

INTRODUCTION

Dear all,

Welcome to the second quarterly bulletin from the Asian Racing Federation council on anti-illegal betting & related financial crime. We have renamed the task force a “council” to better reflect the permanence of the group and our efforts to build our capacity as a think tank aimed at combatting illegal betting and related financial crime. We aim to achieve impact in this area through the strong expertise of the members of the council, which is reflected in the excellent thought leadership produced by the group.

In this bulletin, Professor Jack Anderson, Director of Studies, Sports Law, at the University of Melbourne provides a summary of a study conducted for Harness Racing Victoria which shows the positive impact on horse racing and other sports of integrity units. Professor Anderson reports on a fascinating study of the impact of integrity intervention on the number of entries to race as well as the numbers of public attendance at races, both of which increased after a major criminal investigation involving the police that led to charges and convictions in court. The compelling hypothesis is that successful interventions by integrity units, including the involvement of the police, can lead to increased confidence in the sport.

Not only illegal betting, but also related financial crimes remain a major threat to racing and other sports globally, some of which are reported in the news section of this bulletin. There are great efforts to combat the problems, such as the United Nations Office On Drugs & Crime (UNODC) and Fédération Internationale de Football Association (FIFA) September [MOU to step up their joint cooperation to address threats posed by crime to sport](#). As part of the MOU, the two organisations agreed to a consultation process with the objective of establishing an independent, multi-sports, international agency to investigate financial corruption, match-fixing and the influence of organised crime in sports. Such an agency would establish trusted reporting lines, form a global pool of experts to provide specialist case management, standardisation of sanctions and disciplinary measures, and establishment of due diligence processes to prevent perpetrators moving between regions and different sports, and escaping justice. It seems that Professor Anderson’s research and findings are indeed prescient.

We welcome input about illegal betting and financial crime affecting horse racing and sports. If you have any comments or feedback please let us know by contacting James Porteous, council Secretary (james.ak.porteous@hkjc.org.hk).

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October 2020

STUDY SHOWS HOW RACING AND SPORTS INTEGRITY UNITS CAN QUANTIFY THEIR SUCCESS



Jack Anderson

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Led by the horse racing industry, other sports bodies globally have been establishing integrity units. The underlying idea of such units is to gather intelligence and investigate actors and activities within the sport that are undermining its integrity, for example through doping, race rigging or other corrupting acts.

On completion of an integrity investigation – such as a jockey who may have bet on racing and including on races in which he rode – the integrity unit may prosecute the case internally via the sport’s disciplinary tribunal and/or refer the matter to the police for criminal investigation.

Integrity units are being given jurisdiction over an ever-broadening circle of those involved in the sport and not just immediate participants or stakeholders such as jockeys, trainers or owners. Similarly, integrity units’ remit is deepening to include issues relating to participant welfare, event security and even financial compliance.

As the role and prominence of integrity units in sport increases they become more expensive to maintain and the question thus arises: are they worth it?

Put another way, how can a sports body best measure the effectiveness of its integrity operations? For instance, although a successful integrity intervention by a national racing body may leave racing in that jurisdiction “cleansed” of a corrupting actor or activity, does the sport then get a bounce both in terms of returning participants (e.g. increased race entries) and commercial revenue (e.g. wagering and sponsorship)? Or is it the case that other actors simply move into the sport to replace those who have been removed?

The analogy here is to law enforcement and police-led investigations. Measuring the impact of anti-corruption interventions by state law enforcement agencies (e.g. specialised drug or organised crime units in a police force) has proven difficult. Conventional approaches focus on the quantity of drugs seized and/or arrest data. However, these traditional measures say little about the complexities, nuances and the broader impacts of law enforcement: for example, even an unsuccessful prosecution may still disrupt the supply chain of an organised criminal activity or group.

Bare statistics also do not give a full picture on how such units can produce enduring value, such as making affected communities feel safer, more confident and more willing to cooperate with the police.

Similar claims can be made for sports integrity units.

With this in mind, the School of Law at the University of Melbourne (led by researcher Dr Lloyd Freeburn) and Harness Racing Victoria (led by HRV’s General Manager of Integrity, Brent Fisher) teamed up on a research project to develop a practical and effective way of measuring the effectiveness and impact of integrity unit interventions in a sport.

[Note: Harness racing is a form of horse racing in which the horses race at a trot or pace pulling a two-wheeled cart. The sport has 28 racetracks in the state of Victoria in Australia, over 10,000 participants and in 2019 its economic impact to the state was estimated at AUD 573.9m.]

The pilot project was based on an HRV integrity unit investigation into a trainer in a regional town in the state of Victoria, Australia.

In a five-year period from 2010, the trainer dominated local harness racing. From 2012, complaints of race fixing, irregular racing and of doping were made against the trainer to HRV. Following a police investigation that commenced in early 2014, the trainer was arrested, charged and eventually convicted of an offence under section 195C of the Victorian Crimes Act – engaging in conduct that corrupts or would corrupt a betting outcome of a sports event. On completion of the criminal law proceedings, the trainer was disqualified from participating in the industry for 12 years by HRV.

The localised nature of the conduct involved made this a good initial case study of the effects of corrupt conduct in harness racing and of an integrity intervention in sport more generally. The case study was premised principally on comparing the circumstances of harness racing in the selected regional town as they were before the exclusion of the trainer with the situation that prevailed after the trainer's exclusion, and as against industry trends. The analysis was supplemented by interviews with participants who were active in harness racing in the region during the relevant periods.

The statistics showed that during the period in which the subsequently suspended trainer dominated (2010-2015), activity and participation levels by others declined relative to both historical local levels and by reference to average trends in the industry. Moreover, following the trainer's exclusion from the industry in 2015, activity and participation levels increased, again relative to both historical local levels and by reference to average trends in the industry in Victoria. In particular:

- The average number of horses entered to start each race meetings declined by 16%, then increased by 27%;
- Total starters at race meetings declined by 20.7%, then increased by 42%;
- Starters entered by other local-based trainers declined by 10.7%, then increased by nearly 25%, with the number of starters entered by interstate trainers increasing by 62%; and
- Average attendance at harness race meetings in the region had declined by over 11%, then increased by 26%.

The statistics appear to indicate that corrupt activity or perceptions of corrupt activity on the part of the trainer in question were responsible for the declines and that the removal of the trainer was responsible for corresponding increases in activity and participation.

Unfortunately, the available data concerning wagering was, for various reasons, of limited assistance to the analysis. In addition to the potential use of wagering data in the future, the research project suggests that key indicators of the effects of corrupt activity in racing codes should include the following (when measured to determine variations against past levels and against any movements in industry averages):

- Overall race entries;
- Entries per race;
- Number of races per meeting;

- Number of meetings per year;
- Racecourse attendance levels;
- Number of registered trainers in the relevant area;
- Number of horses in work with the registered trainers;

A further factor that could be assessed is the number and type of complaint made by participants about alleged corrupt practices in the industry.

Based on this pilot study, it is hoped to develop an integrity assessment model (IAM) which would assist all sports in (a) measuring the participant-related and socio-economic nature of potential integrity threats to a sport and (b) evaluating the efficacy of any subsequent integrity investigation.

Finally, in the above example taken from harness racing, it must be noted that at the end of the legal proceedings against the trainer, the sentencing judge asked the HRV to outline to the court in detail the exact effect that the trainer's corrupt practices had on the industry as a whole and how that adverse impact, if any, was quantified by the HRV. That question in part prompted the above study in order to show that while of themselves the actions of an individual jockey, driver or trainer might appear of little repercussion, cumulatively such actions can internally corrode the integrity of the sport, demoralising its participants, undermining sponsors' and the public's confidence in that sport and tarnishing that industry's brand and reputation.

The full report is available on HRV's website:

<https://www.thetrots.com.au/news/articles/world-first-harness-racing-integrity-study/>

ILLEGAL BETTING AND RELATED FINANCIAL CRIME NEWS

July

ARMENIA - A massive [football match-fixing conspiracy](#) in Armenia involved a suspicious number of bets on fixed matches from Asian markets, particularly China. An international investigation by Armenia's National Security Service (NSS) and INTERPOL into the country's second division exposed a match-fixing scheme involving 54 teams and five clubs. The country's entire second tier was suspended and 45 people, including club owners and coaches received lifetime bans.

Several of the players involved have been connected to previous instances of alleged or confirmed match-fixing. For example, one player named has been signed by several small clubs across Europe, many of which were subsequently involved in alleged match-fixing. Another common element at several of these clubs was the involvement [of Chinese "investors"](#), whose modus operandi is to promise significant investment in the club, sign players they know can be relied on to fix games, profit on illegal betting markets, then disappear.

August

INDIA - [Chinese online illegal betting operators are now spreading across India](#), as police in Hyderabad broke up a sophisticated ring and arrested four people, including a Chinese national. The alleged illegal betting ring was organised by different companies under the umbrella of a China-based firm. Domain name servers of the betting websites were based in China and data hosting services cloud-based in the US but operated from China. Encrypted private messaging app Telegram was used to recruit bettors.

In related action, Indian authorities raided [15 premises of companies in five cities linked to Chinese illegal betting apps and websites](#). The network is suspected to have collected the equivalent of USD 176 million from illegal betting in one year. Authorities suspect payment apps linked to the illegal betting may have also been used for hawala transactions, a form of underground banking popular in South Asia which can be used for money laundering.

Separately, Google [temporarily removed one of India's key payments apps](#) from its online store for breaching betting regulations ahead of the Indian Premier League T20 cricket tournament.

CHINA - China's clampdown on illegal online betting is having [a negative impact on Macau's VIP casino junket operators](#), and showing links to financial crime through underground banking. Beijing identified cross-border flow of funds for gambling [as a national security risk in June](#), and has since then seized more than CNY 229 billion (USD 32.95 billion) and frozen thousands of bank accounts.

This is restricting the informal underground banking channels junkets use to move money and evade China's capital controls, which involve online betting also. While some junket operators have been directly involved in online betting operations, others and their agents use these sites, and poorly regulated channels such as cryptocurrency platforms, to settle debts and move money for their clients. As this close link between illegal betting and underground banking is better understood, Chinese authorities are increasing their efforts to cut it off.

Macau's biggest junket operator, Suncity, is among those who have shut down online betting operations based in the Philippines, [according to the country's gaming](#) regulator, who is predicting an "exodus".

September

The Philippines – A new law that will subject Philippine Offshore Gaming Operators to [a 5% tax on turnover](#) (total wagers) rather than revenue (customer's losses) is likely to further shake up the industry, which facilitates much of the grey-market betting in Asia. So-called POGOs typically target customers in China and other jurisdictions where online betting is illegal or unlawful but can present themselves as "licensed operators" thanks to the licence granted by the Philippines regulator.

Notably, the Philippines bans its own people from betting with POGOs and there is increasing pushback against the industry because of the negative impacts it has on local society in the Philippines, from driving up rents to tax evasion, illegal workers, and even kidnappings and murder related to gambling debt collection.

Since many POGOs are already non tax-compliant, the greatly increased taxes – turnover is always much larger than revenue in the betting industry – will likely drive many POGOs out of the country, especially as several have already been hit hard by COVID-19 and China's crackdown on offshore online betting.

This is unlikely to solve the issue but will drive operators underground and/or into other jurisdictions across Asia – Malaysia is already reported to be developing a "smart business hub" in the state of Johor which may turn out to be a possible destination for back offices of online betting operators.

CHINA – [Police shut down an e-commerce scheme linked to illegal betting and money laundering in China, involving illicit transfer of at least RMB 10 billion since 2016.](#) Operators of illegal betting websites fabricated online shopping records and forged delivery tracking numbers to disguise illegal transactions.

This scheme works with the help of so-called fourth-party payment providers which provide QR codes to transfer funds. Police found 2,700 websites and three criminal organisations involved in the scheme, seized more than CNY 20million and arrested 40 people, some of whom were employees of legitimate delivery services.

ARGENTINA - Regulators say the COVID-related shutdown of legal betting options in Argentina, such as horse-racing tracks and sports betting shops, has led to "[exponential growth](#)" in illegal online betting which authorities are ill-equipped to deal with.

The ARF anti-illegal betting & related financial crime council

The Asian Racing Federation is a regional federation comprising 28 racing authorities and racing-related organisations, with a wide geographic spread from New Zealand to South Africa. Among its core objectives is the promotion of integrity in the sport of horse racing. The Asian Racing Federation Anti-Illegal Betting Taskforce was established in 2017 and now comprises 14 members from organisations engaged in horse racing and sports integrity, law enforcement, the UNODC, and academia.

In October 2020, the task force was renamed as the council on anti-illegal betting & related financial crime, whose purpose is to foster and enhance international cooperation among horse racing operators, regulators, intergovernmental organisations and government agencies in order to better combat the threat of illegal betting and other financial crimes to horse racing integrity in particular, and sport in general.

The bulletins are to advise stakeholders about the latest developments in illegal betting and financial crime threatening horse racing and other sports. Each bulletin will contain a brief overview of key issues from this area and analysis of its implication for regulators, sports governing bodies and other stakeholders.

The members of the council are as follows:

Martin Purbrick	(Council Chairman), former Director of Security & Integrity, Hong Kong Jockey Club
Douglas Robinson	(Council Deputy Chairman) Hong Kong Jockey Club
James Porteous	(Council Secretary) Hong Kong Jockey Club
Jack Anderson	Melbourne University
Graham Ashton	Former Chief Commissioner, Victoria Police
Tom Chignell	Hong Kong Jockey Club
Brant Dunshea	British Horseracing Authority
Neil Grimstone	New Zealand Racing Integrity Unit
Claudio Marinelli	INTERPOL
Tim Robinson	Racing Victoria
Tak Sung Hyun	Korean Racing Authority
James Ogilvy	Asian Racing Federation
Ronan O'Laoire	United Nations Office on Drugs and Crime
Damian Voltz	Australian Criminal Intelligence Commission