



SPORT+ RECREATION ALLIANCE

July 2011

European Commission: DG MARKT Green Paper on On-line Gambling in the Internal Market

Sport and Recreation Alliance response

Introduction

The Sport and Recreation Alliance is the national alliance of governing and representative bodies of sport and recreation in the UK. Our 320 members represent 150,000 clubs across the country and some 8 million regular participants. The Sport and Recreation Alliance exists to promote the role of sport and recreation in healthy and active lifestyles, to encourage a policy and regulatory environment in which sport from grassroots through to elite level can flourish, and to provide high quality services to help its members continually improve and progress.

The UK has the largest on-line gambling market in the EU, with sports betting making up a considerable proportion of this. As a consequence, the sports sector in the UK will be affected more than most by decisions made at European level in relation to the regulation of the on-line gambling market. The Sport and Recreation Alliance welcomes the European Commission's willingness to engage with stakeholders on what is a very important subject for the sports movement in Europe. The proliferation of on-line gambling in recent years has thrown up a number of regulatory issues that have impacted upon sport's ability to uphold its integrity and ensure its financial stability. As such, the Alliance welcomes the Commission's commitment to ensure that the online gambling market in Europe is appropriately regulated and hopes that both consumers and sport will benefit from improvements in this area.

This consultation response will not examine all 51 questions but rather it will focus on the issues that are particularly germane to sport.



On-line Gambling and Sport

Question 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?

In 2008, the Sport and Recreation Alliance (or Central Council for Physical Recreation as it was previously called) commissioned Salford University to conduct a detailed examination of the threats to sports from corruption and match-fixing. The study provides a detailed analysis of the risks and evidence on betting corruption cases uncovered in Europe and around the world and recommendations on how to address the challenges faced. On the point of statistical evidence, the study rightly states: *“Fixing in sport, in common with many other forms of financial crime, cannot readily be measured because it is observed only where it is detected. Thus any assessment of the risks to the integrity of sport from different betting markets is not straightforward.”*¹

The study sets forth a number of recommendations, whilst adding an important caveat on why there is a need for good faith by all parties in terms of engaging in the process: *“Policy formulation in the area is difficult because the extent of the corruption problem is not known and it would not be possible to estimate how much fixing had been prevented by any precautionary measures introduced...Addressing the threat is likely to require action, and the incurring of cost, by all the main stakeholders: regulators, the betting industry and sport itself”*.²

Also of interest to the Commission will be the 2010 report into betting integrity by ex-Liverpool FC Chief Executive Rick Parry.³ The report was commissioned by the UK Government to examine the issues around betting in sport and produced a number of recommendations on what the government, sport, the betting industry and regulators should do to ensure integrity in sport is upheld. These included legislative changes, improved co-operation between sport and regulators and a more thorough and structured approach to integrity issues by sport. It also recommended the establishment of the ‘Sports Betting Group’. This group is made up of experts from within sport and aims to help co-ordinate and advance the recommendations from the report directed specifically at sport.

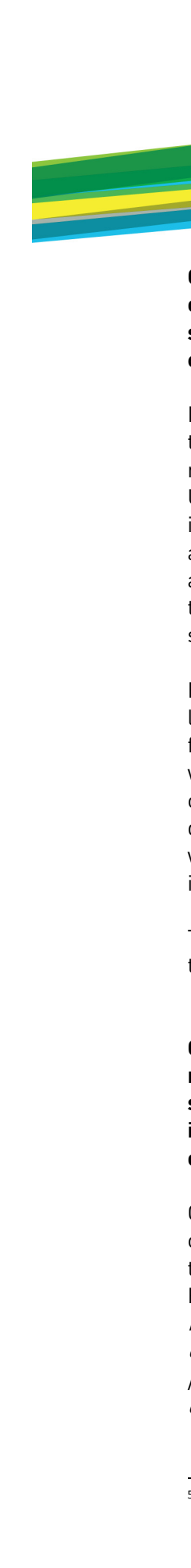
In France, Jean-François Vilotte carried out a similar report earlier this year for the French Ministry of Sport on maintaining integrity in the face of an expanding on-line sports betting market.⁴

¹ *Risks to the integrity of sport from betting corruption*, University of Salford (2008)

² *Risks to the integrity of sport from betting corruption*, University of Salford (2008)

³ http://www.sportandrecreation.org.uk/sites/default/files/web/documents/pdf/reports_sports_betting_integrity_panel.pdf

⁴ <http://fr.calameo.com/read/000090204fd0ac056088c>



Question 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?

In recent years, it has become commonplace for operators to provide their services in the UK without being licensed by the Gambling Commission. Companies that are registered overseas - in places such as Gibraltar and Malta - are able to avoid the UK's fiscal and regulatory regimes but can still provide an array of gambling services in the UK marketplace. As a result, they are not bound by information sharing agreements in the same way that other UK-based bookmakers are, while they also avoid contributing to the horseracing levy. Consequently, the integrity of sport is threatened by the absence of statutory requirements on data exchange and revenue streams are reduced as bookmakers withdraw their financial contribution to sport.

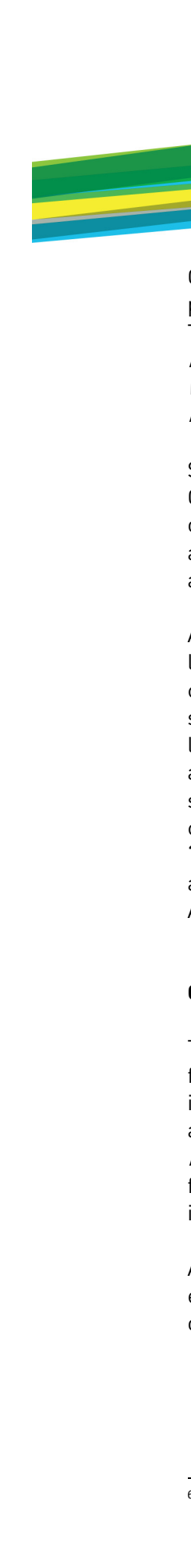
However, the British Government recently announced that it intends to introduce legislation that will make it obligatory for all companies operating in the UK to be fully licensed by the Gambling Commission. The Sport and Recreation Alliance warmly welcomes this announcement by the Government. The Alliance believes that overseas betting operators taking bets in the UK must be obliged to share betting data and contribute to the costs of the Gambling Commission's licensing function, which includes sports integrity arrangements. This should introduce vital additional income to the enforcement process and will ultimately benefit consumers as well.

The Sport and Recreation Alliance feels that the European Union should fully endorse this proposal by the UK Government.

Question 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?

Conflicts of interest are mainly regulated by sports governing bodies through the use of strict rules and sanctions. In the UK, the major sports have introduced regulations that describe the obligations of participants in relation to betting. For example, The Football Association states that: *"A Participant shall not, either directly or indirectly, bet, or instruct, permit or enable any person to bet, on the result, progress or conduct of a Match or Competition in which the Participant is participating, or has participated in that season, or in which the Participant has any influence, either direct or indirect."*⁵

⁵ The Rules of the Football Association Limited, Article E8



Corresponding definitions have also been introduced for inside information so as to prevent the dissemination and use of privileged information for gambling purposes. The British Horseracing Authority defines this as follows: *“Inside information is information about the likely participation or likely performance of a horse in a race which is known by an Owner, Rider, Stable Employee or their service providers as a result of acting as such and is not information in the Public Domain”*.⁶

Such definitions and regulations are complimented by the recommendations of the Government commissioned 2010 Rick Parry report into betting integrity, which outlines a ‘Code of Conduct’ for sports bodies. The Code encourages sports bodies to adopt key principles within its rules to ensure that they cover the main risks associated with contemporary sports betting practices.

Another way in which conflicts of interest are recognized is through national legislation and criminal procedures. This is not the case in all Member States but countries such as Poland, Spain and Portugal do have legislation in place which make sporting fraud and match fixing specific criminal offences. In the UK, there is legislation in place but this is not nearly robust enough and needs to be strengthened as a matter of urgency. As such, the Sport and Recreation Alliance looks forward to seeing the results and outcomes of the planned study of national legislation on corruption in sport which DG HOME will launch as part of its communication on ‘Fighting Corruption in the EU’. More robust national legislation across the EU will assist the fight against sporting fraud and corruption and the Sport and Recreation Alliance would welcome such developments.

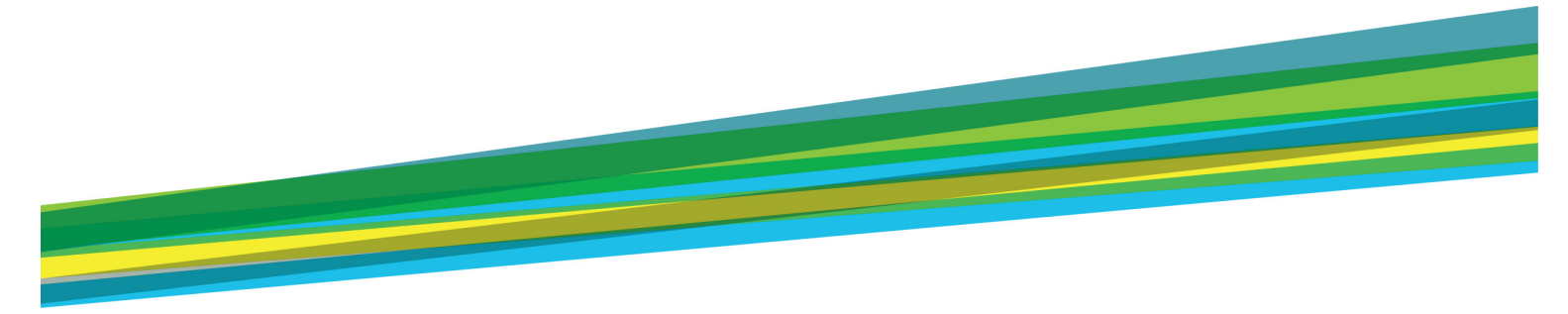
Question 31 - In your view what issues should be addressed as a priority?

The difficulty faced by many sports, and particularly the smaller ones, is how to finance the policing and enforcement requirements associated with upholding integrity. With this in mind, it is pleasing that in the Green Paper the Commission acknowledges that *“there is a broad consensus that sport events, on which gambling relies, should receive a fair return from the associated gambling activity”*. If such a fair return was to be made available to sports then it could be used to finance integrity systems and education programmes.

A “competition organiser’s right”, as exists in France, establishes a mechanism for ensuring that betting companies work in partnership with the sports they take bets on. This measure has the triple advantage of:

- protecting the European consumer against betting on corrupt events;
- preserving the integrity of sporting competitions;
- limiting the losses of betting operators from manipulated events.

⁶ http://www.britishhorseracing.com/inside_horseracing/integrity/default.asp



In effect, this statutory relationship requires betting companies to enter into integrity and funding arrangements with competition organisers. These arrangements include education for players at all levels, training of officials and investment in research and intelligence systems.

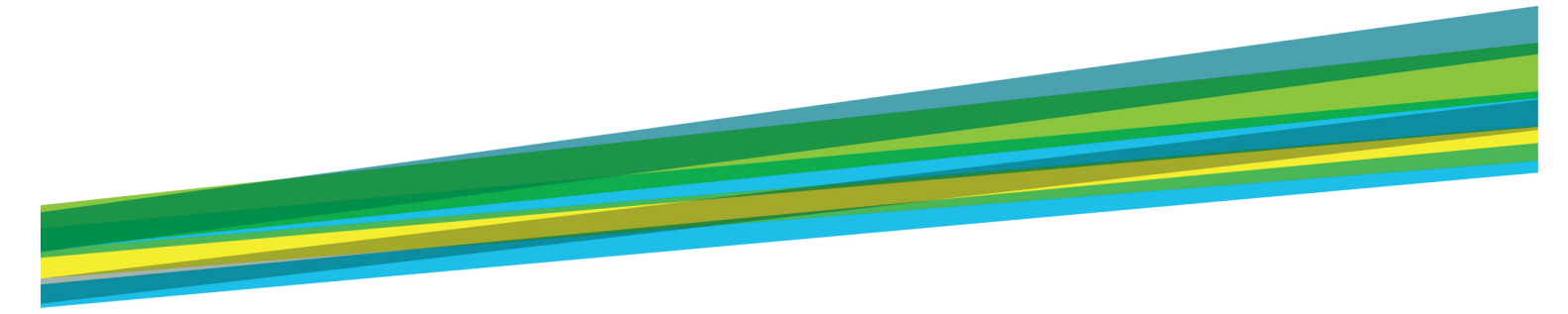
Moreover, the European consumer stands to benefit from a far greater level of protection than they do at present. The Salford University report showed that bookmakers may not be inclined to inform regulatory authorities and sports bodies about suspicious betting patterns provided that there is enough unformed money to balance out their liability. As such, they stand to profit regardless of the outcome of the bet. Enforcing stricter regulations and ensuring stronger partnerships between rights holders and operators via a 'competition organiser's right' would eliminate this problem.

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

Apart from horseracing and greyhound racing - which are specific exceptions given their inherent relationship with gambling - no sports in the UK receive funds redirected from on-line gambling revenues.

Indeed, according to a 2010 study by the Remote Gambling Association (RGA), from a total of €3.4 billion per annum provided to European sport by public and private sector operators, a massive €3.2 billion comes from statutory levies and lotteries. Commercial and charitable contributions from operators amount to just €234 million per annum, or 7% of the total. This means that only 7% of the total that is paid by betting and gambling operators to sports organisations from 'voluntary' agreements; these operators cannot be counted upon to ensure reliable and sustainable funding for European sports, especially at grassroots level. It should be noted that the vast majority of money bookmakers spend on sport (e.g. sponsorship, advertising etc.) is merely through commercial relationships from which operators believe they will profit.

This evidence suggests that statutory instruments are required if sport is going to be guaranteed its share of gambling revenues. At present, these revenues are directed to sports on the basis of short-term commercial motivation by the operators rather than to ensure the long-term integrity and financial stability of sport.



Question 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?

Horse-racing has a particular heritage in the UK which has resulted in a dedicated financial return to the industry and very intimate relationships between betting operators and event organisers. Greyhound racing has a similar, albeit much smaller, agreement but other sports do not traditionally have these links to the same extent.

Question 43 - Do online gambling exploitation rights that are exclusively dedicated to ensuring integrity exist?

The Alliance is not aware of any such right existing. This contrasts with the large sums of money spent by sports governing bodies to pay for integrity measures. Sports have been forced to establish specific integrity units (e.g. tennis) and develop costly education programmes (e.g. rugby, cricket) without any additional financial resources to do so. On the other hand, UK Anti-Doping receives some £7 million a year in government funding which further highlights the dearth of resources available to support integrity in sport.⁷

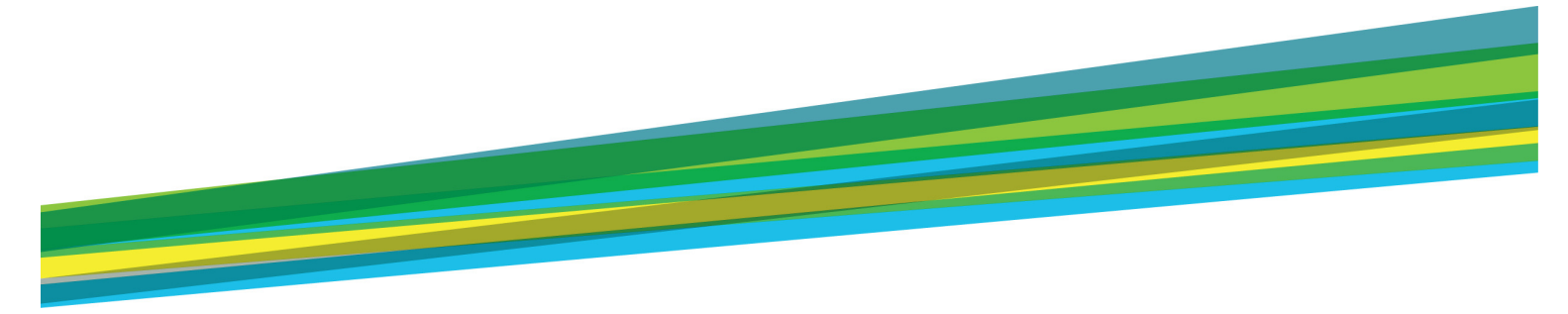
Question 46 - Is there a regulatory body in your Member State, what is its status, what are its competences and its scope of action across the on-line gambling services as defined in this Green Paper?

The Gambling Commission was set up under the Gambling Act 2005 to regulate gambling in Great Britain in partnership with licensing authorities. It is an independent non departmental public body (NDPB) sponsored by the Department for Culture, Media and Sport (DCMS).

The GC permits gambling and, through regulation and public engagement, aims to ensure that crime is kept out of gambling; that gambling is fair and open; and that children and the vulnerable are protected. It licenses operators and individuals, including remote gambling, betting, casinos, lotteries and arcades.

It aims to ensure compliance with the Act and the licence conditions and codes of practice (LCCP) that all licence holders must follow. It can take enforcement action where necessary, and also combat illegal gambling activities and corruption in sports and other betting. The GC works with other regulators, including licensing authorities, and with bodies such as the police and HM Revenue and Customs (HMRC).

⁷ <http://services.parliament.uk/hansard/Commons/ByDate/20090604/writtenanswers/part007.html>



While both its remit and efforts are laudable, it must be considered a somewhat impotent body unless it has the jurisdiction to monitor betting in the UK which originates from overseas.

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

Most of the UK's major sports and players federations have education systems in place whereby players and staff are made aware of regulations and their responsibilities with regard to betting on competitions. A number of sports have also developed sophisticated integrity infrastructures and intelligence units to help combat the threats posed by betting.

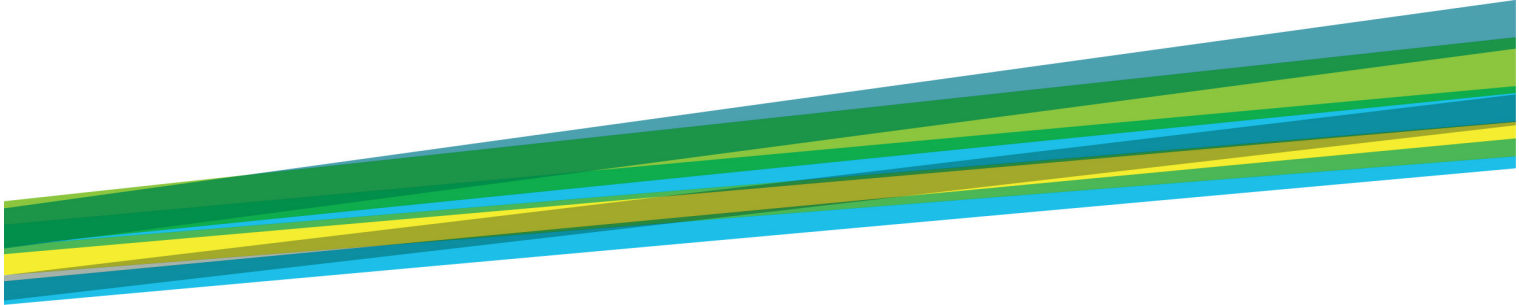
However, the costs of maintaining levels of communication and awareness are increasing and the risks are too, as the number of betting options available increases and the number of attempts to corrupt players also appears increase. If sports were given greater freedom to determine which bets are offered, it would allow sports to veto wagers on high-risk bets which are particularly vulnerable to abuse. Bets such as when the next throw-in will take place in football or when the next no-ball will be in cricket are especially vulnerable – a point proved by the recent spot-fixing scandal involving the Pakistani cricket team. These problems are further exacerbated by the propagation of betting exchanges where punters can 'lay to lose' rather than bet to win, as has been the case in the past.

The major challenge is for Europe's smaller sports which have less commercial revenues to channel into integrity costs. These sports are at a greater risk as they cannot dedicate as much time and energy in efforts to protect their integrity. Here, gambling operators can play a significant role in contributing resources to help sport to equip itself to deal with the threats to its integrity posed by betting.

Conclusion

The Sport and Recreation Alliance hopes that that European Commission will be proactive in its approach to regulating the European on-line gambling market so that sport can benefit from the gambling industry as much as the gambling industry benefits from sport. At present, sport is very much the junior partner in this relationship but continues to work hard to uphold its integrity without sufficient resources to do so.

Sport would benefit from the following:

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1. Tighter regulation of offshore bookmakers operating in national marketplaces. In this regard, the Alliance welcomes the recent announcement by the UK government to introduce stricter licencing requirements on offshore bookmakers. The Commission should back this change and recommend other Member States follow suit.
 2. Greater financial contribution by gambling operators towards the costs of upholding integrity in sport, particularly for smaller sports. This could be achieved through the establishment of a 'competition organisers right' as is the case in France. The Commission should recognise sport's property rights as recommended in the European Parliament's Schaldemose Report.
 3. As is the case with anti-doping, Member States should provide sport with resources to pay for integrity costs. The Commission should recommend that Member States invest in the protection of integrity in sport.
 4. More robust legislation at national level for sporting fraud and corruption. The Commission should recommend an appropriate definition of sporting fraud to Member States.
 5. Sport would benefit from greater co-operation with bookmakers, particularly the ability to determine what types of bets are offered. The Commission should recommend that sport's property rights are recognised and that bets should only be taken once they have been approved by the rights holder.

The Sport and Recreation Alliance welcomes the opportunity to respond to this consultation, and would be happy to follow up on any issues that arise from this response.

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