

Combating illegal betting to protect the integrity of sports



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Rebecca Paul
WLA President

One of the World Lottery Associations (WLA) major objectives is to advance the collective interests of its members by acting in a coordinated fashion on lottery-related issues that have a global dimension. The WLA strives to protect the gaming sector from corruption and criminal activity and maintain the probity of state-authorized lotteries and sports betting operations worldwide.

The core mission of WLA member lotteries is to raise money for good causes. The values of the WLA and its members are based on a commitment to the highest standards of corporate social responsibility and respect for the duly authorized legal systems that determine where and in what form gaming products can be provided to the citizens of a particular geographic region or national territory. This noble mission and our values are under the constant threat of competition from illegal betting operators.

According to the WLA Global Lottery Data Compendium, WLA member lotteries generated sales revenues of USD 284.3 billion in 2020. In contrast, estimates of the revenue from the illegal betting is estimated at up to USD 1,7 trillion annually, according to the *2021 Global Report on Corruption in Sport*, by the United Nations Office on Drugs and Crime (UNODC)¹. This is substantially more than the combined revenue of WLA member lotteries. This should give some idea of the dimensions of the problem we are facing. Yet however daunting the prospect might be, we shall continue our efforts to counter illegal betting and related crimes such as money laundering and match-fixing.

Offering lottery and betting services comes with a high responsibility. Lottery and betting products are subject to the oversight of state authorities and are regulated to mitigate their impact on society. The WLA has always advocated a regulated lottery and betting market and strives to support its members within the regulatory framework of their respective jurisdictions. National gambling regulations have been enacted for the protection of consumers, in particular the protection of minors and those with addictive tendencies. Illegal lottery and betting organizations operate transnationally, circumventing the laws governing gaming in the jurisdiction of the consumer, deceiving players, luring minors, and those suffering from gaming addiction.

¹ United Nations Office on Drugs and Crime (UNODC) Global Report on Corruption in Sport (<https://www.unodc.org/unodc/en/safeguardingsport/grcs/index.html>)

The rapid expansion of betting via the Internet initially escaped the scrutiny of state regulators, allowing illegal gambling operations to proliferate globally. However, many of our member countries have begun mobilizing against such criminal enterprises. Some countries are passing new laws, and others are enforcing existing laws more rigorously. In the past it has proved difficult to litigate against these organizations as they operate online from offshore companies and have no physical presence in the countries where they sell their games. But thankfully we are starting to see countries implementing IP-blocking of the websites of illegal operations. In order to safeguard the integrity of the lottery and sports betting sectors, and to ensure the protection of our players, we must do what we can to ensure that lottery and betting operations are always conducted through legally regulated channels.

Combatting illegal lottery and betting operations requires international cooperation. The WLA with its network of more than 150 member lotteries around the globe is well placed to provide the framework for such a cooperation.

In the WLA Code of Conduct, the association makes clear its position on licensing and jurisdiction. Article 2 states, “no member shall offer gaming services via electronic commerce services unless it has received the necessary permission to do so by the government or authorities competent to grant such authorization for the territory where the gaming services are made available.” It further states, “Members shall only offer a gaming service to, or accept bets from, residents of the jurisdiction whose government or competent authority has granted an authorization to offer the gaming services concerned”.

Thus, according to the WLA a gaming operator must possess a license in the jurisdiction where the player is located. Anything else is to be considered an illegal betting operation.

As President of the WLA, it is my profound honor to provide the foreword to this informative guide on combatting illegal lottery and betting operations and what we can do together to stop them.

The WLA will continue in its effort to combat illegal lottery and betting operations through the work of its Illegal Lotteries and Betting Committee and its Betting Integrity on Sports & Horse Racing Committee. It is our hope that the world lottery community, together with government regulators, law enforcement, and other relevant stakeholders, can curb and eventually put an end to these criminal organizations.

Introduction

Illegal betting operations pose a grave threat to the stability of the legal lottery and betting market, to consumers, and to the integrity of sports. They undermine the economies of every jurisdiction in which they perpetrate their illicit trade and damage the reputation of state-licensed lotteries around the globe. With the rapid advancements in information technology, most of the illegal bookmakers have moved their operations online, making it difficult to hold them accountable for violating gaming laws of the countries in which they operate.

State regulators have thus far found it difficult to deal with the onslaught of illegal and unauthorized lottery and betting operations, which seem to remain one step ahead of the law. Defending the sovereignty of state-licensed lottery and betting operators has proven to be no easy task.

In the fight against illegal betting operations, a number of vulnerabilities have been identified by the Financial Action Task Force (FATF), the intergovernmental watchdog for global money laundering and terrorist financing, and MONEYVAL, the Council of Europe's monitoring body for assessing compliance with international standards for countering money laundering and combating the financing of terrorism. Significant among these is the wide-spread use of cryptocurrencies. Owing to the speed of transactions that they provide, their capacity for allowing cross-border transactions without physical presence of the client, and the ease with which multiple accounts and cryptocurrencies can be set up and used, have been recognized to be a prime facilitator of illegal gambling.

Considering the gravity of illegal betting and the threat that it poses to the industry, it is essential that we clearly define the phenomenon, seek to understand its nature, and strive to address it effectively and decisively.

With this in mind, the WLA Executive Committee formed the Illegal Lotteries and Betting Committee (ILBC) in 2018. The ILBC is mandated with the task of reviewing the tools and resources available for helping member lotteries combat illegal gaming within their respective jurisdictions.

The scourge of illegal betting is tied in, or related to, other criminal activities that affect society on a broader scale. Chief among these are money laundering and the manipulation of sports competitions, also known as match-fixing. The link between illegal betting and corruption in sports has been long established. As such, the WLA made sports integrity one of its top priorities and it has stepped up its efforts in the fight against match-fixing in recent years.

The Betting Integrity on Sports & Horse Racing Committee, originally established in 2019 as the Sports Betting Integrity Committee, is dedicated to furthering the interests of WLA members that provide sports betting, and to preserving the integrity of sport by leading the fight against match fixing and illegal betting.

These Committees work together to ensure that lottery and sports betting operations around the globe operate within a legal and regulated environment, and that they operate with integrity, transparency, and with the greatest possible protection of their players in mind.

The objective of the guide is three-fold. First, it serves to help WLA member lotteries to understand the nature of illegal betting operations, how they function, and why they are a threat to the state-authorized lottery and betting sector. Second, it provides WLA member lotteries with insight as to how they can best combat illegal betting operations in their respective jurisdictions. And finally, it reveals how illegal betting operations and corruption in sports are linked and why it is essential for the lottery and betting sector to make the integrity of sports a priority.

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Defining illegal betting

It is paramount for the lottery and betting industry to clearly define what comprise legal operations and what do not.

By doing so, this sets the parameters for regulation and provides a point of reference for legal action. It also helps lay the foundation for consumer protection laws to establish an action plan for thwarting unfair competition against state-licensed lottery and betting operators.

The lottery sector's approach to betting is based on legislation that falls within three regulatory models: monopoly, license, and prohibition. These models may differ depending on the distribution channels.

The Macolin Convention

The International Convention on the Manipulation of Sports Competitions (CETS 215), also known as the Macolin Convention², is a legally binding, international treaty set up by the Council of Europe in 2014. It aims to establish a legal framework for the prevention, detection, and sanctioning of the manipulation of sports competitions, and to promote the cooperation of all relevant stakeholders in this endeavor.

Article 3.5 defines illegal sports betting as “any sports betting activity whose type or operator is not allowed under the applicable law of the jurisdiction where the consumer is located”. This definition has been applied by the European Court of Justice and is also applied in the European Union.

Moreover, it clearly establishes the difference between legal and illegal betting operators.

Legal betting operators can offer gambling services to consumers, if they have been granted an authorization (license, concession, exclusive rights) within the jurisdiction of the purchaser of those services.

Illegal betting operations, on the other hand, are those that offer gambling services without having been granted such an authorization within the jurisdiction of the purchaser of those services.



² The International Convention on the Manipulation of Sports Competitions (CETS 215), also known as the Macolin Convention (<https://www.coe.int/en/web/sport/t-mc>)



Establishing a regulatory body

Effective sharing of information and resources is paramount for tackling the issues of illegal betting.

It involves working with diverse stakeholders, including law enforcement and monitoring associations such as the Global Lottery Monitoring System (GLMS). GLMS is an international association of state lotteries which aims to safeguard the integrity and core values of sports from corruption, specifically, from the manipulation of sports competitions. Its global membership and partnering with sports federations, law enforcement agencies, national platforms and gaming regulators enables it to provide services including legal the facilitation of cross-border information sharing and the detection and analysis of suspicious betting activities that could question the integrity of sport competitions. The European Parliament resolution on match-fixing and corruption in sport of March 14, 2013 (2013/2567(RSP), called on EU Member States to set up regulatory bodies to identify and combat illegal activities in sports betting and collect, exchange, analyze, and disseminate evidence of match-fixing, sports fraud, and other forms of corruption in sports, in Europe and beyond.

This was reflected later in Article 9 of the Macolin Convention, which encourages the designation of a regulatory supervisory authority to track and monitor sports betting operations within their jurisdictions, to compel reporting, and to exchange information in a timely manner with all stakeholders, in order to clarify who is offering sports betting within their jurisdictions.

Taking measures against illegal betting

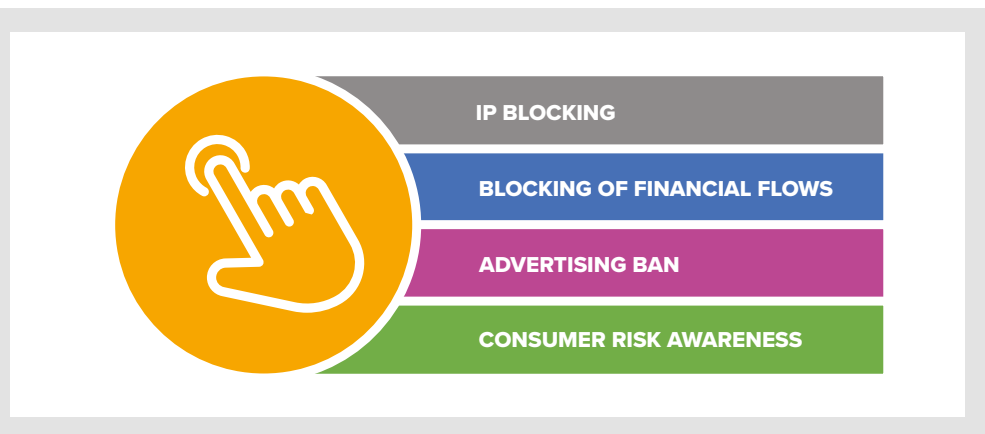
Authorities must be equipped with effective tools to take measures against illegal betting within the law of their jurisdictions.

Article 10 of the Macolin Convention says that “Each Party shall adopt such legislative or other measures as may be necessary to prevent conflicts of interest and misuse of inside information by natural or legal persons involved in providing sports betting products”. It goes further to define the key role of sports betting operators, public authorities, and other stakeholders, which includes:

- › Fully respecting any regulatory limitation set by national legislation
- › Participating in national platforms with the view of active co-operation between all stakeholders, facilitating the exchange of relevant information
- › Participating in awareness raising among their owners and employees, as well as in education, training, and research, to bolster the fight against the manipulation of sports competitions
- › Reporting irregular or suspicious betting to relevant authorities as stipulated in Article 9.1 “...entrusted with the implementation of sports betting regulation and with the application of relevant measures to combat the manipulation of sports competitions in relation to sports betting...”
- › Regulating the gaming market

With a view to combating the manipulation of sports competitions, Article 11 of the Convention offers public authorities the following measures to address illegal sports betting in accordance with applicable laws of the relevant jurisdiction:

- › Closure or direct and indirect restriction of access to illegal remote sports betting operators, and closure of illegal land-based sports betting operators in the Party’s jurisdiction
- › Blocking of financial flows between illegal sports betting operators and consumers
- › Prohibiting advertising for illegal sports betting operators
- › Raising consumer awareness of the risks associated with illegal sports betting



Blocking Internet provider access is considered an effective practice for stopping foreign operators, largely offshore based, from offering online sports betting in a jurisdiction where they are not licensed to do so. Often their foreign headquarters allow them to evade monitoring by authorities and to defy the country’s law.

In Switzerland, offering money games from abroad is illegal under the Federal Act on Gambling and subject to prosecution under criminal law. The Swiss gambling supervisory authority (GESPA) and the Federal Gaming Board (FGB) have legal mandates to publish blocklists of domain names which offer unlicensed foreign money games. Internet service providers in Switzerland are then obliged to take measures to prevent access to these domains (DNS blocking).

Under the Telecommunications Act of 1997, the Australian Communications and Media Authority (ACMA) can ask Internet service providers to block websites that contain illegal online content, such as prohibited online gaming services. This also covers breaches of the Interactive Gambling Act of 2001, which includes online betting services which do not have a valid Australian license and publishing ads for such services.

Website blocking is a commonly applied measure. When users try to access a blocked gambling site, they are redirected to a landing page set up by the regulator that informs them about the illegality of the online gaming offer they are trying to access. This type of consumer warning is an important first step, as many consumers are unaware of the illegality of certain websites. It is also important to establish advertising restrictions and run campaigns to raise consumer awareness.

Different perspectives from different jurisdictions

Nonetheless, some private betting operators and jurisdictions dispute the Macolin Convention definition. In the European Union, if a betting operator obtains a license (or agreement) from the betting regulator of one EU member state, this should be enough to demonstrate that the betting operator fulfils the requirements to offer bets in any other EU jurisdiction. Thus, a betting operator with a license in Malta, should be authorized to offer bets in Finland, even if the Finnish regulator has determined that a sports betting monopoly is the best regulatory option for limiting the risks associated with betting.

The same situation occurs in Central America and the Caribbean where some jurisdictions, such as Antigua and Barbuda, fail to recognize that their licensed gambling operators (classified as financial institutions) are not authorized to target US citizens. The US Unlawful Internet Gambling Enforcement Act (UIGEA) prevents banking establishments from paying into the accounts of online gambling companies located in foreign jurisdictions.

This creates two main positions on sports betting regulation and the question of illegality:

- › Jurisdictions that promote betting restrictions as a way to limit certain risks (criminal, addiction, etc.) and to control betting operators with an adapted regulatory system. To be effective, these jurisdictions must deal with illegal retail and online betting. If they wish to limit risks while simultaneously raising money for good causes and creating jobs they must find a balance.
- › Jurisdictions that advocate opening the market, as betting is considered an opportunity to create wealth and a way to fight against illegal betting operators, by attracting consumers to the legal market. Some jurisdictions, such as Malta or the UK, have an extensive betting market. Their objective is to engage betting operators through attractive regulatory conditions and lower taxes. These jurisdictions promote their regulatory systems during international gaming events – such as the annual International Casino Exhibition (ICE) trade show held in London – and target betting operators and technical suppliers.

The WLA fully supports the Macolin Convention and reflects its illegal sports betting definition in its Code of Conduct, which says: “No [WLA] member shall offer gaming services via electronic commerce services unless it has received the necessary permission to do so by the government or authorities competent to grant such authorization for the territory where the gaming services are made available.” It further states, “Members shall only offer a gaming service to, or accept bets from, residents of the jurisdiction whose government or competent authority has granted an authorization to offer the gaming services concerned”.

It is also worth noting that licensed lotteries contribute to the fight against money laundering and the manipulation of sports competitions by reporting any illegal platforms to their regulators.

Understanding the illegal betting ecosystem

A multi-stakeholder approach is required to understand and successfully address the illegal sports betting ecosystem in order to preserve the integrity of the legal betting sector.

In the Macolin Convention, Article 13 suggests the development of national platforms, which bring together all relevant stakeholders from public and private sectors, covering prevention, education, policy making, investigation and sanctioning. This includes legal gaming operators, organizations involved in the fight against illegal sports betting and sports competition manipulation, such as Interpol and GLMS, national and international sports organizations, regulators, and law enforcement agencies.

The idea of the national platform is to assist in coordinating all efforts by centralizing and facilitating information collection, analysis and sharing, so that the relevant authorities are informed of possible infringements of laws or sports regulations. Additionally, it would enable improved cooperation at national and international levels.



The lure of illegal betting

Betting is an ancient activity that has always attracted customers of good and bad faith. In an ever-evolving industry, a number of factors have contributed to a rapidly growing illegal betting market, such as the diversity of gaming products (online or land-based), advances in technology, including the Internet, blockchain, live betting where bets are placed after a game has begun, and the challenge of detecting market movement and possible manipulations in real-time. Additionally, different countries follow different regulatory systems – monopoly, licensing, prohibition – as already mentioned.

During the global pandemic lockdown, one reason for the growth suspicious betting activities has been attributed to a higher level of risk-taking and vulnerability of athletes and sport stakeholders, as a result of reduced playing and earning opportunities.

Additionally, an article by the Asian Racing Federation Council on Anti-Illegal Betting and Related Financial Crime³ looks at evolving technologies such as third-party betting software, anonymous website registration, cryptocurrencies, and “spam bots”, all of which have made it easier to become an illegal bookmaker, and an illegal bettor.

The article notes that since late 2019, spam advertising of illegal betting in Hong Kong through social media apps, such as Whatsapp, Telegram and Signal and via platforms including Facebook, Instagram and Twitter has grown and reaches smartphones directly, across Asia, including India, Mainland China, Malaysia, Singapore and South Korea.

The use of such advertising by illegal betting operators is of particular concern given that younger, new customers, who are prevalent users of major social media channels will inevitably be targeted. Some of these players may have issues with gaming addiction or may be otherwise vulnerable. This is another aspect of illegal betting that needs to be understood by governments and countered.

In line with these trends, the *2021 Global Report on Corruption in Sport*, by UNODC⁴, estimates that global illegal sports bets total up to US 1.7 trillion each year and are often used by organized crime groups for money laundering.

In the case of Asia, where betting is very popular, most forms of sports betting are either illegal under national law, or heavily regulated. This has resulted in a substantial illegal betting market. In this region, legal sports betting services are often managed by the state or by licensed non-profit organizations that have heavy restrictions on the type and form of products they can offer. For instance, Singapore’s only legal sports betting option is the Singapore Pools, while the Hong Kong Jockey Club is the sole licensed operator for betting on football and horse racing in Hong Kong.

Often, illegal operators cater to demands that are not being met by the legal market, by providing a broader range of betting products and more attractive payouts. Given that illegal operators are not subject to the financial and regulatory controls of the jurisdiction, including taxes, their betting offers have diverse advertising options and are harder to trace.

Online gaming operators can take advantage of the globalized financial system and place their illegal profits in tax havens and investment funds without consideration for national legislation. Additionally, cryptocurrencies have made it easier for illegal betting operations to launder money at a low cost with a high payout.

³ Social media advertising of illegal betting in Hong Kong’, ARF Council on Anti-Illegal Betting and Related Financial Crime, Quarterly Bulletin, January 2022 (https://assets-global.website-files.com/5f8e2bde2b2ef4841cd6639c/62170815f8c11f13d-5d8eaa7_ARF%20Quarterly%20Bulletin_January%202022_website.pdf)

⁴ United Nations Office on Drugs and Crime (UNODC) Global Report on Corruption in Sport (<https://www.unodc.org/unodc/en/safeguardingsport/grcs/index.html>)

The impact of illegal sports betting on the integrity of sports

Online sports betting has become a vast, transnational industry. The different regulations across jurisdictions mean that much of the activity takes place in jurisdictions where it may be illegal or unlawful. The use of online gambling for money laundering and the financing of terrorism has long been recognized. When illegal betting profits are funneled into “official” enterprises – whether a shell company, legitimate sports team, through the transfer of athletes, or by placing many legitimate, smaller bets, money laundering creates an organic link between legal and illicit economies, where the ultimate aim is to distance the dirty money from its illegitimate source.

Financial crime connected with sports betting and sports integrity is complex and can involve many people in global operations, who may be difficult to identify. Authorities must consider different aspects, including cross-border online gambling, eSports betting, foreign regulatory developments, and cryptocurrency gambling.

The Council of Europe’s MONEYVAL *Research Report 2013 - The use of online gambling for money laundering and the financing of terrorism purposes*⁵, identifies different types of money laundering operations:

- › A money launderer, in collusion with an operator of an offshore gambling website, deposits funds obtained from criminal activities in the gambling account and withdraws such funds as winnings. The website operator keeps a percentage of the proceeds as a commission while the launderer declares the winnings to the tax authorities and then uses the funds for legitimate purposes.
- › A money launderer sets up a company in an offshore jurisdiction through various front men. The company then applies for an online gambling license in the offshore jurisdiction. Funds deriving from criminal activity are then laundered through the online gambling website which is controlled by the launderer.
- › A criminal colludes with other persons acting as beneficial owners of a company that is used to obtain an online gambling license. Illegally obtained funds are then mixed with the legitimate profits of the company and deposited in a bank account.
- › A money launderer sets up an online gambling website without registering the website or obtaining a license. The website is not made available to the public but is used to place funds obtained from criminal activities which are then distributed as winnings to various front men. The website is then disconnected citing failure to make a profit as the primary reason for the disconnection.

The report also offers restrictions that could be established to curb the use of online gambling for money laundering and the financing of terrorism purposes. These include:

- › Limitations on the amount of money that can be gambled
- › Limitations as to the amount of time that can be spent gambling
- › Restrictions on the number of gambling accounts that can be held by a player (usually one per player)
- › Prohibition to provide credit to a player
- › Prohibition to accept stakes from a player if no funds stand to credit of the player

⁵ MONEYVAL Research Report 2013 - The use of online gambling for money laundering and the financing of terrorism purposes (<https://rm.coe.int/research-report-the-use-of-online-gambling-for-money-laundering-and-th/168071509c>)

During the COVID-19 pandemic, operators globally, have seen a rise in online betting and the types of bets offered.

The work of the Global Lottery Monitoring System (GLMS) has never been more relevant.

“The goal of a large number of criminal acts is to generate a profit for the individual or group that carries out the act. Money laundering is the processing of these criminal proceeds to disguise their illegal origin. This process is of critical importance, as it enables the criminals to enjoy these profits without jeopardizing their source.” Financial Action Task Force

Illegal operators may find themselves in a position of considerable power as sponsors of athletes, teams or aspects of sports events, if due diligence is not carried out on potential sports sponsors. This Macolin Convention covers this and specifies in Article 16.3 that authorities should consider including the manipulation of sports competitions in money laundering prevention frameworks by requiring sports betting operators to apply customer due diligence, record keeping and reporting requirements.

Other issues that may arise with illegal operators include the abuse of inside knowledge when offering betting products, conflicts of interest and their ability to negatively influence sports competitions.



United States and Central America

The American Gaming Association (AGA), notes in its 2020 article entitled, *Illegal betting - How offshore operators and those who support them break US laws*⁶, that illegal bookies have taken advantage of lax or non-existent laws in places like Antigua, Costa Rica, Latvia, and Panama to set up online sportsbooks that target American consumers. Though there are claims in these countries of regulation and licensure, these sportsbooks are illegal in the United States. Following the Supreme Court decision in *Murphy vs. NCAA* and nearly half of the states legalizing sports betting, these operators continue to take advantage of the unsuspecting public.

Sports betting is highly regulated at state level, with rigorous licensing regimes to ensure game integrity and consumer safety. Sportsbooks and operators that offer sports betting outside of these licensing regimes – whether in person or online – are illegal. This is in line with the Macolin Convention definition of illegal sports betting.

Federal law makes it a crime to participate in the business of illegal gambling. The AGA article remarks that several statutes stipulate that it is illegal to operate or participate in financial transactions related to an unlicensed sportsbook in the United States, including the Wire Act, the Illegal Gambling Business Act, the Travel Act, and the Unlawful Internet Gambling Enforcement Act. Beyond federal statutes aimed specifically at gambling, a variety of broader criminal laws targeting organized crime have also been the basis for the prosecution of offshore gambling rings.

It highlights a number of cases which illustrate the far-reaching nature of illegal betting. In one such example, the US federal government indicted 34 individuals and 23 entities in 2013 for operating an illegal gambling business, racketeering, and money laundering in connection with their Panama-based sports bookmaking operation. The trials continued many years, resulting in fines, convictions, and other sanctions.

Macao and Hong Kong

In an example of transnational collaboration, press reports⁷ described how Macau police busted a bookmaking racket that allegedly took HKD 5 billion (USD 645 million) in illegal bets on World Cup football matches in a week – including a single bet of HKD 40 million. Authorities in Macau, Hong Kong and the neighboring province of Guangdong collaborated in the effort to crack down on illegal soccer betting in southern China during the 2014 World Cup in Brazil, via a dedicated task force set up by the Hong Kong Police.



⁶ American Gaming Association, *Illegal betting - How offshore operators and those who support them break US laws* (https://www.americangaming.org/illegal-sports-betting/#_edn3)

⁷ *Police smash major World Cup betting ring in Macau* (<https://www.reuters.com/article/soccer-macau-idUSL4N0P203P20140621>)



International and regional efforts

The importance of effective intelligence broadens the reach, understanding and visibility of sports integrity units.

It also increases the potential for identifying cases that originate from other non-sport sources and might be relevant for tackling criminal acts. Often law enforcement agencies lack time and resources, however, they can benefit from involvement in cross-sectorial projects specifically addressing intelligence gathering.

The INTERPOL Financial Crimes and Anti-Corruption units worked with the Asia-Pacific Expert Group on Organized Crime and the INTERPOL Match Fixing Task Force on Operation Soccer Gambling (SOGA) VIII⁸. During the 2021 UEFA Men's European Football Championship, hundreds of specialized officers across 28 countries targeted organized crime groups looking to earn millions from illegal gambling and related money laundering activities. This resulted in thousands of raids and the arrest of approximately 1,400 suspects across Asia and Europe. Authorities seized USD 7.9 million in cash, as well as computers and mobile phones associated with nearly USD 465 million in bets.

An EU financed project under Integrisport Erasmus, known as the Integrisport Next project aims to enhance law enforcement and prosecution activities of sport-manipulation-related crime. It involves GLMS and the lotteries of the jurisdictions within the participating countries. In 2020, Finnish law enforcement authorities exchanged information with the Finnish Lottery Veikkaus and learned about the threats that legal betting operations face in the context of sports manipulations. Thanks to this project, further-specialized units have been established.

⁸ INTERPOL Operation SOGA (<https://www.interpol.int/en/Crimes/Organized-crime/Asian-organized-crime>)



Cryptocurrencies in online betting

As the online betting market grows, so does the number of operators that accept cryptocurrency.

The FATF defines virtual currencies as “a digital representation of value that can be digitally traded and functions as (1) a medium of exchange; and/or (2) a unit of account; and/or (3) a store of value, but does not have legal tender status (i.e., when tendered to a creditor, is a valid and legal offer of payment) in any jurisdiction”.

Virtual currencies are not issued, nor are they guaranteed by any jurisdiction. They are distinguished from the real or national currency, or coin and paper money of a country, designated as its legal tender. It is also distinct from e-money, which is a digital representation of a national currency used to electronically transfer the value of the national, legal currency.

Cryptocurrency uses blockchain technologies, which enable anonymous, simple, fast, cross-border payments. This entices people who want to place corrupt bets on fixed sporting events, and poses a great threat to the online gaming and betting industry.

According to *Good practices in addressing illegal betting - A handbook for horse racing and other sports to uphold integrity*⁹, by the Asian Racing Federation (ARF), cryptocurrency betting operators may not be licensed and often operate in unregulated areas. In many cases there is no Know Your Customer process and accounts can be set up very quickly without the wait for fees to be deposited or the amounts to be traced and intercepted by authorities.

With less overhead, these operators can offer better betting odds than regulated ones. The report also notes a shift from the use of bitcoin to cryptocurrencies that can provide a higher level of privacy, such as Monero, Zcash and Dash.

The ARF also notes that nearly one-fifth of over 4,000 betting websites accept one or more cryptocurrencies, which does not include unlicensed websites. A growing number of bettors use them to access betting agents such as Citibet, cryptocurrencies facilitate race-fixing or match-fixing. In unregulated marketplaces, betting agents have no obligation to report suspicious activities, which enables illicit gaming to flourish.

⁹ Good Practices In Addressing Illegal Betting: A Handbook For Horse Racing And Other Sports To Uphold Integrity (2020) (https://www.interpol.int/en/content/download/16262/file/Good-practices-in-addressing-illegal-betting_FINAL.pdf)

Problem gaming and betting advertising

Problem gambling has become a major concern for countries around the globe.

Research has shown that players who bet through illegal channels are more exposed to problem gambling.

In unregulated gaming, there may be relaxed betting limitations and insufficient warnings or guidance for people who suffer from gambling addiction.

An ARF study showed that in a cross-section of countries in the Far East and Oceania, the number of problem gamblers, or those at higher risk of becoming problem gamblers, was 10% to 40% higher among illegal bettors compared to the legal bettors¹⁰.

In Asia, the marketing and promotion of betting is generally banned. Therefore, sponsorships of popular teams in the English Premier League (EPL) or Spain's La Liga, which are broadcast worldwide, serve as highly effective alternative marketing and advertising platforms for Asian-facing betting websites.

In Europe, generally speaking, betting operators who wish to sponsor a team must comply with the gaming regulations of the country in which that team is based. In France or the UK, betting operators must be licensed by the national gaming regulator to advertise or sponsor teams. In Spain, a foreign online operator can operate and advertise in the country but must have equivalent licensing elsewhere in the European Economic Area.

Other than being official betting partners with the football clubs and shirt sponsorships, bet advertising is ubiquitous at matches along pitch-side hoardings and is visible during many global broadcasts. One study showed that in the 2016/2017 soccer season, more than 75% of EPL airtime equivalent to more than 25,000 hours, included a gaming sponsor in one form or another, according to *A Study of Betting Operators and their Sponsorship in Sport (2020)*, by GLMS¹¹.

In Italy, in order to reduce gaming addiction and increase player protection, bet advertising and relevant sports sponsorships – including gaming brands appearing on team shirts – have been banned since 2019, however, the national lottery, operated by the government, is exempted from this legislation.



¹⁰ IBID footnote 7

¹¹ A Study of Betting Operators and their Sponsorship in Sport (2020), by GLMS

(https://glms-sport.org/wp-content/uploads/2020/07/20_GLMS_SPONSORSHIP_REPORT_Final-July-2020.pdf)

WLA role in combatting illegal lotteries and betting worldwide

The WLA is dedicated to combatting illegal lottery operations around the globe.

It considers the territorial integrity of its members as a top priority.

As such, it embraces the definition of illegal betting found in the Macolin Convention, which has been included in the WLA Code of Conduct.

The WLA advises member lotteries on how they can best fight unauthorized lotteries within the regulatory framework of their respective jurisdictions through the work of its Illegal Lotteries and Betting Committee (ILBC).

Established in 2019, the ILBC regularly reviews the tools and resources available to help member lotteries combat illegal gaming in their jurisdictions. In 2020, it launched a database of known illegal lottery and betting operations, with a particular focus on bet-on-lottery schemes and courier services and produced a set of detailed fact sheets for over 30 countries, which can be found in the member section of the WLA website.

In coordination with GLMS, the ILBC is developing a similar database related to sports betting legislation and national actions that can be taken to combat illegal sports betting.

In this regard, the WLA's Betting Integrity on Sports & Horse Racing Committee also provides strategic guidelines for sports betting. GLMS is the Committee's subject matter expert on sports integrity. Projects on the topic of sports integrity, including this guide, are executed within the framework of inter-association exchange and mutual support.

A united front affords a more effective way of addressing the increasingly complex, global nature of online illegal betting. The WLA values collaborating with other organizations involved in this fight, such as the Asian Racing Federation Council on Anti-Illegal Betting & Related Financial Crime (ARF).

During the first quarter this year, the ARF Council expects to publish a report entitled *The State of Illegal Betting, 2022*, based on the analysis of 534 betting websites licensed in 61 jurisdictions. It will detail such aspects as: betting trends, the most prevalent sports in global betting, the types of online gaming products offered, bettor demographics such as age and gender, devices used to place bets, payment methods, and more.



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