OBSERVATIONS ON DEVELOPMENTS IN CORRUPTION IN RACING AND OTHER SPORTS RELATED TO ILLEGAL BETTING

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Illegal betting is one of just many factors that must be considered when attempting to prevent corruption in racing and sport. It is one of many interlocking factors in such corruption, and ultimately often also the ultimate means of profiting from such corruption. This section does not only explore corruption issues directly related to illegal betting therefore but also other notable developments, and lessons to be learnt from the recently published academic study, *Restoring Trust in Sport: Corruption Cases and Solutions*.¹

There are experiences from outside horse racing that can be applied to better protect the integrity of racing betting markets and of the conduct of racing. In the recently published book, *Restoring Trust in Sport: Corruption Cases and Solutions* (2021) edited by Dr Catherine Ordway, the “sports corruption” case studies were divided into six categories: (a) manipulation of competitions, (b) doping, (c) event bids, (d) contracts, (e) elections, and (f) other² – which illustrate many of the same threats faced by horse racing.

One of the major themes is the intersection of governance, culture and integrity in combatting threats including illegal betting. The substitution case of *Fine Cotton* is reviewed in *Restoring Trust*³. Although that case is from 1984, many of the lessons around corrupt practices that facilitated the illegal betting and insider trading remain pertinent today. Also examined is anti-corruption research into “bad apples” (corrupt individuals and groups), “bad barrels” (corrupt organisations) and “bad orchards” (corrupt systems)⁴.

Evident during the postponement or cancellation of sport around the world in response to COVID-19 is that corruption in all forms has continued while regulatory eyes have been off the ball. Cheating – whether doping, fraud, money laundering, bribery and/or race-fixing – has flourished in the absence of sufficient transparency, accountability, oversight, internal controls or other external scrutiny; and without perpetrators having access to live events, cheating has found new footholds in fantasy sports and e-sports⁵.

**Growing use of cryptocurrencies and blockchain-based virtual racing**

A growing threat to integrity is the use of cryptocurrencies in legal and illegal betting to facilitate money laundering for a range of criminal activities. The lack of transparency around the use of cryptocurrencies, preventing regulators and betting operators from following the money, has been highlighted by the ARF previously, including at the 38th Asian Racing Conference in 2020⁶, and in its reports, *A Report of Blockchain and Cryptocurrencies in Illegal Betting*⁷ and *How China’s Crackdown on Illegal Betting Impacts Global Betting Markets*⁸.

These risks have increased with the rise in popularity of new virtual racing offerings using blockchain technology, and jurisdictions now accepting cryptocurrencies as legal tender. Several jurisdictions and financial apps and payment processors have begun to recognise virtual currency, with El Salvador becoming the first country to make Bitcoin legal tender in 2021⁹. The more jurisdictions that recognise cryptocurrencies, the less oversight there will be on who is using them and for what purpose.

Concurrently, there is a growing trend of blockchain-based games based on horse racing and other sports, which use (in the case of racing) digital ‘thoroughbreds’ in the form of non-fungible tokens (NFTs) which can be ‘raced’ and ‘bred’ for profit. While wagering is not yet officially available on these virtual racing markets, the very mechanisms of the blockchain-based payment, racing and breeding methodologies are opaque at best and may be classified as gambling by some regulators, depending on the prevailing legal definitions of gambling and/or whether regulators take an interest. While NFTs, the ‘metaverse’ and other aspects of ‘web 3.0’ may provide exciting opportunities for racing and other sports to introduce new products and attract younger demographics, there is also potential for unforeseen risks.
New products and the risks of illegal betting

**Restoring Trust** highlights the importance of sports organisations and law enforcement agencies working collaboratively through a case study involving Tennis Australia and the Victoria Police. This study also emphasises the risks presented when new legal betting markets are created by event owners on-selling data without adequate protections in place:

“Tennis Australia decided to livestream the Australian Open Wildcard Playoff tournaments... [but] a by-product [was] that it create[d] the ability for the gambler to watch the matches from their devices whilst placing bets. These matches would not otherwise have been available for betting.”

With sport being cancelled or postponed around the world during the COVID pandemic, there has not only been a rise in betting generally but also betting-related match fixing, particularly in Under-regulated or Unregulated markets. Bettors turned to regular sport in unusual jurisdictions such as football in Uzbekistan, Nicaragua, Burundi and the U21 Football League in Turkmenistan, table tennis in Russia and Ukraine, Belarusian ice hockey, South Korean baseball and Taiwanese basketball.

Bettors also turned to new betting products such as virtual versions of football and Formula 1, ultimate frisbee, table football, the American Cornhole League, and competitions where darts players recorded themselves playing at home. Observing suspicious betting, the International Betting Integrity Association (IBIA) reported two players competing in the 2020 Modus Icons of Darts at home series and both were sanctioned for match-fixing.

Australian police made international news when they prosecuted match-fixing in e-sports and Ukrainian table tennis matches. While the fascination for betting on table tennis has not abated following the COVID lockdown, the International Table Tennis Federation (ITTF) has been described as being very slow to regulate these ad hoc events, having only appointed its inaugural Head of Integrity in October 2021.

Match-fixing has also moved to a new level beyond staged games conducted purely for pre-arranged betting outcomes, for example, in the Ukraine. ‘Ghost Games’ (games which did not take place at all) also lured bettors in during 2020, for example through fake advertisements and fabricated results of football matches in Brazil. In Sri Lanka, fixers promoted an entire fake cricket league in which to stage fixed matches for cricket bettors.

One suggestion arising out of analysis of match-fixing in European football during the COVID pandemic, which could be useful to apply to an Asian horseracing environment, is the development of a country vulnerability index: “to stimulate the need to develop risk assessment tools based on empirical data for monitoring and supporting sporting integrity.”
Learnings from Restoring Trust

Initiatives from other sports have applicability in strengthening horse racing against the threats of Under-regulated or Unregulated betting – in particular, the need for better and broader oversight. Racing can benefit from clearer rules and research into ethical decision-making and accountability, to promote transparency in leadership decisions.

Another increasingly important area for all sports is athlete activism, which in racing includes not only animal welfare, but the welfare of riders, trainers, vets and other support and stable staff. Research is now progressively being conducted into links between athlete welfare and integrity.

Restoring Trust outlines multiple international and national responses to corruption in sport. These include ethical leadership, sport regulations to restore trust, collaborative investigations, and tackling the influence of organised crime. As noted in one study:

“Some sports, particularly those in which gambling is a cornerstone and organised crime has an interest, are subject to external interference which is difficult for sports controlling bodies to combat ... Sports controlling bodies operating in these environments face unique challenges and must work closely with law enforcement agencies and government regulators to provide the best protective measures for the integrity of their competitions.”

To retain public trust in racing and other sports, particularly where illegal betting is a part of corruption, whistleblowing channels are essential. As set out in Restoring Trust, the response to a selection bribery scandal engulfing ice hockey in the Czech Republic was for the national ice hockey federation to establish a formal cooperation agreement and a whistleblowing hotline with the national chapter of Transparency International.

Hotlines now exist in the horse racing industry; a 2020 Harness Racing Victoria report on the impact of race-fixing in that sport recommends that whistleblowing complaints be assessed to see if they coincide with trends in other key indicators, which could suggest a decline in confidence in the sport’s integrity. Key indicators suggested include “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; [and] ... the number and type of complaints made by participants about alleged corrupt practices in the industry”\textsuperscript{22}. Many of these indicators may also be applied into racing more broadly to detect whether confidence – and trust – is declining due to corrupt practices.
Many of the recommendations in *Restoring Trust* reflect established and recognised levers, including independence, good governance and transparency, protection for whistleblowers, meaningful penalties and support for well-trained investigators. It is also clear that the key to a strong integrity framework, which can prevent the negative influence of illegal betting, is the development of ethical leaders and ‘good citizens’ who live the fundamental values of sport and build strong communities founded on honesty and integrity.

It is well-established that sporting organisations which manifest principles of good governance are less likely to experience integrity issues. Good governance here often refers to leadership, transparency and accountability. What has not been focused on significantly is linking a strong integrity culture with well-being, fairness and inclusiveness. It is proposed in *Restoring Trust* that an approach based on an Ethics of Care, meaning, “the implications of human dependency, vulnerability, and interdependence”\(^\text{23}\), will create a sense of ownership by all stakeholders (a proprietary relationship with the sport, rather than a licence to play), which will in turn further strengthen integrity efforts.

The most important advice is that we should not “throw our hands in the air declaring that it is ‘all too hard’, the challenge is to focus our efforts on the most effective levers”\(^\text{24}\).
The United Nations’ response to corruption in sport related to illegal betting

Corruption and crime undermine the credibility of sport and sport institutions. These threats have been amplified by the drastic impact of the COVID-19 pandemic on sport as an enabler of sustainable development and peace.

Addressing the threat posed by corruption and crime to sport, which encompasses actions to tackle illegal betting, has been identified by the international community as a priority through such actions as:

- The adoption of relevant resolutions\textsuperscript{25} by the General Assembly\textsuperscript{26}, including through the commitment made in the political declaration at the United Nations General Assembly Special Session on corruption, which took place from 2 to 4 June 2021\textsuperscript{27};
- References to the threats posed by corruption in the two most recent Reports of the Secretary-General on Sport for Peace and Development\textsuperscript{28};
- The adoption on 31 October 2021 by the G20 of High-Level Principles on Tackling Corruption in Sport.
- The resolutions adopted at the Conference of the States Parties to the United Nations Convention against Corruption aimed at tackling corruption in sport as a priority issue through:
  - Resolution 8/4, entitled “Safeguarding Sport from Corruption”, adopted by the Conference at its eighth session in Abu Dhabi, from 16 to 20 December 2019;

Taken together these represent major and significant commitments by the international community to preventing and tackling corruption in sport, including illegal betting, while contributing to an emerging global framework around enhancing the contribution of sport to development and peace.

The United Nations Office on Drugs and Crime (UNODC), in its Global Report on Corruption in Sport, launched on 9 December 2021, highlighted that the volume of bets made on illegal and unregulated betting markets is such that it is highly attractive to transnational organised crime groups as a means of money-laundering. These groups are especially attracted to illegal betting as it offers greater anonymity and greater liquidity and can produce good returns on the funds that they invest. The report also highlights that illegal betting:

- is a major driver of corruption in sport in its own right;
- has strong linkages to the manipulation of sports;
- takes place in both grey and black markets, with the licensing framework for grey market operators often being opaque, especially in the context of online betting platforms and jurisdictions offering bets on events taking place in other jurisdictions;
• has impacts on Asia in particular both in terms of the supply of and demand for this type of illicit activity.

• is strongly suspected of being a growing problem in Africa and South America, although information on such trends and developments is limited.

With a view to tackling the threat of illegal betting, UNODC has identified a number of policy considerations for governments, and gambling regulators in particular, which include:

• Establishing national platforms and contact points for international cooperation with sports governing bodies and other key stakeholders, including law enforcement agencies and licensed betting operators, to combat illegal betting on sports.

• Ensuring national legislation includes laws that appropriately criminalise illegal betting and related manipulation of sport competitions, including obliging betting operators which offer betting on sports events to report instances of suspicious betting to the regulator.

• Enhancing the capacities of relevant authorities, through training and allocation of adequate resources, in order to detect, investigate, prosecute and sanction those involved in illegal betting.

• Establishing Anti-Money Laundering units to induce an enhanced holistic view of the licensed gaming operators from a supervisory and monitoring perspective.

• Ensuring that anti-money-laundering controls include the following:
  - Anti-money-laundering requirements that follow Financial Action Task Force guidelines;
  - A ban on the use of anonymous payment processing firms by betting operators;
  - The recording of customer identification and betting data;
  - The reporting to financial crime authorities of i) suspicious transactions or ii) when a certain large bet threshold has been breached by an individual or multiple associated transaction.

Through its Programme on Safeguarding Sport from Corruption and Crime, UNODC aims to support governments, sports organisations and related stakeholders in tackling the various manifestations of corruption and crime in sport, including illegal betting. Since 2017, the programme has delivered over 200 activities to more than 7,500 beneficiaries, including officials from law enforcement, anti-corruption and criminal justice authorities, as well as sports organisations and related stakeholders. These activities involved raising awareness, providing technical assistance, and developing capacities and tools with a view to implementing the aim of the programme. This has involved collaborating with the Asian Racing Federation Anti-Illegal Betting Council. Further information on the work of the UNODC Programme on Safeguarding Sport from Corruption and Crime can be accessed here: https://www.unodc.org/unodc/safeguardingsport/index.html
Section Four // Observations on developments in corruption in racing and other sports related to illegal betting

The impact of illegal betting on the integrity of racing and other sports
Asian Racing Federation Council on Anti-Ilegal Betting & Related Financial Crime

This chapter has shown that illegal betting continues to pose severe integrity threats to racing and other sports, that these threats are constantly evolving through new technologies and modes of operation, and that these threats have been exacerbated by COVID-19.

It is important for stakeholders in racing and other sports – government regulators, law enforcement, participants, the media and fans among them – to understand that the key integrity threat from betting is not from Licensed and Regulated operators, as defined in Section One, but from Licensed but Under-Regulated and Unlicensed and Unregulated operators (which are illegal betting operators in most jurisdictions).

Licensed and Regulated operators typically flag suspicious betting patterns and other account-level transactional data and/or intelligence indicating corrupt activity to racing and sports governing bodies. Many high-profile fixing cases reported in the media in recent years are via information provided by Licensed and Regulated operators.

Licensed but Under-Regulated operators typically do not provide such information and Unlicensed and Unregulated operators never provide such information.

The huge liquidity available at many Under-regulated and Unregulated operators, particularly those in Asia, provides huge incentives to fixers who can place much larger bets on pre-determined outcomes. The vast range of obscure and minor sports available to bet on at such operators provide corruptors with opportunities to access sports lacking integrity controls or awareness, and athletes who are amateur or low-paid and thus vulnerable to corruption.

In the case of unlicensed betting exchanges such as Citibet, whose liquidity on racing rivals legal markets, corruptors not only can place huge wagers, but can also bet on horses to lose, an obvious incentive for corruption. The same is true for other sports via so-called white-label exchanges, as discussed in Section Two.

In summary, illegal betting operators – whether Licensed but Under-Regulated or Unlicensed and Unregulated – are a primary cause of integrity risks in racing and other sports. Such operators are aided by unscrupulous sports betting data providers, without which they cannot offer betting markets. Racing and other sports, and their stakeholders, need to understand the difference between such betting operators, understand the value of their data, and not seek to outsource integrity monitoring.


26. A/75/L.30, General Assembly Resolution on Sport as an enabler of sustainable development
