HOW OUTSOURCING IN THE ONLINE BETTING SUPPLY CHAIN AND ‘WHITE-LABELLING’ BLURS LINES BETWEEN LEGAL AND ILLEGAL BETTING

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INTRODUCTION

The supply chain of sports betting data and the related ‘white-labelling’ sales of betting websites are increasingly blurring the lines between legal and illegal betting, and making it easier than ever to setup a betting website. This commentary outlines both of these related areas.

The ‘online betting supply chain’ refers to the provision of third-party software and data involving the licensing by betting operators of technology and/or data feeds (e.g. sports odds or live sports statistics) from business-to-business (B2B) providers. Sports data is a complex but critical part of sports betting that is increasingly outsourced by the betting operator, which would otherwise fail.

‘White-labelling’ is the provision of all or part of a betting website and its operations, often including the licence, which is then branded by a separate operator. A complete form of white-labelling could be described as the online betting equivalent of a major car manufacturer building the vehicle but allowing another company to put its logo and brand on it for sale. However, in some cases the purpose of a white-labelling arrangement is solely to confer some legitimacy to operators typically in Asia by allowing them to present themselves as “licensed” by overseas jurisdictions typically in Europe. This allows them to present as Licensed and Regulated operators to their target customers in Asia, and to promote their brand in Asia by – for example – associating themselves with major European sports teams and leagues.

Outsourcing in the sports betting supply chain – third-party software and data provision

Betting websites need very complex software, providing functions such as odds-making and risk management, live sports data feeds, live video streaming, customer relationship management, technical support and payment processing, to name a few.

Larger, Licensed and Regulated operators often prefer to keep a lot of technology in-house for reasons of security, risk management, and product differentiation, but still typically rely on one or several third-party providers. Thousands of B2B suppliers thus exist to serve this market – one online database claims to track 3,400.

Software is typically licensed by the betting operator for a flat monthly fee, a percentage of customers’ losing bets, or a combination of both.

As the simplified supply chain diagram on the next page illustrates, a host of companies provide everything a betting operator needs, such as sports betting, casino, slots and customer management. ‘Content aggregators’ and ‘turnkey solution / platform providers’ simplify the process further by selling tailored packages of third-party products or completely managed websites.
As noted in Section One, at least 73% of betting websites use one or more third-party software providers, even the largest. This is because, as also noted, 81% of websites do not only offer sports betting, but also slots, virtual sports, live dealer casino, and other products; few if any operators have the expertise or desire to create and manage all of these in-house.

A problem – and another example of hybridisation – comes when betting software suppliers service Unregulated operators, thus facilitating illegal betting.

Our analysis in Section One showed that Unlicensed and Unregulated operators *almost exclusively* rely on third-party software for their operations, and a host of suppliers exist to service the Unlicensed and Unregulated market, given its vast scale and turnover. Some of these suppliers are licensed in certain jurisdictions – particularly the Philippines for live-dealer casino for example – but their products are used by Unlicensed and Unregulated operators.

Furthermore, some of Asia’s largest illegal sports betting operators have begun licensing out their software as third-party products. This is described in more detail in the case study below.

A related issue is the provision of live sports data feeds by suppliers to both legal and illegal markets. Collecting such data is a massive undertaking and is dominated by a handful of major providers. This data is vital for betting operators to provide the vast array of sports markets they make available, particularly for in-play betting.
However, some providers supply data to Regulated / Under-regulated / Unregulated betting operators alike. This is a flaw in the integrity of global betting markets, because it allows Unlicensed and Unregulated operators to set up websites with ease, allows mixing of Regulated / Under-regulated / Unregulated betting volume, and further blurs the distinction between legal and illegal operators.

The sports data market has evolved rapidly within a regulatory vacuum, which has been complicated by the broader complexities of sports and betting regulation (including global markets, patchwork of regulations, multiple owners of sports products, and international, national and state sporting organisations). In the absence of regulatory oversight and control, there is a lack of transparency surrounding the final destination of the data collected.

As noted by the International Betting Integrity Association, an industry organisation whose members are regulated betting operators, “the sale of sports data to poorly and unregulated operators e.g. based in Curaçao and across Asia, potentially raises the risk of corruption […] adds to the competitive advantage of such operators […] and could be considered contrary to any integrity policy”

Citibet as a third-party software provider

The Citibet betting exchange has for more than 10 years been a leading platform for unregulated betting on racing and is a core integrity threat to global racing. It is not known to be licensed in any jurisdiction.

However, Citibet’s exchange and discount mechanism is complicated and difficult for the layperson, and its interface is little changed since the site was first programmed in the 2000s. This is a barrier to entry for some would-be illegal bettors.

By late 2019, Asian Unlicensed and Unregulated websites had begun to offer Citibet racing on their websites through third-party software plug-ins. This is a much simpler and user-friendly version of Citibet.

Like Citibet, such websites offer only racing, harness racing and greyhound racing, from the same jurisdictions as available on the exchange. Rebates can be applied to accounts, and pirated live-streaming of racing is also available.

The simplified version of Citibet has been designed for bettors who do not understand the traditional Citibet interface, and it is likely that bets are directed onto the main Citibet exchange, increasing liquidity.

The ‘third-party’ version of Citibet can be ‘plugged in’ instantly to any illegal betting website.

Other leading illegal brands popular in Asia also now make their markets available not only on their own networks of mirror websites, but also as third-party plugins for a countless number of other Unlicensed and Unregulated websites. This is a prime example of how third-party software in the Unlicensed and Unregulated market makes it easier than ever both to be an illegal bookmaker and an illegal bettor.
‘White-labelling’

A complete ‘white label’ is when a whole website and licence is provided by a third-party B2B company. The supplier provides all of the technology, while the operator’s role is limited to branding and marketing and recruiting bettors. White-label websites are somewhat analogous to franchises, with minimal capital outlay required by the operator, but a large proportion of turnover funnelled upstream to the supplier/franchiser.

The white-labeller’s website content, including odds and trading management, is thus provided to tens or more other betting operators, allowing them to display their markets – and also in the case of white-label betting exchanges, to channel bets from customers in Unregulated markets into the wider ‘Regulated’ exchange, a key integrity risk.

White-label providers enable would-be betting operators to set up a betting website in weeks with almost zero technical or bookmaking expertise. But the high fees mean that a constant stream of new losing bettors must be found. This low-outlay, high-overhead cost structure is thus one reason for the proliferation of online betting websites which rapidly come and go, and for the aggressive marketing of such websites via social media and other platforms.

The provision of licensed white-label services is a concern for three reasons:

1. It allows operators of questionable origins to set up ‘licensed’ betting websites which appear to the bettor to be Licensed and Regulated, even though such operators have been subject to none of the oversight of their white-label providers;

2. It allows such operators to advertise in markets in which they are not licensed by marketing through sport;

3. It increases betting integrity threats relating to manipulation of racing and sports by i) obscuring the actual source of betting turnover since some white-label websites can only be accessed through agents, and ii) because white label betting exchanges are particularly susceptible to suspicious betting.

All of these further blur the lines between legal and illegal betting.

In 2020, the UK Gambling Commission (UKGC) reported that there were at that time more than 700 white-label partners within the industry and stated that this model was “increasingly popular ... [to] bring global exposure to an operator’s products“. The Gambling Commission added: “there is a concern that unlicensed operators who would potentially not pass the Commission’s initial licensing suitability checks are looking to use the white label model to provide gambling services in Great Britain”.

The UKGC thus recognises two key points: the primary intention of many white-labels is not to market to or attract UK bettors, but to ‘piggy-back’ on the credibility of the UKGC licence to market globally; and such operators may not pass the UKGC’s own suitability criteria.

The UKGC transfers responsibility for oversight to the white-label provider, who is responsible to ensure that “appropriate safeguarding measures and controls are in place” and to “address money laundering and politically exposed persons (PEP) risks.” This extraordinary approach allows more than 700 white label offshore online betting websites to be operated with little effective regulatory oversight, flaws illustrated by more than one case in which the UKGC has fined providers for not “carefully manag[ing] all the third party websites that they are responsible for.”
In one example, a white-label provider failed to oversee its websites which were found, among other issues, to have sent thousands of emails to customers who had previously self-excluded from access to online betting; to have lacked AML controls; and to have used inappropriate advertising containing nudity. The white-label provider was fined GBP 600,000.

It should be stressed that the UKGC at least takes action against such issues, and makes transparent such judgments. The UKGC is far from the only jurisdiction which permits white-labelling and, of course, in the case of less stringent regulators, there is not even any discussion of whether white-labelling may present negative consequences, let alone any enforcement.

Given that the UKGC recognises such issues, it begs the question why it allows a structure that facilitates and encourages unregulated online gambling and betting on an international basis, and only recognises the local impact of this in the UK. The outcome of this is the further expansion of Unregulated online betting operators internationally.

White-label licences are also used by betting operators to advertise betting in Unregulated markets, particularly Asia, through association with sport. For example, one of the most popular televised sports in Asia is English Premier League football; to advertise on pitch-side hoardings at EPL games or on the shirts of EPL teams, betting operators must be UK-licensed. There is thus a thriving business providing white-label websites to such operators to allow them to advertise in Chinese, Thai, Indonesian, Vietnamese and other Asian languages during EPL games – even though their product is typically illegal in such jurisdictions.

These adverts typically direct users to Unregulated Asian-facing mirror websites – the white-label ‘Licensed’ websites themselves are sometimes not even online, because the purpose of these white-label arrangements is not to attract UK customers, but solely to advertise illegal betting in Asia. This has led one leading sports journalist to ask “Is the Premier League used as part of an unprecedented money-laundering operation?”

There is also an established relationship between white-label operators and betting agents/brokers. Asian-facing white-label operators rely heavily on agents to recruit customers, facilitate account access and settle payments. White-label operators can typically only be accessed through agents/brokers, still further obscuring the source of bets and hindering integrity bet-monitoring. Both white-label operators and agents/brokers play key roles in the channelling of bets to the primary operator.

The distance of the ultimate customer to the primary operator is illustrated in the diagram below:

**Figure 2 – The relationship of betting operators to white-labelled operators, bet brokers and ultimate customers**
Agents can be both street-level / face-to-face contacts, but also larger online operators known as bet brokers.

Bet brokers are websites that provide access to a wide range of bookmakers and exchanges, which may be unavailable or illegal in the customer’s jurisdiction, particularly Asian Unlicensed and Unregulated websites, other Licensed but Under-regulated sportsbooks, and many white-label exchanges. Bet brokers thus allow bettors to circumvent geo-blocking or legal restrictions.

An examination of six leading online bet brokers showed that bet brokers offer multiple legal and illegal betting operators who provide both fixed odds markets and betting exchanges. All six offered at least one Unregulated operator.

The prominence of large Licensed operators, offered alongside large Unlicensed betting operators, can be seen to provide credibility to the Unlicensed operators, and also to the bet brokers themselves, which are typically Licensed but Under-regulated in jurisdictions such as Curaçao.

There are advantages for a customer to bet via a broker and white label operators instead of betting directly with the primary betting operator in the legal market, thus blurring the lines between legal and illegal betting. These incentives include:

- Cryptocurrency – the customer can make deposits and withdrawals in cryptocurrency which is not available with the majority of the licensed operators for which they act as agents, adding yet another layer of obscurity and introducing racing integrity and financial crime risk. All six of the leading brokers examined accept cryptocurrency.

- Lowered Know Your Customer (KYC) checks – It has been identified that real differences exist in KYC checks between UK-based customers registered with a UK-licensed betting exchange and overseas customers betting into the same exchange via white labels and betting agents.

- Reduced commission and fees – Betting exchanges can charge a special rate of commission on accounts which make consistent profits. Industry sources suggest that customers can pay less commission by betting into the same exchange via white-label operators.
White-label betting exchanges

Of the six leading brokers examined, all offered a variety of betting exchanges, ranging from exchanges licensed in certain jurisdictions, white-label versions of licensed exchanges, and Unlicensed and Unregulated exchanges. This widespread availability of betting exchanges through white-labelling and/or bet brokers demonstrates the integrity threat to racing and sports.

Betting exchanges are a type of betting website analogous to a stock exchange, which allow bettors to ‘buy’ (back bet), but crucially also to ‘sell’ (lay bet) – i.e. bet on an event not to happen, for example a horse not to win a race. A betting exchange does not stand the bet liability itself, but is a platform which matches back and lay offers between customers and takes a commission either from each bet or customer profits.

Betting exchanges make betting on a horse to lose a quick and convenient process and therefore they are often targeted by those seeking to profit from inside information and event manipulation.

To allay this fear, Licensed and Regulated licensed betting exchanges typically offer to share transaction data with racing and other sports operators. Many cases of sports corruption have been identified and/or prosecuted in this fashion.

However, a key flaw in this system is opened up by white-label betting exchanges, which allow unscrupulous operators to employ Licensed and Regulated betting exchange technology in Unregulated markets.

There are several such operators, sometimes focused only on one sport, such as racing in Asia, or cricket for the Indian subcontinent. A portion (20% for example) of the risk of the customer’s wager with the white-label exchange is held by the white-label operator, while the rest is placed on the exchange, obscuring the source of bets. This is a real integrity threat as it complicates the audit trail for integrity investigations.

The threat is very real for racing authorities and sports regulators as shown by the fact that suspicious lay bets placed via third parties into Licensed and Regulated betting exchanges have featured in racing integrity investigations. The Referrals Committee of the Irish Horseracing Regulatory Board (IHRB) reported in their findings on one high-profile investigation that large lay bets had been placed with a limited liability company, which placed them in turn onto a UK Licensed and Regulated betting exchange (see Section Six). In their reporting, the Referrals Committee highlighted that such a mechanism could hinder identification of the possible beneficiaries of lay betting.
See e.g. https://www.igamingsuppliers.com/
See e.g. suppliers such as EveryMatrix, (https://everymatrix.com/white-label-solution-convenient-way-start-online-gambling-business/), Digitain, (https://www.digitain.com/2021/02/10/white-label-or-turnkey-sports-betting-solution/)
‘What is a betting broker and how to use them’ rebelbetting.com, 15 March 2019 (https://www.rebelbetting.com/blog/what-is-a-betting-broker-and-how-to-use-them)
Analysis of six leading bet brokers in October 2020. Brokers were assessed as leading operators by their online popularity, search engine prominence and mentions on gambling forums.
Antonia Cundy and Paul Murphy, ‘Backdoor to Betfair: how to win £2,000 with no compliance checks’, Financial Times, 2 July 2019 (https://www.ft.com/content/8086797c-9b52-11e9-b8ce-8b459ed04726 accessed 16 November 2021)