



Green Paper on online gambling in the Internal Market: RGA response

Introduction

1. The RGA is the largest online gambling trade association in the world representing the major licensed, privately owned and stock market-listed remote gambling operators and software providers (a full list of those members can be obtained from www.rga.eu.com). All of the RGA's members are either licensed within Europe to provide gambling services or they supply services to those who hold such licences.
2. The RGA welcomes the production of the Green Paper and, through its response to the questions posed and any subsequent work, wishes to play a constructive role in the process. The RGA recognizes that the growth of online gambling raises a number of complex issues for the EU and individual Member States to address. Through its members the RGA can call on a wealth of experience of all of these issues and how they have been dealt with by reputable operators in well regulated jurisdictions. It is to be hoped that this level of first-hand experience is recognized as a resource for legislators and regulators to draw upon.

Executive Summary

3. The Green Paper represents the best opportunity to date for an objective and evidence-based consideration of all of the issues associated with online gambling.
4. The aim of the process should be to establish proportionate and effective regulatory standards at an EU level. Online gambling companies that meet those standards should then have access to the EU markets, subject to them meeting any additional regulations in Member States, as long as those regulations are clearly compliant with EU law.
5. Where current and future laws are not compliant with EU law, the European Commission must take meaningful action. It is a cause for great concern that the Commission has taken no action since 2008 on a

range of outstanding infringement cases against numerous Member States.

6. To achieve truly consistent regulation, national regulators should work much more closely with one another and with the European Commission. Increased co-operation is in the interests of all concerned. It will enable effective dissemination of best practice and reduce the overall burden for both regulators and the industry.
7. The online gambling market within the EU is currently fragmenting. This is primarily because of protectionism (either of markets, taxation or both) and this runs counter to the whole ethos of the EU Internal Market.
8. It is noted that, although the Green Paper is nominally restricted to online gambling, many of the questions posed are about gambling *per se* and apply equally to land-based gambling. This would, for example, include questions about sports' integrity and funding; the channeling of funds to public causes; and a number of the money laundering issues. Any decisions reached on these matters may as a result be flawed, but in any event it is misleading to imply that these matters have only arisen because of developments in the online gambling sector.
9. Generic sports' betting issues involving funding and integrity, although important, appear to have taken on a disproportionately high profile in the Green Paper and discussions associated with it. It should be very evident to anyone looking at the facts, that the European licensed betting industry is a key ally of the sports in the fight against corruption and is not responsible for the acts of corrupt participants, criminal organizations, or the activities in unlicensed betting markets around the world. There is also no evidence that online gambling is a threat to the current funding levels of sports and, via sponsorship and joint ventures, it can actually provide a new source of funding through normal commercial relationships.
10. Related to that, it had been anticipated that the focus of the Green Paper would be consumer protection. It is therefore surprising to see so much of it dedicated to funding issues that are associated with sports and public projects.
11. State lotteries and other forms of gambling monopoly have traditionally been established to provide funding for what are generally termed good causes. That is almost their sole function. It is therefore unfair to compare directly the funding they provide with any funding provided by private sector gambling operators.
12. Unlike the monopolies, private sector operators conduct business in a hugely competitive environment. This leads to excellent products,

innovation and value for consumers. The benefits that they derive from this are not reflected anywhere in the Green Paper.

13. As with private sector companies in any industry, the online gambling industry pays the full range of normal business taxes. However, in addition, as with the wider gambling industry, it pays dedicated and often hugely expensive gambling taxes. It is suggested that this higher tax burden should be recognized as the way that the private sector gambling industry contributes to public causes, rather than by any unjustified comparison with state monopolies.
14. However, where state lotteries, other monopolies, and the private sector industry are no doubt agreed is in their commitment to responsible gambling and the measures that are designed to achieve that, such as the CEN workshop agreement on *Responsible Remote Gambling Measures* that was published in 2011.
15. In fact, in terms of positively identifying customers and providing them with the tools to help them manage their gambling, the technologies available to the online gambling industry can have a very positive impact. For similar reasons, such as the cashless nature of the gambling and the perfect electronic audit trails, levels of fraud and money laundering are extremely low in the online gambling sector.
16. Finally, it must be stressed that online gambling is no longer a new and untested phenomenon. It is now well established and the EU market is dominated by a relatively small number of large, reputable and extensively licensed operators. There is little need to hypothesize about the potential risks and opportunities associated with online gambling as a part of the wider leisure sector when there is now a wealth of real world experience and evidence to draw upon.

Answers to questions specifically posed in the Green Paper

(1) Are you aware of any available data or studies on the EU on-line gambling market that would assist policy-making at EU and national level? If yes, do the data or study include licensed non-EU operators in the EU market?

There are a large number of studies and several companies who provide regular reports on the development of the market.

However, in the first instance we recommend that as a starting point the Commission use the report prepared in 2009 by DG Trade: *The European Commission Report to the Trade Barriers Regulation Committee (June 2009)*. The market will not have changed in a meaningful way since then and it draws on hard data that was provided to the Commission on a confidential basis by a wide-range of European online gambling operators.

In addition we would suggest:

- *Study of Gambling Services in the Internal Market of the European Union. Final Report, 14 June 2006. Swiss Institute of Comparative Law.*
- *Online gambling: a Report for the European Parliament, November, 2008, Europe Economics.*
- *The Global Gambling Report (updated monthly), GBGC*
- *Interactive Report, February 2011, GBGC*

We believe the EU online gambling market represented 11% of the total gaming market and was worth € 10 billion GGR (Gross Gaming Revenue, defined as stakes minus winnings) in 2010. This sector is expected to account for 13% of the total market by 2012 (€ 12.5 billion GGR). The EU online gambling market represented 45% of the world market share in 2010.

(2) Are you aware of any available data or studies relating to the nature and size of the black market for on-line gambling services? (Unlicensed operators)

With due respect, we would begin by pointing out that just because some operators are based outside of the EU, it does not automatically mean that they are unlicensed. The term 'black market' is one that we would also query as it automatically brings with it a negative connotation which is associated with crime. Many EU-based operators who are very well regulated also accept business from outside of the EU, but this does not make them black-marketers and it certainly does not mean they are unlicensed.

If, however, we take this question to mean how much of the EU online gambling market is held by operators who are based outside of the EU, then by its very nature, and the fact that many such operators are privately owned and do not have to disclose details about their businesses, then these can only ever be informed estimates.

The key point is that this market does exist and will continue to exist. How substantial it is and whether it will grow is almost entirely dependent on the offerings that operators licensed within the EU are legitimately able to make. If discriminatory and disproportionate regulation prevents EU-based operators from meeting consumer demand adequately then consumers look outside of the EU.

If the question is intended to refer to the share of the market taken by operators outside of the jurisdiction in question, irrespective of whether those operators are EU or non-EU based, then the picture will vary from Member State to Member State, but as an indication of the size of the problem currently facing countries that do not allow private sector operators to provide competitive products, a study this year estimated that the market was split with 57% (circa €13.4bn) of turnover being held by companies not licensed in France (*February 2011 MAG*)¹

(3) What, if any, is your experience of EU-based on-line gambling operators licensed in one or more Member State and providing and promoting their services in other EU Member States? What are your views on their impact on the corresponding markets and their consumers?

This is commonplace within the RGA's membership and it is something that we have a great deal of experience with. The extent to which operators can and do provide their services in other Member States is largely determined by their interpretation of the legal situation in each (see Q5).

We believe there is a trend in these markets for the markets to grow and there is no evidence which shows that domestic operators suffer when operators from other EU jurisdictions accept business. Although there are similarities there are also fundamental differences between online and land-based gambling businesses and this largely accounts for why there is room in the market for both. As for consumers, they are provided with the opportunity to gamble online with well regulated companies who operate in a very competitive market place. This inevitably ensures that consumers receive excellent products, choice and value.

The benefit to consumers is an aspect of online gambling which is frequently overlooked in the wider debates. We would urge the Commission not to forget the interests of the vast majority of them who enjoy online gambling as a mainstream leisure pursuit and who thankfully never encounter any problems.

¹ http://www.mag-ca.it/News_k.html

Many governments are concerned about cross border online gambling services undermining their domestic operators. This is especially true for state lotteries which raise substantial funds for governments and for good causes and so the concern is understandable. Despite that, all of the available evidence, both in relation to cross border gambling and where licences have been made available to private sector online gambling operators, shows that cannibalisation has little or no effect and that existing companies, including state lotteries can and do thrive.

For example in the UK, which is arguably the most competitive gambling market in the EU, the state lottery operator has not only been able to compete, but is actually doing better than ever.

The National Lottery operator, Camelot, has recently announced record ticket sales of £5.8bn in the year to March 2011. That marked a 6.8% increase on a year ago and beat the previous record of £5.5bn set in 1997-98.
<http://www.bbc.co.uk/news/business-13647870>

Likewise in France, the report on the implementation of the new French gambling laws by M.Lamour MP (May 2011) makes clear that the development of the new market has not taken place to the detriment of the monopolies, and land based casino acknowledged that online gambling had not damaged their businesses.

(4) What, if any, is your experience of licensed non-EU on-line gambling operators providing and promoting their services in EU Member States? What are your views on their impact on the EU market and on consumers?

This is almost wholly dependent on who they are and where they are operating from. It would be a mistake to lump all non-EU operators together. If they operate and are regulated in ways which are comparable to EU-based operators then there will be no negative fall-out from their involvement and there are many very highly regulated jurisdictions that would fall into this category.

At the other end of the spectrum there are unfortunately less reputable operations that will adhere to little or no meaningful regulation. At present their impact is probably low in most parts of the EU, but their competitive position in the market will inevitably be strengthened if reputable and properly licensed operators are excluded from markets.

(5) If any, which are the legal and/or practical problems that arise, in your view, from the jurisprudence of national courts and the CJEU in the field of online gambling? In particular, are there problems of legal certainty on your national and/or the EU market for such services?

Domestic laws in EU Member States are often vague and uncertain in terms of access to their markets from operators licensed in other EU jurisdictions. The

jurisprudence of the CJEU has clarified that in the absence of EU harmonized rules, Member States have a margin of discretion to decide upon their national regulatory framework but these must be compliant with EU law. In particular, national restrictions to the free movement of services must be consistent, in line with justifiable objectives, based on fair and transparent procedures and cannot discriminate against EU operators.

Infringement cases have been started by the European Commission against several Member States. However, since early 2008 no developments on these have taken place and no new proceedings have been opened despite several complaints being tabled.

Meanwhile the CJEU has continued to issue preliminary rulings (15 cases in total since 1994, 7 still pending). Between 2006 and 2010, over 150 national draft acts and laws have been notified to the Commission for single market screening, and many have received a first formal warning from the Commission for not complying with EU law.

The EC must maintain its role of Guardian of the Treaty and pursue infringement cases in a systematic way to correct existing legislative flaws and to prevent new national rule-making which violates EU law and creates even more new market distortions.

(6) Do you consider that existing national and EU secondary law applicable to online gambling services adequately regulates those services? In particular, do you consider that coherence / consistency is ensured between, on one hand, the public policy objectives pursued by Member States in this field and, on the other hand, the national measures in force and/or the actual behaviour of public or private operators providing on-line gambling services?

This very much depends on the existing national laws in each Member State and they vary greatly. Disappointingly, many of them are not compliant with EU law and the European Commission has not adequately upheld the rights of EU-based operators to provide their services into other Member States. One of the consequences of this is that there is a real lack of consistency across the EU and in many Member States the right balance has not been achieved between the public policy objectives and the measures that have been implemented.

This is largely because policies have been developed that are not evidence-based and this has too often led to disproportionately severe restrictions being imposed or even restrictions which quite simply are ill thought out and counter-productive.

(7) How does the definition of on-line gambling services above differ from definitions at national level?

There are some variations and these are especially notable in Member States which have not modernised their gambling laws in recent years. However, as more and more Member States review their gambling laws, or just those parts of them that relate to online gambling, there is an acceptance that the definitions used need to encompass all forms of remote gambling and all forms of electronic communication. If this is done properly then it is largely irrelevant whether the activity is referred to as online gambling, remote gambling, e-gambling or some other variation along the same lines.

(8) Are gambling services offered by the media considered as games of chance at national level? Is there a distinction drawn between promotional games and gambling?

It is acknowledged that there can be a grey area between these two activities which presents real problems for regulators. We would also say that promotional games may not always be the sole preserve of the media and so it might be sensible to focus on the differences between the products rather than who is seeking to offer them.

In practice there tends to be specific legislation to govern the conduct of gambling, but there may be nothing comparable for promotional games. It is therefore often a question of legal interpretation about whether a promotional game is also a form of gambling. This enables each situation to be considered on its individual merits.

(9) Are cross-border on-line gambling services offered in licensed premises dedicated to gambling (e.g. casinos, gambling halls or a bookmaker's shop) at national level?

There are two situations which might need to be addressed separately in relation to this question. The first is whether the operator or those responsible for activity on the premises is able to provide online gambling. The second is whether consumers are prevented from gambling online while on those premises (for instance if they have with them a smart phone or laptop computer).

Our experience is that the former is usually not permissible under domestic law, but that the latter does inevitably take place even though the owner of the premises may not sanction it. To that extent there would be no difference between the consumer gambling online, for instance, in a casino, a bank, a park, or his own home. It is an inevitable result of improving access to technology and wireless communication.

(10) What are the main advantages/difficulties associated with the coexistence in the EU of differing national systems of, and practices for, the licensing of on-line gambling services?

One of the advantages and attractions for individual Member States is that national licensing systems enable them to maintain control over their own policies and to put in place regimes that recognise any cultural and historical differences that might affect their approach to the regulation of gambling.

However, all Member States seem to agree in general that the key objectives of their regulations should be to ensure that gambling is conducted fairly: to keep crime out of gambling; and to protect problem gamblers and children.

There are major differences in how Member States pursue these objectives and it would be naive to think that other factors (such as the desire to protect tax revenues and their domestic gambling industries) did not influence the development of their policies.

The biggest practical problem that this creates is an inconsistency in regulatory standards and requirements. Although there are some exceptions this has also made it difficult for national regulators to agree common standards and achieve any form of mutual recognition. The 2011 Hungarian Presidency Report on regulatory co-operation addressed some of these issues, but real progress is painfully slow.

For EU-based online gambling operators this means that, as more jurisdictions introduce licensing regimes and they obtain licences in more Member States, they are faced with the significant regulatory and financial burden of effectively having to repeatedly recreate the same business each time. This can create problems with dual taxation, but from an operational and regulatory perspective it could involve, for example, the same IT systems, software and products being subject to repetitive testing (often by the same testing houses); individuals and companies undergoing almost identical enquiries; and the unnecessary duplication services.

(11) With focus on the categories mentioned above, how are commercial communications for (on-line) gambling services regulated for at national level? Are there specific problems with such cross-border commercial communications?

This varies from Member state to Member State, but many are similar to the UK which has a statutory regulator (OFCOM) that oversees commercial communications ranging from broadcast media to the internet.

(12) Are there specific national regulations pertaining to payment systems for online gambling services? How do you assess them?

It is to be expected that all EU Member States will have specific regulations that apply to the financial services sector. Those are then applied to payment systems for online gambling in the same way as they are for any other commercial sector. In terms of combating crime these are augmented by anti-money laundering and anti-fraud requirements that apply to all companies. There is no reason that online gambling should be subject to additional measures because these are already specifically designed to address any risks.

(13) Are players' accounts a necessary requirement for enforcement and player protection reasons?

Both for regulatory and commercial reasons the account opening and maintenance process is an important tool. It ensures that operators can identify and deal appropriately with any potential underage gamblers; it enables companies to satisfy statutory anti-money laundering requirements; it helps prevent fraud; and it makes it possible for consumers to put in place personal restrictions to enable them to manage their gambling responsibly.

(14) What are the existing national rules and practices relating to customer verification, their application to on-line gambling services and their consistency with data protection rules? How do you assess them? Are there specific problems associated with customer verification in a cross-border context?

There is a degree of consistency because all companies are subject to the 3rd Money Laundering Directive which is implemented by way of national regulations. There is some minor variation between these, but the core 'know your customer' requirements are the same. These are no different in the cross-border context because the responsibility always rests with the operator where it is licensed. As the customer is supplying the data, and if necessary, supporting documentation, then there are no inherent data protection problems as long as the data is only used for the purposes agreed to by the customer.

In line with good practice where Money Laundering rules apply, customer identification and verification systems are characterised by a risk-based approach. For licensed online gambling operators this will additionally be underpinned by whichever authority is responsible for regulating the gambling activities (for example, in the UK this would include the Gambling Commission Licence Conditions and Codes of Practice.²

It will normally be acceptable to rely on electronic verification when someone is seeking to open an account. This would involve the details given by the applicant being checked via third party service suppliers on a range of

² <http://www.gamblingcommission.gov.uk/pdf/Licence%20conditions%20and%20codes%20of%20practice%20-%20remote%20casino%20-%20October%202010.pdf>

databases. If that does not provide sufficient assurance then supporting documentation can be requested.

The approach will vary from country to country depending on the quality and availability of data about individuals.

(15) Do you have evidence that the factors listed above are linked to and/or central for the development of problem gambling or excessive use of on-line gambling services? (If possible, please rank them)

The RGA appreciates that listing certain factors linked to the development of problem gambling is an attempt by the Commission to focus attention on the most problematic areas, however, while these factors are all associated with problem gambling, the subject is far too complex and the research far too incomplete (especially in relation to online gambling) to try and put them in any strict order. In addition it is very important to underline that it is rare for problem gamblers to use only one form of gambling and identifying causality with any degree of precision is extremely difficult and we are not aware of any research that has done it conclusively.

Against that background our specific comments on each factor are:

(1) Event frequency: It is wrong to suggest that there is a greater risk of problem gambling the shorter the time between a particular game or event taking place and the result, especially when gambling online. For the vast majority of gamblers their prime motivation for gambling online is choice, therefore event frequency and the ability to place a bet or play a game at their time of choosing is fundamental to this process. We are not aware of any credible research which shows that greater event frequency online leads to the development of problem gambling.

However research by the Responsible Gambling Council into electronic gaming machines and problem gambling did conclude that non-problem and problem gamblers rated lower levels of enjoyment and satisfaction with a slower 5-second reel spin speed (lowered from 3.5 seconds). Rapid speed of play (i.e., 3.5 seconds) was not found to have any positive or negative impact on any of the parameters of play (i.e., time spent playing, number of bets, net loss), nor was it found to be related to problem gambling status, the severity of problems, or the amount of money spent. Our view is that for a problem gambler it is not the event frequency which is the risk but the manner in which they gamble.

(2) Payout interval: Again as with event frequency this is a question of consumer choice and for the vast majority of gamblers, who of course do not encounter any problems, a shorter payout interval is a positive that enhances their leisure experience. In the case of sports books, for example, it is often critical that's bets are settled and funds returned to

accounts as soon as possible so that the customer has those available funds to bet on the next event.

(3) Accessibility and social environment: All of the available data and research shows that problem gambling rates for the same on and offline forms of gambling (such as online and land-based casinos) tend to be very comparable. In relation to accessibility, online gambling will commonly be more accessible than land-based gambling, but again the problem gambling rates show little variation between the two and the nature of online gambling means that it is also able to provide many more tools for consumers to manage their gambling than would be available to them in a land-based environment.

(4) Chasing losses or being close to winning: If these issues are of concern then they apply (as do most of the others factors that are listed) to all forms of gambling and we would query whether it is sensible or fair to consider online gambling in isolation. Chasing losses is never something operators would encourage and in fact all the available tools are designed to help customers manage their gambling so that they do so responsibly. Advertising restrictions can also be put in place to prevent the use of incentives, such as bonuses, that might theoretically encourage customers to deposit or gamble more than is ideal and regulators, such as the Gambling Commission in the UK, can put in place measures to prevent this. Likewise, regulators can ensure that software is prevented from providing games which unfairly provide 'near misses' (see also following section).

(5) Perceived skills and “involvement”: This is a broad reference to the research that suggests frequencies of near-misses encourage prolonged gambling activities in problem gamblers who can interpret “near-misses” as indicators that they are in control of the game and believe that a win is imminent. The large body of research on this matter has been done in relation to slot machines and lotteries where the psychology is most apparent.

Personal choice is an additional factor contributing to the illusion of control in gamblers and of course, choices are present in almost every type of sports bet, casino game or card game. Given the body of research it is difficult to conclude anything other than the fact “near misses” and “personal choice” do affect problem gamblers to the extent that it might encourage prolonged gambling activity. However it also returns us to two recurring points throughout our response:

- For the vast majority of customers it is a harmless pursuit, but all socially responsible gambling operators must be mindful of the problems that can develop.
- The issues of social responsibility and the psychology of near misses applies to the entire gambling industry, including lotteries

and are not exclusive to online gambling in any way. The only obvious difference is that online operators have the tools to empower their customers to help them ensure that their gambling does not become a problem and that, if they fear it might be, there is information readily available for them about sources of support and advice.

(6) Commercial communications that could trigger vulnerable groups: Care is always taken not to exploit the young, the immature or those who are mentally or socially vulnerable. Advertisements or other promotional material are never deliberately directed at people under the age of 18 through the selection of media, style of presentation, content or context in which they appear.

These are fundamental requirements of most gambling and advertising regulators and, of course, in industry codes of good practice. There is no evidence that this has created any noticeable difficulties.

(16) Do you have evidence that the instruments listed in the Green Paper are central and/or efficient to prevent or limit problem gambling relating to on-line gambling services? (If possible, please rank them)

European online operators are committed to responsible gambling and invest heavily in mechanisms to mitigate social harm. The instruments listed in the Green Paper are just some of the measures in place to prevent or limit potential problem gambling. Taking each factor listed in turn:

(1) Age limits: Gambling, apart from on lottery products, whilst under the age of 18 is a criminal offence in the majority of jurisdictions and online operators take their responsibilities to prevent access by under-18s very seriously indeed. Although no system is fool proof, the online gambling sector has an excellent track record in this regard.

This was recognized in the UK Children's Charities' Coalition on Internet Safety report in 2010 which cites online gambling as a successful example that should be followed by other adult only e-commerce industries.

All players must have accounts and a range of third party suppliers are used to provide verification services to confirm the age and identity of the applicant. These sophisticated age verification systems and procedures minimise the risk of underage customers using on-line services. In addition, the majority of responsible operators encourage parents and guardians who use a family shared computer to install filtering software in order to restrict internet access to children and minors. Below are examples of parental filtering solutions that can be used to monitor or restrict access to the Internet:

- www.netnanny.com - a filtering software which allows parents to add their own sites to block.
- www.saferinternet.org - a website which is co-funded by the European Union and provides comprehensive information about internet filter software and also offers a free test version.

(2) Self-limitation (financial and time) and self-exclusion: All responsible operators offer a deposit limit facility to enable a consumer to limit the amount of money that they are able to deposit online into an individual's account on either a daily or a weekly basis. These amounts may be revised downwards at any time but any increase will only be implemented after 24 hours following the request. In addition online players can easily access a full history of transactions, withdrawals and deposits and the current balance of their account is always available to them. All responsible operators offer a self-exclusion facility to help those customers who feel that their gambling is out of control and want assistance to help them stop. By entering into a self-exclusion agreement a customer will be prevented from using their account for a specific period, as determined by them, of between 6 months and 5 years. Once accounts have been self-excluded they are unable to be reactivated under any circumstances until the expiry of the self-exclusion period. At the end of the period, customers may recommence gambling by phoning the operators' Customer Services Teams and in most circumstances an additional 24-hour waiting period will be imposed. In the online sector, self-exclusion is very much viewed as a joint commitment between the operator and the individual in which all reasonable steps are taken to prevent the re-opening of the account or opening new accounts.

3) Information/warnings/self tests (more easily applied on-line than off-line): One of the advantages of gambling online is that responsible gambling information is only ever a hyperlink away from an operator's website. What was evident from the study carried out by the Division of Addiction, Cambridge Health Alliance (often referred to as the Harvard Study) was that online operators themselves had the tools to monitor and provide support to customers far more successfully than off-line gambling operators. Therefore the internet allows operators to research actual gaming behavior rather than rely on the customer to admit to having a problem.

However, without compromising the principle that customers are responsible for their own gambling, the nature of the activity is such that information should be made available to empower them to gamble responsibly and self testing is an obvious example of this. Under the responsible gambling section available from every page most online gambling sites will have a variance on the wording below, whereby an individual can assess in the first instance if they or anyone close to them has a problem with their gambling:

If you are concerned that gambling may have taken over your (or someone else's life) then the following questions may help you find out:

- *Do you stay away from work, college or school to gamble?*
- *Do you gamble to escape from a boring or unhappy life?*
- *When gambling and you run out of money, do you feel lost and in despair and need to gamble again as soon as possible?*
- *Do you gamble until your last penny is gone, even the fare home or the cost of a cup of tea?*
- *Have you ever lied to cover up the amount of money or time you have spent gambling?*
- *Have others ever criticised your gambling?*
- *Have you lost interest in your family, friends or hobbies?*
- *After losing, do you feel you must try and win back your losses as soon as possible?*
- *Do arguments, frustrations or disappointments make you want to gamble?*
- *Do you feel depressed or even suicidal because of your gambling?*

The more you answer 'yes' to these questions, the more likely you are to have a serious gambling problem.

All responsible gambling pages will have clear hyperlinks to specialist organisations for working with problem gamblers such as, Gambling Therapy, Gamblers Anonymous, GamCare and the Gordon Moody Association. We look at the international example of Gambling Therapy in more detail in response to Question 21, but other organisations such as GamCare (a UK problem gambling charity) adds to the protection available to online gambling customers by providing a range of online support services, from a confidential NetLine, through to peer-to-peer services including a Forum and Chat/Support room. The NetLine allows individuals to talk live online to trained Advisors who can offer counselling support, information and advice. The NetLine is available between 8am and 2am 7 days a week, whilst all other online services are available without restriction to anyone affected by a gambling problem.

4) Banning the use of credit: All online gambling operators allow the use of credit card and this is perhaps the safest method of payment from a consumer and anti-crime perspective. Banning the use of credit cards would not help problem gamblers because they could simply transfer cash balances from their credit cards to some other payment method and then use that. If there is a problem with credit cards it is more likely to be the amount of credit that consumers are provided with by financial institutions.

Some betting operators will provide credit facilities themselves, but this is increasingly rare.

5) Reality checks: Again under the responsible gambling sections all operators advise customers to keep track of the time and the amount they spend gambling. The customer's balance will always be available as will a clock either on the site or on the customer's computer. As explained elsewhere in our response this is made far easier online by the customers account history always being made available and by using facilities to limit the amount that can be deposited on a daily or weekly basis.

6) Diligence obligation for the on-line operator: All management and customer service staff receive awareness training on problem gambling issues and the online industry is perhaps more open to new innovations in this area than traditional forms of gambling. For example there was a large online presence in June 2011 when GamCare launched 'GamCare ExTra', a new social responsibility e-learning package to promote responsible gambling. GamCare ExTra is designed to give gambling industry staff skills to recognise the key signs of potentially risky behaviour and knowledge about how and when to help. It is a new product available to support effective social responsibility training and has been developed as a practical training tool to meet the needs of front line customer service staff. As an online learning programme, it can be completed whenever and wherever needed. The package also allows managers to monitor and assess progress and, on completion, the trainee is awarded a personal GamCare Certificate of Achievement in Social Responsibility.

7) Restricting certain forms of games or bets that are considered to be the most risky: The Green Paper refers to restricting sports betting to final results only, and restricting certain types of casino games. We are firmly of the belief that there is no rationale to restricting certain forms of games or bets online. We would challenge the assertion that some products that are currently available are so 'risky' that they should not be permitted. We would urge the Commission to develop its policies as a proportionate response to hard evidence rather supposition, hypothesis, or anecdotal evidence. The Commission will be far better placed working with the industry, regulators and problem gambling specialists to improve constantly the safeguards deemed necessary, without recourse to draconian restrictions, which run the risk of driving consumers to operators outside of the EU who might be unregulated and unlicensed.

8) Other (e.g. limits on commercial communication – restrictions on the use of certain media, sales promotions and sign-up bonuses or free practice games):

The need to demonstrate that a business is run in a socially responsible manner is an important aspect of regulation. Online operators will also have their own rules and procedures designed to protect their businesses, enhance the customer experience and minimise harm to the vulnerable.

All RGA members encourage honesty at all times with regard to the chances of winning, and the odds or payout ratio that applies to the gambling on offer.

In addition, free play games must operate to the same payout ratio as cash games. Recently, both the RGA and the EGBA (European Betting and Gaming Association) worked together with a wide range of stakeholders (academics, problem gambling experts, criminologists etc) within CEN to develop a workshop agreement on 'Responsible Remote Gambling Measures' (24 February 2011) it set out a list of 134 concrete measures that ensure responsible gambling and provides greater protection for consumers throughout the EU. This agreement provides a building block for pan-EU regulation.

(17) Do you have evidence (e.g. studies, statistical data) on the scale of problem gambling at national or EU level?

Online gambling is a leisure activity that has had to mature rapidly in an environment of strict statutory regulation where the focus has always been on ensuring that consumers have access to fair, safe and properly regulated services. This is an approach that we wholeheartedly endorse.

The RGA notes the Commission's reference to nationwide prevalence studies for problem gambling in eight Members States but given the fact that the UK is by far the largest national online gambling market we will concentrate on the findings of its three comprehensive prevalence studies of 1999, 2007 and 2010. However it should be noted that the size of a population does not have much to do with propensity to gamble.

This point was made by Mark Griffiths in his report entitled Problem gambling in Europe: An Overview (2009)³ where he noted that the highest EU gambling countries in terms of Gross Gambling Revenues (GGR) were Ireland (€279 per year per person), Finland (€239), Luxembourg (€194), Great Britain (€181), and Sweden (€176). Therefore, all bar Great Britain only had small to medium size populations among member states. Mark Griffiths concluded that problem gambling rates in Europe appear to be similar to rates found elsewhere i.e. typically 0.5% - 2% with only a few countries such as Estonia, Finland and Switzerland reporting problem gambling prevalence rates of above 3%. However it should be noted that prevalence studies in a number of European countries have been produced from local surveys and are often the result of opportunistic or non-representative samples. Therefore in the absence of large samples and with suspect representation, these should be viewed with caution and is a further reason why we have chosen to focus on the detailed UK prevalence studies of 1999, 2007 and 2010.

³ [http://www.responsiblegambling.org/articles/Prob%20Gamb%20Europe%202009%20\(3\).pdf](http://www.responsiblegambling.org/articles/Prob%20Gamb%20Europe%202009%20(3).pdf)

The purpose of all three BGPS's as with many similar studies was to measure the prevalence of gambling in general and not the prevalence of problem gambling itself. The fact that a problem gambling figure, be it 0.5% or 0.9% can be attributed at the end of the process is useful but it should never be forgotten that this is just one aspect of a study that provides a huge amount of information about the gambling market and the behavior of gamblers.

The Green Paper refers directly to the BGPS 2007 which measured that problem gambling prevalence amongst the general population in the UK was at a relatively low rate of 0.6%. In real terms the BGPS 2007 only identified 52 problem gamblers (not addicts) from 9003 adults therefore the significant trends the rest of the report attempted to track, particularly in terms of online gambling need to be viewed with caution.

This is demonstrated by the fact that a high prevalence of problem gambling found among those who participated in spread betting (14.7%), B2 machines (11.2 %) and betting exchanges (9.8%) was based on the behavior of a mere handful of people. Thankfully, lessons were learned so that when the results of the most recent BGPS were published earlier this year a much more rational and informed debate was had about the issues, despite the overall problem gambling figure going up on the two problem gambling screens used to identify problem gamblers. They are called DSM IV and PGSI. DSM IV found that 0.9 of the population could be classified as problem gamblers which equates to 451,000 adults aged 16 or over in Britain. PGSI figures were slightly lower at 0.7% and equates to 360,000 adults aged 16 or over in Britain. It should be noted that tests to evaluate statistically significant differences take into account the possibility that observed differences are the result of random sampling error. The proportions for PGSI increased from 0.5 in 2007 to 0.7 in 2010 which was not considered statistically significant.

Under the DSM IV measure it increased from 0.6 in 2007 to 0.9 in 2010 which is in the margins of statistical significance. The RGA notes that the UK prevalence studies, as with others conducted in the EU, provide a great deal of information about the gambling market and the behavior of gamblers. One aspect of this is problem gambling and whilst it is a cause for concern that numbers/rates have risen they are still in line with international trends and in the words of the British Gambling Commission are 'at the margins of statistical significance'. Overall, the rate of problem gambling since 1999 has barely changed. This is despite the expansion of online gambling opportunities in this period. The authors of the Study have made clear that while the results show what gambling products problem gamblers use, they do not show that any one product causes someone to become a problem gambler. In other words, they tell us nothing about causality.

(18) Are there recognised studies or evidence demonstrating that on-line gambling is likely to be more or less harmful than other forms of gambling for individuals susceptible to develop a pathological gaming pattern?

Both the BGPS 2010 and other recent research findings published by Harvard University show that the only reliable predictor of problem gambling is the intensity of involvement in gambling a person has and that problem gamblers typically use a wide range of gambling products both on-line and offline. GamCare's most recent annual report revealed that their telephone and online helpline teams answered over 35,000 calls in 2009/10, including a 47% increase in callers to the NetLine. Across gender, the pattern of gambling behaviour hadn't changed from the previous year with most callers and clients in counseling being male and who gamble in a betting shop.

While the rise in male callers gambling on the Internet was just 4% and there was no increase in problem gambling on the Internet. But 17% of female clients in counseling were gambling in betting shops compared to 8% in the previous year. As ever, one has to be careful when interpreting statistics but the fact the callers via Netline (a online service) increased by 47% but there was no increase in problem gambling clients reporting "online" as the source of their gambling speaks volumes about the preventative measures the online gambling sector has in place.

(19) Is there evidence to suggest which forms of on-line gambling (types of games) are most problematic in this respect?

No, however what is evident is that the development of online gambling has not lead to an increase in the incidence of problem gaming which in Europe lies around 0.5 to 3% in the overall population.

(20) What is done at national level to prevent problem gambling? (E.g. to ensure early detection)?

As a result of the Gambling Act 2005, the UK has been the most proactive in this area so for ease of reference our response will concentrate on its recent activity. Problem gambling has increasingly come to be seen as a public health issue, in the UK, therefore the prime objective has been to reduce harm through preventing the adverse social, economic and health consequences of gambling for individuals, communities and society.

A number of prevention strategies have been used to address problem gambling, involving a range of stakeholders, including Government, academic researchers, treatment agencies, local community groups, and the gambling industry itself. Established in June 2009, The GREaT Foundation raises funds through voluntary donations to support research, education and treatment of problem gambling. Since they were set up GREaT have provided £5.77million against grant requests to the Responsible Gambling Fund (RGF) to support various

commissioned research, education and treatment projects. The RGF is another charity set up in order to distribute funds and forms part of the tripartite structure that comprising the aforementioned single purpose fundraising body (The GREaT Foundation), led by the industry; a distributing body (RGF); and an independent Responsible Gambling Strategy Board (RGSB). The RGF fund educational initiatives about problem gambling for young people in schools and youth clubs as part of a national preventive education campaign.

The majority of its funding provides grants to organisations such as Gordon Moody, GamCare and the National Problem Gambling Clinic, who in turn provide advice and treatment for problem gambling and those affected by it.

The Auckland Review suggested that there is currently a lack of evidence as to whether preventive education activities are effective in changing problem-causing behaviors. However, the general view internationally remains that targeted preventive education activities have a positive impact and can lead to measurable increases in awareness of services, use of help lines and if necessary treatment. Currently, GamCare and Gordon Moody (House) Association and others operate telephone lines providing advice to problem gamblers. The primary purpose of GamCare's national helpline is to provide advice and support for problem gamblers, their family and friends and not to provide information to individuals seeking more general educative information about gambling.

The Gamble Aware website⁴ was created to fill the educational information void by providing the facts about gambling in an accessible manner. The website provides a gateway to information about gambling in the UK encompassing regulation, social responsibility and industry funding of research education and treatment. It also explains how to get advice for gambling related problems and promotes responsible gambling only, and supports initiatives that help prevent gambling from becoming a problem and minimise gambling-related harm.

(21) Is treatment for gambling addiction available at national level? If so, to what extent do on-line gambling operators contribute to the funding of such preventive actions and treatment?

In the UK the gambling industry (including RGA members who are based outside of the UK) has committed to donate a minimum of £5m per year between 2009 and 2012 to help fund problem gambling related research, education & treatment. These donations are made to the charity, The GREaT Foundation, which then channels them through to support research, education and treatment related to problem gambling.

In percentage terms, online gambling operators have consistently contributed above what might be expected given their small share of the total British gambling market, even though offshore gambling operators are not required by the UK Gambling Commission to contribute to research, education and treatment. The online industry's commitment to such a voluntary funding

⁴ www.gambleaware.co.uk

mechanism is perhaps best illustrated by the fact nearly 50% of the Gold award winners at the GREaT Foundation annual awards had an online presence and the Donor of the Year went to bet365, one of the world's leading purely online gambling companies.

Whilst the above is very much UK focused, online operators have also worked with partners that can provide help and support to the growing international market. This is perhaps best illustrated through Gambling Therapy⁵, which is 100% funded by the online gambling industry, operates in over 30 languages and provides online advice and practical and emotional support for individuals through a helpline facility. It has a telephone helpline in addition to an online facility which connects to an advisor where the individual can, in confidence start typing and an advisor will respond with useful support, advice and understanding. The advisor is able to signpost them towards the various options of help and support that are available via a large database of external resources alongside other methods of support offered on the Gambling Therapy website. The helpline is available to anyone with a gambling problem or those affected by gambling. It also provides group therapy and there are additional support groups running at various times of the day over a seven day period. Once in the group, individuals can have live typed chat with others who are problem gamblers or someone affected by gambling.

There are five types of groups:

- Community - this is a group anyone can join in
- Compulsive Gamblers - this group is for problem gamblers only
- Family and Friends - this group is for anyone affected by gambling through someone close to them
- Topics – this is a structured group with a pre-disclosed theme related to gambling and recovery.
- Un-moderated Weekend & Evening Chat available to all members

The groups are an excellent way to give and receive support and a safe place to offload any issues individuals may have.

There is also a forum which is open 24 hours a day, 7 days a week, where an individual can post their own story or reply to others. The forum is global and due to the various time differences there is usually someone around that will reply to anyone with a gambling problem or those affected by gambling through someone close to them.

(22) What is the required level of due diligence in national regulation in this field? (E.g. recording on-line players' behaviour to determine a probable pathological gambler?)

⁵ www.gamblingtherapy.org

There are no national regulations in this regard. Although some academics have suggested that there might be behaviours which would indicate that someone had, or was at risk of developing, a problem this is an area in which further research is being undertaken. One of the difficulties is that the operator will usually only see one aspect of the customer's gambling and will not be able to monitor their gambling at casinos, racecourses, on machines, with other online operators etc.

As indicated elsewhere in the Green Paper it is possible that there might be a number of very different factors that could contribute to someone's problems. Monitoring all of those and assessing them one against another would clearly be a very complicated procedure and in practical terms would be very difficult to legislate for.

Apart from that the British Gambling Commission, for example, requires that all licensed operators provide self exclusion facilities for their customers and operators must provide information in their regulatory returns to say how many people have used that service. In terms of compliance, this is one of the requirements that the regulator tests by way of mystery shopper exercises.

(23) Are the age limits for having access to on-line gambling services in your or any other Member State in your view adequate to attain the objective sought?

Unfortunately, it is rarely stated exactly what the objective is except to prevent children from gambling. It should follow from this that the age limits are the same as those set out in national laws for someone to reach the age of majority. Consequently, the age limit is usually 18, although lottery products are often legally sold to children below this age (for example, in the UK, lottery products and games, both on and offline can be sold to 16 and 17 year olds).

A consistent age limit of 18 across the EU would be welcomed, although it is to be expected that online lotteries will not be subject to the same restrictions as other forms of online gambling.

European online gambling operators have developed sophisticated tools to prevent underage individuals from accessing online gambling and to verify the age and identity of individuals, such as:

- Display on homepage linking to clear « no under 18 » message
- Confirmation of age during the registration process
- Training to all employees involved in age verification
- Additional routine checks of users to ensure compliance with age restrictions
- Account closed or frozen immediately if underage gambling is identified or suspected

Taken together these controls are at least as effective as those used for land-based gambling.

(24) Are on-line age controls imposed and how do these compare to off-line 'face-to face' identification?

As discussed above the online age controls are imposed vigorously, where operators adopt all reasonable measures to prevent underage gambling and are required to do so by their regulators. This is an aspect of regulation where there is a clear consensus and where harmonization across the EU could be readily achieved.

There are clear notices stating the minimum age to use the facilities and all relevant staff are made aware of the policy and procedure for dealing with underage gambling and ensuring that it is followed at all times. It would be unfair to make comparisons with the offline industry as they are unable to benefit from technology in the same ways as EU online gambling operators and the majority of them do not need to identify every one of their customers or have them open accounts in the same way as the online sector.

(25) How are commercial communications for gambling services regulated to protect minors at national or EU level? (E.g. limits on promotional games that are designed as on-line casino games, sports sponsorship, merchandising (e.g. replica jerseys, computer games etc) and use of social on-line networks or videosharing for marketing purposes?

In the UK, operators are required to comply with the advertising codes of practice that apply to the form and media in which they advertise their gambling facilities and services. Advertising is subject to the CAP (non-broadcast) and BCAP (broadcast) codes which are administered by the Advertising Standards Authority (ASA)⁶. CAP and BCAP cover content and placement of advertising and ensure that it is socially responsible. These codes forbid gambling advertising to target young people and aim to protect vulnerable people from exploitation and harm.

Operators also follow the Gambling Industry Code for Socially Responsible Gambling which supplements CAP and BCAP and is monitored by the Review Group for Socially Responsible Advertising. The Gambling Industry Code was developed by the gambling industry and sets minimum standards in a number of areas not covered by CAP and BCAP and reinforces the message that advertising of adult-only gambling products or product suppliers should never be targeted at children. In terms of sponsorship the code requires that gambling operators do not allow their logos or other promotional material to appear on any commercial merchandising which is designed for use by children. A clear

⁶ www.asa.org.uk/

example of this is the use of logos on children's sports' shirts which is not permitted under the terms of this code.

(26) Which national regulatory provisions on licence conditions and commercial communications for on-line gambling services account for these risks and seek to protect vulnerable consumers? How do you assess them?

In addition to the UK regulatory framework for advertising as set out in the answer to Question 25, there are also reserve powers in the Gambling Act 2005 for the Government to introduce additional measures if it ever felt the need to do so. So far the range of existing measures is deemed to have been successful.

(27) Are you aware of studies and/or statistical data relating to fraud and on-line gambling?

Remote gambling, when offered by well-regulated and licensed operators, is no more susceptible to fraud and crime than any other e-commerce industry. In fact, due to the stringent licensing requirements of regulators in Europe, remote gambling operators are subject to more scrutiny and safeguards than most e-commerce service providers.

A report for the European Parliament (Europe Economics, "Online Gambling: Focusing on Integrity and a Code of Conduct for Gambling," Report for the European Parliament, Internal Market Committee, 2008) found "little hard evidence that EU consumers of online gambling are defrauded on EU-licensed websites"

(28) Are there rules regarding the control, standardisation and certification of gambling equipment, random generators or other software in your Member State?

All EU jurisdictions that have a licensing regime for online gambling have laws, licence conditions, and codes of practice which address all of these issues. Those requirements vary in detail, but they have the same objective of ensuring that all online gambling products operate fairly and in accordance with best practice.

(29) What, in your opinion, are the best practices to prevent various types of fraud (by operators against players, players against operators and players against players) and to assist complaint procedures?

We are not aware of any cases involving European licensed operators where fraud has been perpetrated against their customers. Statutory licensing requirements, both of companies and individuals, and robust internal security and audit procedures have effectively dealt with this risk.

Therefore, the focus has been on the reality of fraud which does occur. Primarily this involves consumers seeking to defraud online gambling companies, but there have been instances of players seeking to defraud other players.

The most common form of the first of these is chargeback fraud. This occurs when an individual claims that a transaction is fraudulent in some way and the credit card issuer then debits the money from the merchant's account. This facility is designed to protect the consumer, but can be used by fraudsters to get back any losses they may have occurred while gambling. Whilst a number of claims are genuine, the majority are erroneous.

Perhaps the most common fraud solely involving players occurs in online poker where collusion and chip dumping are ways that a group of players working together can obtain an unfair advantage over people they are playing against.

Irrespective of which of these frauds is being threatened, the range of responses and protections is very similar.

All online gambling companies will have teams of people who are responsible for security, combating crime and preventing fraud. They will often augment their own procedures with systems and services provided by specialist third parties.

To deal with fraud, best practice would typically include tools to monitor and analyse account creation (a range of third party databases are used to positively identify potential customers) and game play. Pattern recognition software, and the detailed audit trails that online gambling provide, allow behavior to be tracked over any period of time. Anomalous behavior, such as the same players frequently playing poker on the same tables together and not playing in a rational way, can be tracked and recognized. This also enables complaints from customers to be assessed very quickly.

Companies will also work with associations, service suppliers and law enforcement agencies to share information about potential and proven fraudsters and even the devices that they most commonly use. This is crucially important because those seeking to commit fraud through online transactions, usually following identity theft, will not limit themselves to one sector and are likely to defraud a whole range of online retailers.

(30) As regards sports betting and outcome fixing – what national regulations are imposed on on-line gambling operators and persons involved in sport events/games to address these issues, in particular to prevent ‘conflicts of interest’? Are you aware of any available data or studies relating to the magnitude of this problem?

Firstly, there is a need to address the consultation's question surrounding gambling operators' involvement in sports betting. It is fundamental to

understand that not all licensed on-line gambling operators offer betting services. Therefore, there simply can be no potential conflict of interest with online (or offline) gambling operators which do not offer betting e.g. PKR, which only offers poker services and has no involvement in sports betting, and consequently has no direct commercial interest in the outcome of the sporting result.

Any potential conflict by definition could only relate to those that offer betting services relating to sporting events.

With regard to the central premise of the question, there is no substantive evidence to suggest that there is an overriding problem where reputable online operators are concerned.

Nevertheless, some in the sporting sector has attempted to portray a sports betting right (giving sports control over the separate betting product) as a necessary means to protect the sporting product from betting-related corruption.

The argument presented states that individual sports should have the right to control the betting product (i.e. the markets offered on their sport) because those products offered by licensed betting operators may cause integrity issues for the sports concerned. This is a clear misrepresentation of the situation, primarily driven by wealthy professional sports who are seeking to increase their revenues from the betting sector.

As the President of the IOC has recently commented, it is in fact the unlicensed market (mainly in the Far East) which is the principal cause of the betting integrity problems in sport and he has welcomed the assistance and information licensed betting operators provide sport in protecting and deterring betting corruption.⁷

This endorses the European Commission's previous Parliamentary reply that 'match fixing episodes are often associated to illicit gambling and corruption and they typically involve international criminal networks'. That reply also rightly points out that reputable European licensed bookmakers 'in order to attract customers have put in place self-regulatory early-warning systems with sports federations to detect fraudulent activities taking place within individual sporting events.'⁸

Reputable European licensed betting operators are committed to taking all reasonable and practical measures to protect both the sporting and betting products and to engaging with sporting bodies and political institutions in addressing this issue (unfortunately there is sometimes a reluctance to engage with our sector, which is addressed in our response to Question 31).

⁷ <http://www.olympic.org/media?searchpageipp=10&searchpage=2&articlenewsgroup=-1&articleid=118681>

⁸ <http://www.europarl.europa.eu/sides/getDoc.do?type=CRE&reference=20100121&secondRef=ANN-01&language=EN&detail=H-2009-0482&query=QUESTION>

From that perspective, it is fundamental to understand that it was in fact the licensed betting industry that approached the sporting sector over a decade ago warning of potential issues surrounding the activities of their own participants and criminal elements seeking to corrupt sporting events, and then to defraud licensed betting operators and their innocent consumers for financial gain.

Unfortunately, many sports did not address this issue in any meaningful manner at that time. The UK Government introduced a '10 Point Plan'⁹ in April 2006, supported by the UK betting industry, to assist UK sports to address potential issues surrounding betting which required, for example, that a 'sports authority will include provisions in their rules and regulations governing the behaviour of their participants in relation to betting'.¹⁰

All of the major UK sports gave an assurance that they would adhere to the principles. However, as the Sports Betting Integrity Panel, established by the UK Government, reported in February 2010 (also known as the Parry Report), 'whilst some sports have extensively legislated to protect integrity in relation to betting, others have done much less and some hardly anything at all.'¹¹

Nevertheless, a number of myths and misrepresentations continue to be presented against this sector and its commitment to maintaining the integrity of sport, whilst at the same time some of those sports have themselves been found to have neglected to introduce or enforce any meaningful betting rules and regulations.

This includes major international sporting bodies which have only started to address this issue in recent years. Attacks by the sports sector and its supporters against licensed betting operators for offering a licensed and regulated product should be viewed in that context.

This has prompted the RGA to recently publish a response to the continually unfounded myths surrounding match-fixing, which lists the 'Five Truths about Match-Fixing'¹² and provides a more accurate picture of the situation.

Five Truths about Match-Fixing

- It is primarily the activities of unscrupulous sporting personnel colluding with criminal elements for financial gain which threatens the integrity of sporting events: it is not licensed betting operators.

⁹http://webarchive.nationalarchives.gov.uk/+/http://www.culture.gov.uk/images/publications/reports_sports_betting_integrity_panel.pdf

¹⁰ Ibid

¹¹ Ibid

¹² P43 Issue 328 <http://www.theparliament.com/digimag/issue328>

- Licensed betting operators are actually the victims of the corruption perpetrated by unscrupulous individuals who seek to defraud betting operators and their customers.
- The licensed betting industry has been encouraging European sporting bodies to sign information sharing agreements for some considerable time to help protect the sports from this threat.
- Only in recent years has the sporting sector heeded our concerns and begun to put in place suitable betting rules and regulations that are supported by appropriate sanctions to deter corruption.
- It is the unregulated betting market, notably in Asia, that presents the greatest concern for sport: the regulated betting sector should not be penalised for the activities of the unregulated sector.

Much has therefore been presented as fact by certain groups regarding the impact of betting and the prevalence of match-fixing when the reality of the situation is very different.

Unfortunately, the misinformation presented by those parties, who often have little or no expertise in relation to betting, is rarely challenged by policymakers and this has led to the perpetuation of many misleading myths. Those myths, often presented by people for whom it is commercially expedient to do so and who ignore the facts listed above, erroneously contend that European licensed betting operators do not contribute towards integrity or that they are the ones who present the problem.

This is clearly untrue; as the President of the IOC, Jacques Rogge, has publicly recognised, it is the unregulated market (notably in Asia) that is the real problem, and not the regulated European betting market.¹³

With the sophisticated internal integrity mechanisms employed by licensed European betting operators, we are able to detect and deter sporting corruption (and advise and provide evidence to sporting bodies). We are also committed to working with organisations like the players federations to fund and deliver player betting education programmes for participants to protect sport.

The truth is that licensed betting operators, especially online ones, are actually at the forefront of protecting sporting events via their advanced technological systems which monitor every bet, every betting pattern and every customer. It is also important to understand that, unlike the sports sector, the European betting industry is licensed and regulated.

¹³ <http://www.olympic.org/media?searchpageipp=10&searchpage=2&articlenewsgroup=-1&articleid=118681>

This involves a significant financial investment both in terms of technology and personnel expertise in order to meet, and sometimes even exceed, licensing requirements.

A proportionate and effective licensing and regulatory system is the best deterrent against any potential inappropriate activities involving sports betting and betting operators, with suitable sanctions which can serve to deter and punish those involved.

The British regulatory system (provided by the provisions of the Gambling Act 2005), as the first major European jurisdiction to legislate specifically for online gambling, provides a particularly robust and globally respected regulatory framework with comparable legislative frameworks in Gibraltar, Alderney, Malta and the Isle of Man worthy of mention.

British Gambling Regulatory System

The British system provides provisions aimed at supporting the principal aims of the legislation: keeping gambling crime free and making sure that gambling is fair and open. The Gambling Act also provides the national regulator, the Gambling Commission, with a range of powers to protect consumers, sports and betting operators from corrupt activities, notably powers of investigation and the ability to void bets.

The Commission, whose activities it is important to remember are funded by gambling operators' licence fees, has also established a specific Sports Betting Intelligence Unit (SBIU). The latter was a response to the UK Government established Sports Betting Integrity Panel¹⁴ report published in February 2010, and from which it was clear that it was in fact the sports sector that needed to do more in this area, notably in relation to its rules. Indeed, licensed betting operators have been encouraging sports to sign information sharing agreements for over a decade to protect both products, but with a mixed response.

British Gambling Commission: Licence Condition 15.1 Reporting suspicion of offences etc.

Licensees must provide the Commission with any information that they:

- know relates to or suspect may relate to the commission of an offence under the Act,*

including an offence resulting from a breach of a licence condition or a code provision having the effect of a licence condition

- suspect may lead the Commission to consider making an order to void a bet.*

¹⁴ Sport Betting Integrity Panel Report

http://webarchive.nationalarchives.gov.uk/+http://www.culture.gov.uk/images/publications/reports_sports_betting_integrity_panel.pdf

Licensees who accept bets, or facilitate the making or acceptance of bets between others, on the outcome of horse races or other sporting events governed by one of the sport governing bodies for the time being included in Part 3 of Schedule 6 to the Act must also provide the relevant sport governing body with sufficient information to conduct an effective investigation if the licensee suspects that information in their possession may:

- lead the Commission to consider making an order to void a bet*
- relate to a breach of a rule on betting applied by that sport governing body.*

Suggestions that operators licensed in other jurisdictions that are able to advertise their services in the UK are not licensed there to avoid those integrity commitments to sports are unfounded.¹⁵

Many of the major betting operators also have land-based operations in the UK and have central integrity mechanisms that do not discriminate between their different licensing jurisdictions for sports betting. It should also be remembered that those licensed betting companies operate in accordance with the UK Government's framework which allows operators licensed in other jurisdictions to advertise here only if that jurisdiction is in the EEA or meets requirements laid down by the UK that adhere to the standards set out in the Gambling Act (the White List).

Match-Fixing – Statistical Analysis

As an industry, we are concerned by any corrupt activity within sport, where it can have an adverse impact on our commercial operation. We take all reasonable and practical measures within the scope of data protection and commercial confidentiality to address this with sports and statutory regulators.

However, there appears to be a particular focus on betting related match-fixing by some sports whilst issues surrounding non-betting related match-fixing, of which there are many examples e.g. F1 Renault¹⁶ and rugby union bloodgate¹⁷ affairs, are not given the same attention in terms of addressing those instances of corruption in sport. There also appears to be a lack of impetus to address other serious issues such as the financial corruption surrounding the 2018 World Cup¹⁸ and 2010 Commonwealth Games.¹⁹

¹⁵ The present British legislation (currently under review) does not require on-line gambling operators to hold a licence with the British Gambling Commission or maintain equipment/servers in that location if a gambling licence is held in another EEA jurisdiction or in a non-EEA jurisdiction is deemed to have a comparable regulatory framework (the White List) to the British model.

¹⁶ http://news.bbc.co.uk/sport1/hi/motorsport/formula_one/8266090.stm

¹⁷ <http://www.telegraph.co.uk/sport/rugbyunion/club/6089556/Bloodgate-European-Rugby-Cups-damning-judgment.html>

¹⁸ <http://www.bbc.co.uk/news/uk-12146131> & <http://www.dailymail.co.uk/sport/football/article-1335212/World-Cup-2018-FIFA-rotten-England-better-it.html>

¹⁹ <http://www.channel4.com/news/commonwealth-games-corruption-and-pride-in-delhi>

To put this in perspective, it should be noted that, on all known evidence, doping far outweighs any betting related match-fixing from a statistical analysis.²⁰ WADA's figures²¹ show that there were 5,610 adverse drug samples in 2009 alone identified by WADA laboratories, up from 2,447 in 2003 (or a 129% increase 2003-09).

It is also important to remember that WADA does not cover all sports or nations (it is understood that it doesn't cover a number of major American sports, for example). The head of UK anti-doping has stated that 'designer steroids - substances that have been altered to make them undetectable - are being trafficked through the UK' in advance of the 2012 Olympics.²² In the lead up to the Games, the UK Minister for Sport has stated that doping is the biggest threat to sport²³ and WADA Director General David Howman has said that trafficking in prohibited performance-enhancing drugs was more lucrative than dealing in heroin.²⁴

The British Gambling Commission, which regulates one of the world's largest (if not the largest) betting markets, where its operators take bets from consumers around the world, and which imposes requirements upon betting operators to report suspicious betting patterns, has detailed that there have been 153 cases of suspicious betting activity reported to it (mostly by betting operators) since September 2007.²⁵

It is important to note that suspicious does not mean corrupt, merely that further investigation may be warranted and that investigations have determined the need for only one criminal caution for cheating since 2007.²⁶

Whilst not immune to betting corruption and noting the Hoyzer and Bochum judgments in Germany, along with other incidents, betting related match-fixing can in no way be seen, from a statistical perspective, to be comparable with doping in sport.

It is interesting therefore that sports are continually attempting to depict betting related match-fixing as a greater scourge than doping, when the available statistical evidence does not support that claim - doping is clearly of a far greater magnitude.

²⁰ Sports Betting: Legal, Commercial and Integrity Issues – p104

http://www.rga.eu.com/data/files/Pressrelease/sports_betting_web.pdf

²¹ http://www.wada-ama.org/Documents/Science_Medicine/Anti-Doping_Laboratories/Lab_Statistics/WADA_2009_LaboratoryStatisticsReport_Final.pdf

²² <http://www.guardian.co.uk/sport/2008/aug/01/olympicgames2012>

²³ <http://uk.eurosport.yahoo.com/17032011/2/olympics-doping-most-serious-threat-london-2012-says-minister.html>

²⁴ Ibid

²⁵ <http://www.gamblingcommission.gov.uk/pdf/Integrity%20in%20betting%20supplement%20-%20December%202010.pdf>

²⁶ Gambling Commission Betting Supplement (Dec 2010)

<http://www.gamblingcommission.gov.uk/pdf/Integrity%20in%20betting%20supplement%20-%20December%202010.pdf>

The many instances of match-fixing (e.g. Formula 1 Crashgate) that have nothing to do with betting are also strangely overlooked. These are of a similar importance to betting related match-fixing in that they similarly corrupt sport and consequently have an adverse impact on the betting product and consumers who believe that the outcome of the event reflects a fair and competitive sporting environment.

Nevertheless, the licensed betting industry does recognise that match-fixing involving betting is an issue, albeit principally relating to the activities of criminals, sports own participants and the unregulated sector.

The betting industry, both on and offline, acknowledges and welcomes the part it has to play in combating these threats to sports. That is why, for example, the RGA (representing the global betting sector) is a member of the IOC working group looking at this matter.²⁷

We also fund a player education programme, managed by the Professional Players Federation (PPF). Further details are provided in answer to Q49 below.

Match-Fixing Studies and Reports

The RGA contends that the most comprehensive analysis of sport betting issues, including integrity, is the detailed report 'Sports Betting: Legal, Commercial and Integrity Issues' produced for the RGA and published in January 2010 (attached with this evidence and available from the RGA website). The report was produced following a consultation with sports bodies, betting operators and other interested parties.

It provides an overview of the various types of corruption in sport and a detailed examination of issues of particular debate such as the approach to integrity by the various stakeholders, with case examples and with an analysis of the evidence drawn from those parties. Other issues, which remain under discussion, covered in the report include: the effectiveness of information sharing arrangements, a global integrity body, restricting types of bets, integrity payments and the importance of training and education.

The Oxford Research A/S report 'Examination of Threats to the Integrity of Sport'²⁸ published in April 2010 provides a useful overview of the integrity issues faced by sport and as such is also worthy of mention.

The Salford University Study 'Risks to the Integrity of Sport from Betting Corruption'²⁹ (produced for the UK Sports and Recreation Alliance) published in 2008, has been presented as an important source by the sports sector. Whilst

²⁷ IOC Press Release (1 March 2011) <http://www.olympic.org/media?searchpageipp=10&searchpage=2&articlenewsgroup=1&articleid=118685>

²⁸ <http://www.eusportsplatform.eu/Files/Filer/examination%20of%20threats%20to%20sports%20integrity.pdf>

²⁹ http://www.epma-conference.net/Download/22012009/SalfordREPORT_Feb08.pdf

listing known or suspected examples of match-fixing, the study is essentially an academically produced theoretical risk analysis producing the equation ' $E\{U_{FIX}\}=(1-p)[qU(Y=G)]+(1-p)[(1-q)U(y)+p[U(Y-F-R)]-U(Y)+U(C)]$ '. Although no doubt of academic interest, we would suggest that it adds little of a practical nature.

Indeed, the completion of the Salford report involved no engagement with the licensed betting sector and does not examine or fully comprehend the sophisticated technological tools employed by betting operators to detect and deter corruption.

The Salford report, as with some sporting bodies and Member States, has tried to propose that certain types of bets are more dangerous than others. However, there is no substantive evidence to support this assertion and the report, with evidence prior to 2008, is somewhat dated in terms of its data and its application to a dynamic and ever-evolving technological and regulatory gambling and sporting environments.

A far more credible, inclusive and wider examination of evidence and assessment of regulatory risk for both the betting and sporting sectors has been produced by the British Gambling Commission. As an independent regulatory authority which oversees one of the most significant betting markets in the world, it has access to a significant amount of betting information, along with knowledge and expertise from both the licensed betting and UK sporting sectors. A wide ranging consultation conducted by the Commission on integrity including a specific paper on 'in-running' betting resulted in the publication of two position papers³⁰ in 2009.

The Gambling Commission, which states that it 'works on the principle of risk-based regulation and must act in a proportionate manner,' determined that it was '*not persuaded that there is a sufficient case for restricting types of bets*'. It also concluded that, '*while the Salford work identifies areas of theoretical risk to betting integrity, there have been relatively few incidents reported of concern over betting patterns and even fewer that still appear suspect after initial examination.*'

(31) In your view what issues should be addressed as a priority?

The key issues that require consideration are as follows:

- Equitable stakeholder engagement in the development of national and pan-European policies;
- An evidenced-based debate rather than one driven by rhetoric or anecdote;

³⁰ <http://secure.gamblingcommission.gov.uk/pdf/Betting%20integrity%20policy%20position%20paper%20-%20March%202009.pdf>
& <http://www.gamblingcommission.gov.uk/pdf/In-running%20betting%20position%20paper%20-%20March%202009.pdf>

- Establishment of suitable rules and regulations within sports which are enforced and include suitable sanctions;
- More inclusive feedback from the sporting industry following the provision of evidence of suspicious betting patterns by licensed operators; and
- Greater engagement by the sporting sector with the licensed betting sector.

Equitable Stakeholder Engagement by Governmental Bodies

The debate surrounding sports betting integrity has two central stakeholders, along with governmental authorities, and they are the betting and sporting industries. However, the betting industry is not engaged on sports betting issues with an equitable status as the sporting industry. This has led to a particularly one-sided debate within certain policy forums and is to the detriment of a proper and robust analysis of the issues.

For example, the European Commission has recently announced in its Communication on Sport³¹ that it will 'cooperate with the Council of Europe in analysing the factors that could contribute to more effectively addressing the issue of match-fixing at national, European and international level.' However, it is difficult to understand how any future results relating to that bilateral arrangement can be seen to have achieved a meaningful and robust policy when betting operators have, until very recently, effectively been frozen out of the Council of Europe's deliberations on sport betting integrity.

Despite requests to engage in the process, the betting sector was limited to a short written consultation whilst sporting bodies have had full access to the debate and the papers surrounding this matter for some years, and have also been able to feed in their views as observers at meetings.

The lottery sector has also been engaged by the Council. In contrast, the licensed private betting industry was not permitted any have meaningful access to this discussion until May 2011 when a meeting of stakeholders was convened in Strasbourg. This was obviously welcomed, but it was long overdue.

We are sure it would seem perverse to everyone if national and international organisations had even thought to address these issues solely through engagement with the betting industry, but those involved appeared to believe that they could consider these issues by solely engaging with sports and lotteries.

It should not, therefore, be a surprise that until recently the Council's deliberations have predominately been a one-sided reflection of the views of the sports sector and a limited number of Member States, many of whom have a particular interest in maintaining restrictions on private betting companies to the benefit of their monopoly gambling businesses.

³¹ <http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=COM:2011:0012:FIN:EN:PDF>

This has consequently resulted in what we believe to be the adoption of a range of flawed policy recommendations by Sports Ministers. We await confirmation that we will be provided with a proper voice in these discussion from now on, as we believe we have much to offer and are clearly supportive of sports defending themselves against all forms of integrity threat.

We understand that the Commission itself also has had discussions about sports betting through its sporting forums, but it has not engaged with our sector and we have no comparable group within the Commission through which we could address this matter.

Again, the sports sector has been provided with a clear advantage in its ability to engage with policymakers and to lobby and present its position without scrutiny and debate from another key stakeholder in that discussion. The impact of this inequitable approach should not be underestimated, and has led to a clear and continued dissemination of the misleading and unfounded assertions by vested interests supporting the professional sporting sector.

Evidenced-Based Debate and Suitable Rules

As has also been cited in the answer to the previous question, the licenced betting sector believes that much has been presented as fact regarding sports betting integrity, but which in reality lacks any substance or evidence to back it up.

For there to be any viable policy on sports betting we contend that, as in the UK integrity study and those conducted by the British Gambling Commission, an evidenced-based debate must take place.

Those processes found that, contrary to the assertions from some sporting bodies, many had not in fact established suitable rules and regulations on betting which are enforced and include suitable sanctions. Given the maturity of the UK gambling and sporting markets, we are concerned that this undesirable position is likely to be even worse in many other Member States.

Greater Engagement with Betting Operators by Sports

Licensed betting operators are providing sports with detail on suspicious betting patterns but we believe sports could do more to show how they are using that information and, of course, to alert betting operators if they become aware of something suspicious themselves.

There needs to be a more positive partnership approach, within of course the regulations surrounding data protection, if such arrangements are to prove

effective. It also leads to the concern that some sporting bodies are not acting on the information being provided to them.

(32) What risks are there that a (on-line) sports betting operator, which has entered into a sponsorship agreement with a sports club or an association, will seek to influence the outcome of a sports event directly or indirectly for profitable gain?

With regard to operators licensed in reputable jurisdictions the available evidence shows that there is no risk of this.

It is vital to understand that for reputable licensed betting operators the maintenance of the integrity of both the sporting and betting products is essential to retain customer confidence and demand for those products. Sponsorship is a commercial arrangement that is beneficial to both parties and it is simply not credible to suggest that a licensed betting operator would seek to influence an event for commercial gain. To our knowledge there has not been a single instance of this.

Indeed, given that any inappropriate activity could lead to substantial fines or ultimately withdrawal of an operator's licence, and therefore the closure of the whole business it is hard to envisage the circumstances in which the outcome of any sporting event could ever warrant such a risk.

This issue has also been part of this sector's deliberations with the Council of Europe where that organisation had proposed that 'Betting operators should be banned from funding or sponsoring teams or individual competitors if they manage bets placed on competitions in which they are participating.' There is absolutely no evidence of harm that would justify this proposal and the necessity and proportionality of the recommendation has been severely questioned by the European Sponsorship Association (ESA).

We are pleased that it appears that the Council of Europe's recommendation has been revised accordingly to a more appropriate proposal that, if any improper activity surrounding the sponsorship of sport ever took place that 'regulators should take action against the operator which might involve withdrawal of the operator's licence.'

We would recommend a similar approach by the European Commission if it feels the needs to take a position on this issue.

(33) What cases have demonstrated how on-line gambling could be used for money laundering purposes?

Money laundering is a potential risk to any commercial sector. However, due to industry efforts, existing regulations, and the detailed, electronic record keeping of

the operators and financial intermediaries, the risks of money laundering in the remote gambling sector are minimal.

There is no empirical evidence of any significant money laundering problems involving reputable remote gambling operators from properly regulated jurisdictions. A Study by MHA Consulting in 2009 found that “there appears to be little evidence to support the view that remote gambling has, to date been particularly susceptible to money laundering.”³²

Supporting this view, another academic paper concluded that “concerns by Europol and by the Financial Action Task Force about money laundering risks posed by the Internet have not been accompanied by evidence of significant laundering via e-gaming.”³³

The empirical findings are matched by theoretical support for the absence of a link between remote gambling and money laundering. The MHA Study also found that online gambling is not attractive to money launderers because “the identities of the gamblers are known; the financial transactions between the bettors and operators are all in electronic format; and all of the wagering is recorded.”³⁴

This corresponds with the findings of official government studies from the United States that concluded that online gambling is not a likely accessible avenue for money laundering.³⁵

The regulated online gambling sector is highly transparent and poses little theoretical risk for money laundering because of the high traceability of e-gaming transactions and strong customer identification controls.³⁶

Success in preventing money laundering can be attributed to both existing regulatory efforts and the efforts of remote gambling operators. All remote gambling operators who are licensed in the EU comply with the Third Money Laundering Directive and have European licences from jurisdictions which have implemented the Directive.

Furthermore, most jurisdictions have additional detailed money laundering statutes which are applicable to remote gambling. The members of the RGA enforce stringent player registration and ongoing verification processes that are critical to identifying potential threats. Advanced computer technology and analytics provides a further deterrent.

(34) Which micro-payments systems require specific regulatory control in view of their use for on-line gambling services?

³² MHA Financial Crime Support, *The threat of money laundering and terrorist financing through the online gambling industry*, June 2009, p. 31.

³³ Levi, Michael, *Money laundering risks and e-gaming: A European overview and assessment*, September 2009, p. 4.

³⁴ MHA 31.

³⁵ *Id.*

³⁶ Levi 4.

The vast majority of payment methods are not specific to online gambling (for example credit card, debit card, e-wallets, and pre-paid cards) and all are regulated by the relevant financial services authority. Taken together with normal gambling regulations that apply to licensed online operators (account opening and customer verification procedures) and related regulations such as those applying to money laundering, all payment methods are already effectively regulated both specifically and generically.

(35) Do you have experience and/or evidence of best practice to detect and prevent money laundering?

The report produced in 2009 by MHA Financial Crime Support, *The threat of money laundering and terrorist financing through the online gambling industry*³⁷, highlighted a number of areas of industry good practice and highlighted some others where greater consistency between operators might be more beneficial.

In the light of this report and the collective expertise of its members, the RGA produced a paper called, '*Anti-Money Laundering: Good Practice Guidelines for the online gambling industry*'.³⁸

We would urge the European Commission to use this as a starting point when it comes to address how the industry deals with money laundering issues in a proportionate and effective manner.

(36) Is there evidence to demonstrate that the risk of money laundering through online gambling is particularly high in the context of such operations set up on social web-sites?

We have little experience of social websites, but if the gambling services are being provided by licensed operators then the risks should be no greater than usual. However, the risks of identity theft (which can then be associated with money laundering) may be higher for some social website users if they are not sufficiently careful with the amount of personal data that they divulge.

(37) Are there national on-line gambling transparency requirements? Do they apply to cross border supply of on-line gambling services and are these rules enforced effectively in your view?

All licensing regimes include transparency requirements that cover operators' rules, the rules of games, terms and conditions, and advertising & marketing. These apply irrespective of whether the service is being offered solely within the jurisdiction or across borders. We believe this is an important area of consumer protection and regulators enforce it diligently and effectively.

³⁷ http://www.rga.eu.com/data/files/final_mha_report_june_2009.pdf

³⁸ http://www.rga.eu.com/data/files/rga_aml_guidance_2010.pdf

(38) Are there other gambling revenue channeling schemes for the public interest activities at national or EU level?

A number of online gambling companies have Corporate Social Responsibility programmes and Community Charitable Trusts in place. For example Betfair recently raised £500,000 for British athletes during a two year partnership with UK charity Sports Aid in addition to their Cash 4 Clubs¹ community programme which pledges in excess of £40,000 each year to grass roots sports clubs. In February this year a team of ten online industry Executives climbed Kilimanjaro raising tens of thousands of pounds for three charities: the Israel Sport Centre for the Disabled; Breast Cancer Care and the Injured Jockey's Fund.

However, it would be unreasonable to suggest that the online gambling industry should provide additional revenue streams over and above normal business taxes and gambling taxes.

(39) Is there a specific mechanism, such as a fund, for redistributing revenue from public and commercial on-line gambling services to the benefit of society?

It is unfair and discriminatory to address this question solely in relation to online gambling when if it is an issue at all, and we would challenge that assumption, it should surely be a question that applies to all forms of gambling.

Even if that was the case, there is still the fundamental point to make that gambling companies already pay a tax premium in the form of specific gambling taxes and it is wholly unreasonable to expect additional revenue streams to be added on top of that 'for the benefit of society.'

State sanctioned lotteries are established with aim of providing additional 'benefits' for society. That is their purpose and why they are so often provided with competitive advantages over other forms of gambling.

It is quite simply wrong to raise the prospect of private sector companies having to operate in the same way as lotteries and there is no more objective justification for it than there would be if cinemas, theatres, restaurants, bars or any other part of the leisure sector were asked to divert profits into additional benefits for society.

(40) Are funds returned or re-attributed to prevention and treatment of gambling addiction?

See Question 20.

(41) What are the proportions of on-line gambling revenues from sports betting that are redirected back into sports at national levels?

&

(42) Do all sports disciplines benefit from on-line gambling exploitation rights in a similar manner to horse-racing and, if so, are those rights exploited?

To begin with we would assert again that this is a general betting issue rather than an online gambling issue and the two have to be addressed together. It also assumes that sports do not get a fair return currently and the strong implication is that they should, although no valid assessment has ever been made of what might constitute a 'fair' return.

It is crucial to underline that betting operators 'sell' betting products to their customers, they do not 'sell' sports events to their customers. Betting operators already pay all applicable fees for data and picture rights to sports. However, competition law and various rulings by the European Court of Justice, place limitations on the extent to which those rights can be exploited. As they cannot be exploited further, professional sports are seeking a new right in order to extract additional revenues over and above those they already receive.

Individual Member States will no doubt provide the Commission with the situation in their particular jurisdictions. The RGA would, however, like to draw attention to the fact that the betting industry pays the professional sporting sector significant statutory (levies) and commercial (sponsorship, advertising etc.) amounts for the ability to align its product with sport.³⁹

The latter also includes the sale of commercial broadcast and streaming rights to betting companies, which contribute tens of millions of pounds to sports per annum.⁴⁰ A study conducted by Europe Economics in 2009 determined that the income from betting operators to EU sport represents over €3.4bn per annum with 62% of that provided by private companies.⁴¹

Commercial Funding

It is difficult to determine the exact amount of this sizeable €3.4bn figure which is covered exclusively by online activities (it should also be remembered that some lotteries provide on-line services as well as private operators), given that many operators offer both on and offline betting services and that much of their sponsorship and advertising, for example, does not differentiate between the two platforms.

³⁹ Sports Betting: Legal, Commercial and Integrity Issues – Chapter 5
http://www.rga.eu.com/data/files/Pressrelease/sports_betting_web.pdf

⁴⁰ Ibid.

⁴¹ RGA press release: Gambling industry contributes over £3bn annually to EU sports (9 Nov. 2009)
http://www.rga.eu.com/data/files/eu_sports_funding_pr_nov_09.pdf

What can be stated with some certainty is that the betting industry is highly competitive and these rights are well sought after, ensuring that professional sport receives competitive financial returns to use on whatever aspects of its operation it determines to be appropriate. Where statutory (levy) mechanisms do exist between the two sectors, these principally concern horseracing because of its historical links to betting.

Having achieved limited traction with politicians via the commercial route and in search of a new statutory right, professional sports have in recent years, refocused their lobbying towards grassroots and integrity as a way of trying to elicit additional revenues from licensed betting operators. As such, professional sports have increasingly employed grassroots bodies to present their arguments. It is important to note that there is no logical link between grassroots sport and the betting (or the wider gambling) product.

Any linkage resides almost entirely in the promotion of betting opportunities on professional sporting events where the betting industry makes all the necessary payments for data and picture rights, as well as commercially agreed sponsorship and advertising at those events where it is legally permissible to do so.⁴² In licensed jurisdictions there is also a trend towards some sports having contracted gambling partners. For example, in the UK 95% of Premier League Clubs have at least one gambling partner whose products can be accessed through their website.

Statutory Levy and State Aid Issues

Where statutory mechanisms exist between the two sectors, these principally concern horseracing. Indeed this is the case in Britain, where the existing horserace betting levy was established in the 1960s. This was in response to a potential loss of income from decreasing attendances at racecourses following the legalisation of betting shops. That levy is not therefore a payment for a product although it is often described as such by people in the horseracing industry.

A report for the British Horserace Betting Levy Board⁴³ (which collects the levy) has shown that the levy, which has seen a downward trend in recent years, in fact only represents around 9% of horseracing's overall income, whereas commercial rights such as those for the sport's broadcasting are increasing in value year on year.⁴⁴

There is clearly no rationale to warrant a new statutory fiscal aid for other wealthy professional sports, especially when commercial arrangements already exist

⁴² Sports Betting: Legal, Commercial and Integrity Issues – Chapter 5

http://www.rga.eu.com/data/files/Pressrelease/sports_betting_web.pdf

⁴³ Deloitte Report for the Government appointed independent members of the levy Board – p25

http://www.hblb.org.uk/scheme50/Deloitte's_Report_for_the_Government_Appointed_Members-Oct2010.pdf

⁴⁴ http://www.hblb.org.uk/scheme50/Bookmakers'_Committee_Recommendations_50th_Levy_Scheme-July2010.pdf

between the two industries. Furthermore, a new levy or sports right on betting would constitute a State aid for professional sport which would very likely be incompatible with EU law - this has been explained to sports during their discussions with the UK Government.⁴⁵

The European Commission's recent initial opinion on the French online horserace levy, which has questioned its compatibility with State aid rules, appears to corroborate that legal position.⁴⁶

Moreover, Western governments have for some time now been moving away from subsidised markets, recognising that proper competition, albeit within suitably regulated environments, offers appropriate incentives for businesses (and that includes professional sport, which as much as it would like to be exempt from EU law, it is subject to the application of those principles in relation to its economic activities) to innovate, and as a result provides value and choice for consumers.

Commercial Arrangements and EU Markets

Put simply, there are significant commercial deals between sports and betting operators, where legislative frameworks⁴⁷ and sporting bodies⁴⁸ permit, and which ensures that appropriate market levels of revenue flow between the two parties through mutually beneficial contracts. Examples of these arrangements are listed in the report enclosed with this response.⁴⁹

As more EU countries open their markets to private operators, additional commercial money will flow to professional sports. In Spain, for example, where due to the uncertain nature of the existing legislation some sponsorship and advertising by betting operators has been permitted, and where sport is a principal focus, this equates to around €100m per annum.⁵⁰

The RGA is aware that some professional sports bodies have tried to present the misleading view that, because a sizeable proportion of the €3.4bn that the Europe Economics report (2009) showed sports receive from betting operators is made up of statutory levies (mainly to horseracing), those operators cannot be trusted to contribute to sport through normal commercial means.

This is of course a wholly misleading argument. Firstly, these levies were, on the whole, introduced decades ago, when the free market conditions and commercial opportunities presently benefiting sport and other businesses were not as

⁴⁵ HM Treasury briefing note with the Premier League (Sept 2007)

http://www.hm-treasury.gov.uk/d/foi_premierleague090908pdf.pdf

⁴⁶ Paragraph 10 <http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=OJ:C:2011:010:0004:0014:EN:PDF>

⁴⁷ Sports Betting: Legal, Commercial and Integrity Issues – p57-73

http://www.rga.eu.com/data/files/Pressrelease/sports_betting_web.pdf

⁴⁸ Ibid – p66

⁴⁹ Ibid – Chapter 5

⁵⁰ http://www.rga.eu.com/data/files/Pressrelease/aedapi_press_release_14dec10_final2.pdf

prevalent as they are today. They were established to give certain sports the funding it was believed at the time that they needed. If betting operators are paying those levies, which are after all only hypothecated taxes, then that is part of the cost of them doing business and it would be irrational to suggest that they should then pay significant sums over and above those costs.

The key point is that sports currently derive huge amounts of funding from the gambling industry and yet, through the so-called 'fair return' argument are seeking substantially more. This is essentially a commercial matter between two industries one of which, the professional sports sector, is already hugely wealthy by comparison to the betting industry.

In these circumstances, the introduction of any new right or levy under these circumstances could be expected to breach EU State Aid rules. It should be remembered that nearly all levies of this kind were pre-existing state aids and therefore never had to be notified to the European Commission. However, this does not mean that they are compliant with EU State Aid rules and that they cannot be challenged.

Any linkage between the licensed betting industry and the professional sporting sector is principally a commercial one, in line with other sports-related products, such as sportswear manufacturers. This is an important point as there is no suggestion that other sports-reliant businesses should pay additional fees to sport from the profits they make on that activity.

For example, global sales of sports equipment, apparel and footwear is valued at £282bn (€213bn) for 2009/10.⁵¹ Within that sector, Adidas derived record sales on the back of the World Cup⁵² and its Group revenues grew 15% to €11.9bn in 2010⁵³, with Nike achieving revenues of \$19bn.⁵⁴ Both invest in sport to heighten their brand awareness by associating it with that product and reap additional revenues as result, but neither is required to invest in the sports sector, that they do so is simply a commercial business decision in relation to their sports-based products.

The combined estimated value of the global sports and energy drinks sector is £30.3 billion.⁵⁵ Again there is no requirement that they invest in sport or that a percentage of their profits go to sport as with the many thousands of other businesses which benefit from selling sports-based products. The 'Sports Betting: Legal, Commercial and Integrity Issues' report provides a more detailed examination of sport-reliant business (see pages 79-85).

⁵¹ http://www.npd.com/press/releases/press_100803.html

⁵² <http://www.bbc.co.uk/news/business-12617663>

⁵³ <http://adidas-group.corporate-publications.com/2010/gb/en/group-management-report-financial-review/group-business-performance.html?lang=de>

⁵⁴ <http://www.sec.gov/Archives/edgar/data/320187/000119312510161874/d10k.htm>

⁵⁵ <http://www.birminghampost.net/midlands-birmingham-sport/sports-columnists/2011/05/20/peter-sharkey-no-sign-of-isotonic-and-energy-drinks-industry-slowing-down-65233-28734475/>

Data Rights

It has therefore to be questioned what aspect of private betting operators' businesses sports believe to be sufficiently different to justify a new commercial right. Sports have attempted to present an argument around the use of data. However, again, betting operators are not alone in using such publicly available information and others, such as the media sector, use the same information.

Unfairly singling out the betting sector, for what would be an unfounded and unjustified aid for wealthy professional sport, would also present a clear discrimination towards the betting sector. In essence, the promotion of a new levy or sports right for betting is an attempt to circumvent the established legal parameters surrounding the use of data, the application of which has curtailed attempts by sports to derive excessive amounts for the use of information that only they can control e.g. fixtures.

Such data issues have been addressed by the European Court in the William Hill and Fixtures Marketing cases in 2004, with regard to the Database Directive, and where sports have attempted to obtain sizeable amounts from other industries for the use of such data (the cost of production of which is small in comparison). The European Court determined that such data did not fall with the scope of the Directive (the issue of copyright is also now being addressed by the European Court).

With no competition, and with sports attempting to force other industries (e.g. media and betting operators) to pay amounts for the use of basic data that are disproportionate to the cost of production, this clearly represents an abuse of dominant position.

Establishing a sports right and the misrepresentative 'fair return' tag which has been associated with this issue, whilst both unfounded and open to legal challenge, would also provide sports with an unfair commercial position and give them effective control of the betting product.

Funding of Grassroots Sport

Other misleading arguments state that any additional revenue from a new commercial betting right would be directed to grassroots sport (by professional sport) and that the provision of funding for grassroots from lotteries is under threat from online operators. As has been stated, there is no direct commercial link between betting (or gambling) and grassroots sport.

Nevertheless, the RGA recognises that many EU countries governments have put in place lotteries to support a range of 'good causes' and that grassroots sport can be a recipient of this income. In the same way governments can

distribute taxes collected from licensed private operators to grassroots sport if they choose.

Some lotteries in EU countries also offer sports betting (on and offline), but it should be noted that, in those countries, sports betting represents a relatively small part of revenues for grassroots compared to lottery products. There is no evidence that EU grassroots sport would suffer from an opening of gambling markets as some sectors state and it is important to recognise that many of these monopoly driven markets have in no way been optimised.

It is fundamental to this discussion surrounding grassroots sport to understand that the sector is often already the recipient of a gambling aid via lotteries – the UK version has provided sport with over £4bn⁵⁶ in revenue since 1994 (the allocation to sport is due to rise to 20%, giving an extra £50m a year to sport from 2012)⁵⁷, in addition to significant allocations from the exchequer (the UK gambling industry has provided around £13bn in tax since 2001)⁵⁸.

The UK grassroots sporting sector has also been granted a specific gift aid⁵⁹ which has benefited sports clubs with over £70m since 2002⁶⁰ and all levels of sport of course benefits from significant Government finances for the bidding and construction of major sporting events, such as the 2012 Olympic Games. Similar arrangements exist in many other Member States.

The proposal from wealthy European professional sports to add yet another aid to that sector, in the form of a betting levy or sports right, apart from being unjustified from a policy perspective, will very likely have a significant adverse impact on the betting sector (and taxable revenues, employment and related fiscal impacts) and could undoubtedly be challenged.

Sports Betting Revenues and Taxation

There are some very questionable figures being presented by certain parties about the size of the sports betting market and the revenues and profits being derived from sport. For example, at the FIFA organised conference in March 2011 it was stated that ‘sports betting has an estimated annual worth of between \$350 and 400 billion.’⁶¹ However, the global regulated gambling industry is estimated to have had total revenues of \$335bn in 2009.⁶² Betting equated to 12% of this figure (or \$41bn) of which the majority was on horseracing, with other sports accounting for \$16.9bn (5%).⁶³ Also online betting (horseracing and non-

⁵⁶ DCMS Lottery breakdown <http://www.lottery.culture.gov.uk/>

⁵⁷ DCMS press release (15 October 2010) http://www.culture.gov.uk/news/media_releases/7489.aspx

⁵⁸ HM Customs and Revenue annual receipts http://www.hmrc.gov.uk/stats/tax_receipts/tax-receipts-and-taxpayers.pdf

⁵⁹ HM Customs and Revenue noted on Gift Aid for Amateur Sports Clubs http://www.hmrc.gov.uk/charities/gift_aid/casc.htm

⁶⁰ <http://www.sportandrecreation.org.uk/campaigning/policy-areas/community-sports-clubs/casc>

⁶¹ <http://www.fifa.com/aboutfifa/federation/administration/news/newsid=1406983.html>

⁶² http://www.lottomaticagroup.com/eng/pdf/social/2009report/1-3_Gaming_Market.pdf

⁶³ Ibid

horseracing) revenue was again only a small subset of this at around 3% of the total global gambling market.⁶⁴

For the European gambling market, betting revenues equated to 15% of that sector (or \$16.9bn) with non-horseracing sports betting revenues around \$8.7bn.⁶⁵ We would urge the Commission to treat any figures on the betting market presented by parties with an interest in overestimating the sector and attempting to diminish its investment in sport accordingly, with caution.

(43) Do on-line gambling exploitation rights that are exclusively dedicated to ensuring integrity exist?

As the Commission will be aware, France has introduced what has been termed a 'Right to Bet', requiring French licensed online betting operators to pay French sporting authorities if they are to be allowed to take bets on the events they oversee. The funds raised from this process are meant to be used for integrity purposes (although there is no evidence that this is happening).

Sports have unsurprisingly championed this as the approach to be adopted across the EU, and whilst heavily promoted by that sector and its supporters, no other EU country has to date determined that this is a necessary, justified and appropriate approach (outside of the EU, the only jurisdiction where we are aware of a similar regime being operated in the state of Victoria in Australia).

It is therefore clear that it lacks any credible wide-spread support as an appropriate integrity mechanism. It is also clear that support for this approach has little to do with integrity and more with trying to establish an unjustified new commercial right in the long-term for wealthy professional sports, which already benefits from a significant investment in the sector by licensed betting operators.

It is fundamental to understand that licensed online betting operators do not unfairly 'exploit' sport, but invest in it through direct and mutually beneficial commercial arrangements (which reflect market forces) along with the indirect increase in the value of sports' products through the promotion of sporting events (and betting associated with those events) by operators – it is a symbiotic relationship. It is in fact the unlicensed market (predominantly in the Far East) which unfairly exploits sport, along with criminal elements and sports own participants that attempt to corrupt it with a view to defrauding this licensed sector and its consumers.

Under the British regulatory system, for example, the integrity of the betting product and any associated impact on sport is managed and coordinated by the Gambling Commission, as the independent statutory gambling regulatory authority. That body is the recipient of significant licence fees from operators and

⁶⁴ Ibid

⁶⁵ Ibid

it is those fees that contribute to the protection of the betting and sporting products (along with the extensive investment by operators themselves in integrity systems). Those fees fund a specific Sports Betting Intelligent Unit (SIBU), which along with a range of powers to void bets, require licensees to forward information relating to suspicions betting patterns and powers of investigation, creates an integrity framework involving sports and operators, but which is managed by an independent statutory body.

It should be noted that there is no suggestion under that approach that those operators' licence fees should cover sports' own integrity costs. UK sports are expected, along with all of their other wider sporting integrity commitments and education programmes e.g. doping, to also invest themselves through the introduction of relatively inexpensive and basic procedures and rules.

Giving self-governing and autonomous sporting bodies the power to determine licensed betting sectors' already regulated products to address the issues raised by sports own participants and criminal elements is a wholly irrational and unfounded approach. It is not the fault of reputable licensed companies that their products (whether they are sports specific or not) are misused by criminals and sportspeople to corrupt events.

As such, and noting the sizeable investment we already make in integrity services (extensive risk management techniques, early warning systems and information sharing with sports bodies) and through licence fees to statutory regulators, the proposal that the licensed industry should pay for the criminal activities of the unlicensed market is an illogical and perverse concept.

The licensed betting industry is committed to ensuring that European sport remains corruption free and to taking all reasonable and practical efforts to assist sporting bodies in this field. That is why we spend sizeable sums on integrity systems and why we will always be willing to discuss with the relevant authorities how we might best work together to help sports to maintain the integrity of their events. Giving sport control of the commercial betting product is simply not justified.

(44) Is there evidence to suggest that the cross-border 'free-riding' risk noted above for on-line gambling services is reducing revenues to national public interest activities that depend on channelling gambling revenues?
&

(45) Are there transparency obligations that allow for gamblers to be made aware of whether and how much gambling service providers are channelling revenues back into public interest activities?

Lotteries are the most common form of gambling that is used to acquire and then distribute income by governments to public interest activities or 'good causes' as they are sometimes termed. Some lotteries are also permitted to offer other

gambling services such as betting, but in general, it is the provision of lottery services that provide the majority of gambling-related income to public interest activities. Lotteries are an indirect way of governments taxing consumers to acquire income to redistribute and they are generally provided with a monopoly provision to operate that particular form of gambling.

European Lotteries

The evidence from markets where lotteries compete with permitted online gambling (be that specifically licensed, or in the case of Spain, where online operators have been allowed to operate in the market although there has been no specific licensing regime) demonstrates that there has been no drop in lottery income. Indeed, it is a clear trend that where markets have opened all gambling products have benefited from competition, innovation, value and choice for consumers. Where other gambling products are made available by lottery operators, public interest activities have also benefited from growth in those areas.

In addition, extra taxation receipts for governments from increased gambling revenues have provided another source of potential income for governments to invest in public interest activities.

To highlight this, Italy⁶⁶ has shown a considerable rise in market size benefiting taxable income since opening in 2006 (with professional sport also benefiting from a number of commercial deals with betting operators), with Italian lotteries also showing a significant increases in revenues (€2.1bn in 2005 to €13.1bn in 2009).⁶⁷

In Spain, lotteries (ONCE and ONLAE) increased from combined revenues of €11.32bn in 2005 to €12.15bn in 2008 – again there has been no decline – and the overall taxable gambling market has increased from €28.34 in 2005 to €32.3bn in 2008.⁶⁸ Spain has recently passed a law specifically licensing and taxing online gambling which will further increase revenues.

The UK market has been an open and competitive environment for some considerable time. The UK National Lottery was introduced in 1994 and quickly established itself as one of the most successful lotteries in the world, whilst online gambling has been permitted since its introduction (and has been specifically licensed since late 2007) and shows no adverse impact on lottery sales. The UK National Lottery recently announced record sales for 2010/11 to £5.822.4m, an increase of £370.6m (6.8%) on the previous year.⁶⁹ That delivered £1,665.1m to Good Causes in 2010/11 – an increase of £116.7m (7.5%) on

⁶⁶ <http://www.egrmagazine.com/news/873827/italy-egaming-turnover-could-double-by-2012.shtml>

⁶⁷ P.37 [http://ey.mobi/Publication/vwLUAssets/2010_global_gaming_bulletin/\\$FILE/Global_gaming_bulletin.pdf](http://ey.mobi/Publication/vwLUAssets/2010_global_gaming_bulletin/$FILE/Global_gaming_bulletin.pdf)

⁶⁸ Ibid

⁶⁹ <http://www.camelotgroup.co.uk/news/corporate/CamelotsetsnewNationalLotterysalesrecord030611>

2009/10's returns of £1,548.4m. The UK National Lottery has raised over £26bn for Good Causes since it was established.⁷⁰

The Danish monopoly lottery operator has welcomed the government's intention to open that gambling market (including online gambling) and the economic benefits that will bring with it.⁷¹

The World Lotteries Association (WLA) has recently reported that worldwide lottery sales increased by 12.5% during the first quarter of 2011, compared to 2010.⁷² Participating European lotteries saw aggregate sales up by 8.8%, interestingly showing strong growth from Italy's Lottomatica up 22.5% (Italy licenses online gambling and has a complete market), whilst there was a 18.3% decline from Greece's OPAP (that market is closed to online gambling operators with OPAP having a monopoly outside of casinos).⁷³

Germany, which closed its market to private operators in 2008, has seen a decline in overall gambling revenues (from €11.7bn in 2007 to €10bn in 2009)⁷⁴ including its National Lottery which has fallen from €6.5bn in 2007 (when the market was last open) to €5.7bn in 2009⁷⁵. It is no surprise then that Germany, which introduced ISP blocking of online operators licensed in other jurisdictions in 2008, is moving towards reopening its market to stimulate growth in the sector and taxable returns.

Consequently, the rather simplistic suggestion that the private online gambling industry has an adverse economic impact on lotteries and public interest activities is not supported by the available evidence. Markets that are open to competition are showing increases in revenue for all gambling products. This benefits lotteries and taxable returns.

In terms of transparency for consumers, it is normal practice for regulators to insist that operators display on their website which licences they are operating under, but as it is not the function of private sector gambling companies to channel its funds into 'public interest activities' except via tax revenues then there are no regulatory requirements on this front.

(46) Is there a regulatory body in your Member State, what is its status, what are its competences and its scope of action across the on-line gambling services as defined in this Green Paper?

⁷⁰ <http://www.camelotgroup.co.uk/news/corporate/CamelotsetsnewNationalLotterysalesrecord030611>

⁷¹ <http://www.gaminglaw.eu/actuality-284/denmark-to-end-gambling-monopoly.html>

⁷² http://www.world-lotteries.org/cms/index.php?option=com_content&task=view&id=3845&Itemid=30

⁷³ Ibid

⁷⁴ P.30 [http://ey.mobi/Publication/vwLUAssets/2010_global_gaming_bulletin/\\$FILE/Global_gaming_bulletin.pdf](http://ey.mobi/Publication/vwLUAssets/2010_global_gaming_bulletin/$FILE/Global_gaming_bulletin.pdf)

⁷⁵ Ibid

Our members are licensed in several EU Member States. In all of them the regulator is either a government department or a public body with statutory powers to undertake the role it has been given.

(47) Is there a national register of licensed operators of gambling services?

Again this is common practice in licensing jurisdictions and it is certainly the case in Member States such as France, Italy and the UK.

(48) Which forms of cross-border administrative cooperation are you aware of in this domain and which specific issues are covered?

Only the regulators and national governments involved will be able to give a comprehensive answer to this question, but from an industry perspective we would suggest that there is much greater scope for administrative co-operation than presently exists.

(49) Are you aware of such enhanced cooperation, educational programmes or early warning systems that are aimed at strengthening integrity in sport and/or increase awareness among other stakeholders?

Player Betting Education

Player education is fundamental to addressing match-fixing (whether it be betting related or not). This was one of the specific recommendations of the UK Sports Betting Integrity Panel in February 2010⁷⁶ aimed at sporting bodies, which stated that 'it is imperative that sports provide regular education and communication programmes on sports betting integrity to all competitors and participants'. It is interesting to note then that it has in fact been the licensed betting sector that has joined forces with player associations to deliver this recommendation and fill the void left by sports governing bodies.

The RGA and three of its members (bet365, Betfair and Ladbrokes) teamed up with the UK's Professional Players Federation (PPF) in early 2010 to fund and deliver a tailor-made education programme to address this issue. The programme is focused on the players, as the participants are those most likely to be subject to corrupting influences by criminal elements with a view to defrauding licensed betting operators and their consumers. It should be stated that UK and high level European sport is essentially clean and the programme is aimed at maintaining that, rather than a reaction to any underlying problem in the UK. Such a partnership would have proved extremely difficult to conclude with sports governing bodies, given the differences concerning the commercial issues surrounding sports betting and the focus on that matter.

⁷⁶ http://webarchive.nationalarchives.gov.uk/+http://www.culture.gov.uk/images/publications/reports_sports_betting_integrity_panel.pdf

Although the RGA (bet365, Betfair and Ladbrokes) fund the programme, the day-to-day running is completely left to the PPF and its members and we have total confidence in their knowledge and ability to meet the needs of the players. We believe that educating the players is best done by those who know the players best – the player associations, and there is a clear role for a player betting education programme. Especially as many of the betting issues that involve participants based in UK professional sporting leagues are breaches of sporting rules (that they shouldn't bet on a particular sport or event) rather than any concerted attempt to collude with criminals to corrupt an event for large-scale financial gain.

Nevertheless, involvement in any form of corruption can spell the end of a sportsperson's career, so there is a need to make sure that they are well-versed in their sports regulations and any restrictions in that area. That is where the education programme has stepped in. It benefits the sports, their participants and the licensed betting industry, and deters the potential fixers. The programme is marked by a focus on face-to-face peer training involving ex-professional players and has also led to some innovative developments such as the Professional Cricket Association's (PCA) e-training modules.⁷⁷

In 2010, around 2,400 UK athletes (in football, cricket and rugby union) were trained through the programme with around 5,500 expected to be trained in 2011 – that is nearly 9,000 athletes in its first two years of successful operation. As such, the RGA betting education programme is the largest - in terms of numbers educated - that we are aware of and it is showing some good results.

However, it is not the only player betting education programme, and the European Gaming and Betting Association (EGBA) and the European Sports Security Association (ESSA) also formed a partnership with EU Athletes to establish a training programme in 2010. That programme trained 2,500 athletes in 2010 with a further 3,000 expected to be trained in 2011, involving basketball, handball, cycling and indoor football in France, Germany and Spain. In May, the partners of these two programmes agreed that although they would continue to fund and deliver separate education programmes, they would link their activities under a single code of conduct.⁷⁸

This sets out the guiding principles and provides general advice to athletes on the issues surrounding the integrity of sport and betting. The resulting campaign will span 6 European sporting nations, 4 of the largest EU Member States (UK, Germany, France and Spain), 7 sports and target 8,500 athletes in 2011. A unique feature of this campaign is the employment of ex-players and top athletes to go into the dressing rooms and have face-to-face discussions with their peers about how to behave properly in relation to sports and betting. By the end of

⁷⁷ <http://www.thepca.co.uk/search-results.html>

⁷⁸ http://www.rga.eu.com/data/files/Press2/eu_athletes_campaign_pr_en_final_2.pdf

2011, the two education programmes are set to have provided training for a combined total of around 13,400 athletes during the first two years of operation.

The new arrangement between the RGA and EGBA programmes also formalises the established channels for exchanging best practice between the PPF and other EU Athletes members and the desire to avoid duplication and ensure the best use of resources.

These are all issues we hope to discuss with SportAccord, which announced its intention to establish a betting education programme, funded by the World and European Lotteries Associations, in April of this year.⁷⁹ Early signs are positive on that front. We are also aware of player betting education programmes run by the Tennis Integrity Unit and the International Cricket Council and we will consider if there is scope to engage with those programmes as well in due course.

INTERPOL Secretary General Ronald Noble has also asked for that organisation to be briefed on what he refers to as our 'innovative sports integrity education programme' as it designs its joint FIFA/INTERPOL anti-corruption in sports training programme, as announced in May.⁸⁰ With some accumulated knowledge and experience of delivering these education programmes, we hope that we can impart some useful information, strengthen our relationships and help advance our message to a wider audience, with the benefit that such activity will have for all stakeholders and with the clear focus on integrity and nothing else.

Early Warning Systems

With regard to early warning systems, we are aware of a number being in operation for sports. Most notably, FIFA's Early Warning System (EWS), UEFA's Betting and Fraud Detection System (BFDS) and the IOC's International Sports Monitoring GmbH (ISM). The RGA has signed memoranda of understanding (MoU) with all of these bodies to exchange information from its members regarding suspicious betting patterns.

In addition, we have recently linked with the European Sports Security Association (ESSA) and now direct any integrity warning issues through that organisation which has MoUs with the major European and international sporting bodies.

In addition to these early warning systems we are aware that Betradar, a private company which provides betting trading tools to the betting industry, also advertises a fraud detection system. The company states that the 'system is designed to identify possible fraud in sports events. All popular sports betting markets are monitored: Asia, monopolies, internet retail bookmakers and

⁷⁹ <http://www.sportaccord.com/en/news/index.php?idContent=15186>

⁸⁰ <http://www.fifa.com/aboutfifa/federation/administration/releases/newsid=1431884.html>

exchanges.’ Furthermore, that its fraud monitoring ‘system is based on the assumption that odds and their movements/changes are directly linked to betting stakes.’

With regard to the latter, it is important to understand that the Betradar system does not have access to the levels of transactions, nor from where those transactions have emanated, that are processed by the major European licensed betting operators (as represented by the RGA). This information is essential when assessing if a transaction is suspicious - merely following changing odds is not a robust information platform from which to determine suspicious betting.

Access to the latter is the clear advantage of the European Sports Security Association (ESSA) which is run by some of the largest on and offline betting operators (including some RGA members) and has MoUs with the major sporting bodies. ESSA ‘provides intelligence to sports governing bodies and regulators completely free of charge and in real-time, enabling the most sophisticated means yet of ensuring integrity in sport and eliminating the means for fraudsters to profit from match fixing.’⁸¹ All licensed betting operators also have their own risk analysis systems that detect potential corrupt practice linked to betting and sport.

(50) Are any of the methods mentioned above, or any other technical means, applied at national level to limit access to on-line gambling services or to restrict payment services? Are you aware of any cross-border initiative(s) aimed at enforcing such methods? How do you assess their effectiveness in the field of online gambling?

The three most common enforcement mechanisms that come under consideration are: a ban on advertising; financial transaction blocking; and ISP blocking. Either on their own or combination they have been tried with varying degrees of failure both inside and outside of Europe.

One of the fundamental points that the licensed online gambling sector has to make repeatedly is that it is part of a competitive global market. The RGA’s collective experience is that if operators in a particular jurisdiction cannot meet the needs of consumers (this might be in relation to value, range of products, or quality of service) then those consumers will seek out operators who do and they are largely unconcerned about where those operators are based or licensed.

An ability to advertise might go some way to offset the competitive advantages of an operator outside of the jurisdiction, but consumers know if they are receiving poor value or a poor gambling experience and they can readily seek out alternatives on the internet.

⁸¹ <http://www.eu-ssa.org/LinkClick.aspx?fileticket=E0VM1o%2bfCCA%3d&tabid=55&mid=372>

Financial transaction blocking and ISP blocking can provide barriers to make it more difficult for the consumer to access alternative suppliers of online gambling, but the greater the incentive for the consumer and the operators in other jurisdictions then the more likely they are to seek ways around these restrictions.

In reality such barriers do not work effectively. If they did then operators in certain licensed jurisdictions, such as France, would not be so concerned about the levels of competition from operators in other jurisdictions.

Two prime examples of this have been the USA and Norway. Both legislated to introduce financial transaction blocking and both sought to implement it. Although some of the online gambling companies involved changed, the size of the markets and the amount of funds flowing out of the countries appears to have barely changed at all after an initial readjustment.

The position of the Internet Service Providers and the financial institutions should also be taken into account. Measures of this kind force a policing role on them that they are not equipped or resourced for and they run the risk of having penalties imposed on them if they fail. This is neither fair nor appropriate.

(51) What are your views on the relative merits of the methods mentioned above as well as any other technical means to limit access to gambling services or payment services?

See answer to Q50.

APPENDICES

Links are provided to supporting evidence. However, attached with this response are the following documents:

- CEN workshop agreement on 'Responsible Remote Gambling Measures' (this not available publicly)
- Sports Betting Report (attached for ease of reference)
- MLA Report on 'The Threat of Money Laundering and Terrorist Financing through the Online Gambling Industry' (attached for ease of reference)
- RGA anti-money laundering guidelines for the online industry (attached for ease of reference)