is the threshold of adulthood as it is conceptualized (and recognized or declared) in law. It can vary from 15 (e.g. Iraq) to 21 (e.g. Chad). More generally, offering bets on competitions involving young athletes (under 19, under 20, under 21) has to be handled with care.

** "Sports competition" means any real organized sports event following the rules set by a sports organization and recognized by an international sports organization, or where appropriate, other competent sports organization. That means in particular no virtual games.

<p>Recommendation 4: Limit stakes to hinder excessive betting.</p> <p>Such measures could include a limit on weekly deposits or a stake limit per live bet offered. Stake limits should be adapted in regard to the cultural and historical differences in each jurisdiction.</p>		
<p><i>Pro:</i> Most lotteries already have stake-limit policies in place.</p>	<p><i>Contra:</i> Not directly linked to sports integrity issues.</p>	<p><i>Comment:</i> Some thought should be given as to the type of punters lotteries should target (recreational market/professional financial market).</p>
<p>Recommendation 5: Clearly identify your online customers.</p> <p>You could clarify the age and identity of your customers through the national register, via a confidential code sent by the postal services, or through face-to-face identification. If for any reason neither of these is technically possible, the customer can send in a copy of an official document such as a passport.</p>		
<p><i>Pro:</i> No problem for European lotteries.</p>	<p><i>Contra:</i> The feasibility in other parts of the world needs to be investigated.</p>	<p><i>Comment:</i> –</p>
<p>Recommendation 6: Verify your customers banking credentials.</p>		
<p><i>Pro:</i> Not to be discussed (essential for lotteries).</p>	<p><i>Contra:</i> –</p>	<p><i>Comment:</i> –</p>
<p>Recommendation 7: Adopt strong anti-money-laundering procedures.*</p> <ul style="list-style-type: none"> – Only use online payment methods that allow the tracing of transactions that exceed a given threshold. The threshold may vary from country to country. – Implement customer due diligence requirements related to money laundering, reporting every deposit or winning that exceeds a given threshold. The threshold may vary from country to country. 		
<p><i>Pro:</i> Adopted as part of the Council of Europe Convention.</p>	<p><i>Contra:</i> May incur extra costs or pose operational difficulties.</p>	<p><i>Comment:</i> Subject to the advice and direction of the WLA Security and Risk Management Committee (WLA SRMC).</p>
<p>Recommendation 8: Allow only one account per online customer (one gaming account and one bank account).</p>		
<p><i>Pro:</i> Public order risks.</p>	<p><i>Contra:</i> –</p>	<p><i>Comment:</i> Some thought on syndicate betting (social betting) needs to be given.</p>

* In accordance with the fourth EU anti-money laundering directive.

<p>Recommendation 9: Participation in the WLA’s monitoring system, reporting suspicious betting patterns to the betting regulatory authority without delay.</p>		
<p><i>Pro:</i> Strongly recommended. Enhanced cooperation and improved detection and alerting are required.</p>	<p><i>Contra:</i> –</p>	<p><i>Comment:</i> –</p>
<p>Recommendation 10: Suspend all bets that have been alerted as suspicious.</p>		
<p><i>Pro:</i> Not to be discussed (essential for lotteries).</p>	<p><i>Contra:</i> –</p>	<p><i>Comment:</i> As it is not easy to give a definition of a “suspicious bet”, another proposal would suggest to add “with strong evidence”.</p>
<p>Recommendation 11: Do not allow your employees involved in sports betting to bet on your sports betting products.</p>		
<p><i>Pro:</i> The conflict of interest rule that exists in stock exchange markets and the adoption of the Council of Europe Convention.</p>	<p><i>Contra:</i> –</p>	<p><i>Comment:</i> The possibility of betting on pari-mutuel games needs to be determined as does the possibility of betting with other operators. Internal fraud represent a strong risk to sports integrity.</p>
<p>Recommendation 12: Do not control sports organizations (included teams, clubs, etc.) or sports individuals. If your organization does have a stake in a sports organization, refrain from offering bets on the sport concerned.</p>		
<p><i>Pro:</i> Kind of adoption in Council of Europe Convention, good to differentiate with some RGA Member.</p>	<p><i>Contra:</i> –</p>	<p><i>Comment:</i> The term “control” needs to be clearly defined. (cf. EL code of conduct: significant stake).</p>
<p>Recommendation 13: Offer your sports betting expertise to sports organizations. For example, help them to implement educational programs.</p>		
<p><i>Pro:</i> –</p>	<p><i>Contra:</i> –</p>	<p><i>Comment:</i> –</p>

Appendix 1

The historic development of sports betting

- a) Sports betting has existed since ancient times.
(cf. Greek period).
- b) *18th Century:*
Harry Ogden invents modern sports betting and is the first well-known bookmaker to offer fixed odds on horse races. (1795).
- c) *19th Century:*
Joseph Olier starts a revolution in the betting world, by creating the “Totalizator” (pari-mutuel) principles (1864).
- d) *1923:*
John Moores (Liverpool, England) creates Littlewoods Pools, the first pari-mutuel betting game on football.
- e) *1934:*
Sweden launches Stryktipset to fight against illegal betting developing within their borders and following the British pari-mutual betting success. Stryktipset is a pari-mutuel game based on 1X2 and winners of 12 football matches. Sweden becomes the first public betting operator in the world to offer pari-mutuel.
- f) *1946:*
Italy follows Sweden and launches the Totocalcio (1X2 on 13 matches), with the objective of financing their participation in the 1948 London Olympics.
- g) *1946:*
Spain launches its own original game (7 exact scores) called La Quiniella before copying Italy 2 years later (1X2 on 14 matches).
- h) *1948 and thereafter:*
Most of the state lotteries around the globe launch pari-mutuel betting. Some countries started quite late: For instance France (1985), China (1999) and Japan (2001).
- i) *1960:*
UK legalizes fixed odds betting for sports (Betting and Gambling Act). Before, it was only possible to bet with fixed odds on-course (at the race track).
- j) *1961:*
Sports betting by phone is banned in the USA. (The Federal Wire Act).
- k) *1986:*
Just as 50 years earlier with pari-mutuel betting, Sweden is the first country to follow the UK and to authorize the state lottery (Svenska Spel) to launch fixed odds betting. Denmark follows Sweden a few years later (1994).
- l) *1994:*
With the advent of the Internet, Antigua and Barbuda is the first country to implement a regulation on online sports betting, a few years before Kahnawake (1996), Gibraltar (1998), Alderney (2000), Isle of Man (2000) and Malta (2000). Thousands of new online sports betting companies set up shop in these attractive places.
- m) *1999 and later:*
Several state lotteries launch fixed odds on sports betting to counter an increasingly illegal market. Germany, Greece and Singapore in 1999, France and Hong-Kong in 2003, and Italy in 2006.
- n) *2006 and later:*
In Europe, principally due to the pressure of the European Commission, which launched infringement procedures against some member states, several countries changed their online sports betting regulatory framework. Systems with licenses therefore replaced monopolies, for instance in Italy in 2006, France in 2010, Denmark, Germany* and Spain in 2012.

* The German situation remains quite complex, between the Federal Online Treaty on online gambling and the autonomy of the Länder.

Appendix 2

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