

# Illegal Betting and Related Financial Crime: Talking Points 2023

Asian Racing Federation Council on  
Anti-Illegal Betting & Related Financial Crime



# KEY POINTS ON ILLEGAL BETTING

**Illegal betting is big and growing**

**Illegal betting funds organised crime**

**Illegal betting undermines integrity of racing and other sports**

**Illegal betting has a highly negative social impact**

**Illegal betting creates real-money costs for society**

**Preventing illegal betting requires a multi-stakeholder approach**

**Awareness of the problem has increased, but action is needed at the national level**



# Illegal betting is big and growing



# A CLEAR DEFINITION OF ILLEGAL BETTING IS PROVIDED BY THE COUNCIL OF EUROPE IN THE MACOLIN CONVENTION

***“illegal sports betting” means any sports betting activity whose type or operator is not allowed under the applicable law of the jurisdiction where the consumer is located.***

Council of Europe Convention on the Manipulation of Sports Competitions (the ‘Macolin Convention’)



# ILLEGAL BETTING IS WIDESPREAD IN ASIA

## China

- Cross-border illegal betting causes CNY 1 trillion (USD 145 billion) capital outflow each year
- Estimated 85% of Chinese sports betting market is illegal, worth CNY 3.9 trillion yuan (US\$ 600 billion) a year – accounts for majority of global illegal market (~USD\$750 billion to 1 trillion)

Source: AGB, SCMP

## Malaysia

- Illegal lottery operations are estimated to have recorded around MYR 15 billion (USD 3.4 billion) a year in revenue
- Illegal betting syndicates cause the government to lose MYR 3 billion (USD 670 million) in tax revenue annually

Source: The Sun Daily, The Straits Times

## Thailand

- Total money in circulation within the illegal gambling industry is around THB 436 billion (USD 13 billion)
- Gross gaming revenue of (illegal) online gambling alone is THB 100 billion (USD 3 billion)

Source: The Pattaya News, Thai PBS



# THE ILLEGAL BETTING MARKET CONTINUES TO GROW

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- ARF Council research found that in 2020 during the Covid-19 pandemic there was a major increase in betting via online illegal betting websites on horse racing, e-sports, alternative leagues and sports.
- The unavailability of retail cash betting in many jurisdictions pushed more people to use online betting, hastening an ongoing switch in customer preferences from physical to online betting platforms.
- More online betting operators were taking bets on horse racing and alternative sports to substitute for the loss of traditional popular sports that were cancelled.
- Illegal operators could adjust their betting product offering much faster than legal licensed operators, who are often restricted by license conditions or other regulations as to what betting products they can offer.



# ILLEGAL BETTING IS GROWING MUCH FASTER THAN LEGAL BETTING

↑ 36%

Growth of traffic to licensed and regulated betting websites

Strict licence conditions and gambling regulations on the number of sports and types of bets

↑ 36%

Growth of traffic to Licensed but Under-regulated betting websites (*e.g. Curacao, Malta, Philippines*)

Offer better prices as based in offshore tax havens, no levies for sports and problem gambling

↑ 64%

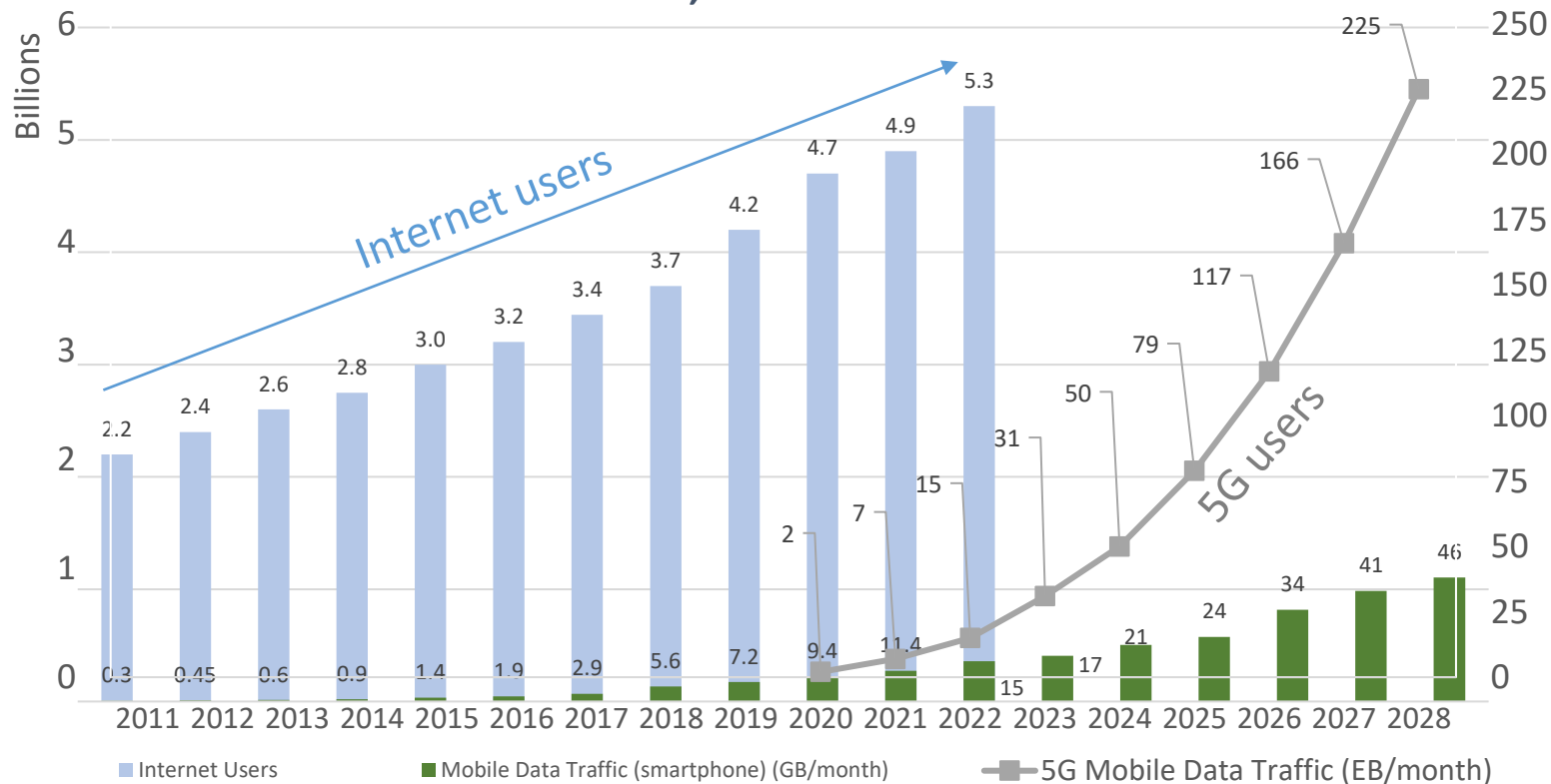
Growth of traffic to Unlicensed and Unregulated betting websites

Operators have better prices, product, promotions, less operating costs, no regulation



# ILLEGAL BETTING HAS GROWN IN PARALLEL WITH INTERNET AND MOBILE TECHNOLOGY GROWTH

Historic and Projected Growth of Internet Users, Mobile Data Traffic, and 5G Mobile Data Traffic



Internet users have more than doubled in the last decade

Mobile data traffic has grown from 2GB per smartphone per month in 2016 to almost 20GB in 2023

5G mobile data traffic will grow from less than 20 exabytes per month in 2022 to over 160 in 2027

Note: One Exabyte (EB) is equal to 1,000 Petabytes or one billion gigabytes (GB)

Source: ITU, Ericsson





# INCREASED 5G UPTAKE WILL GREATLY IMPACT ILLEGAL BETTING DEMAND SINCE IT...

- Eliminates **connectivity and bandwidth issues** acting as barriers to illegal bettors
- Enables **new betting technologies** and apps e.g. virtual and augmented reality betting products
- Enhances **live-streaming**, in turn increasing betting and in-play betting demand
- May impact **young people** more since they will switch to 5G sooner

**48%** surveyed U.S., German, U.K. consumers said they would be **more likely to place a bet** through a mobile app if they were at a game with 5G cell service



# PRICE AND PRODUCT ARE KEY REASONS DRIVING BETTORS TO THE ILLEGAL MARKET

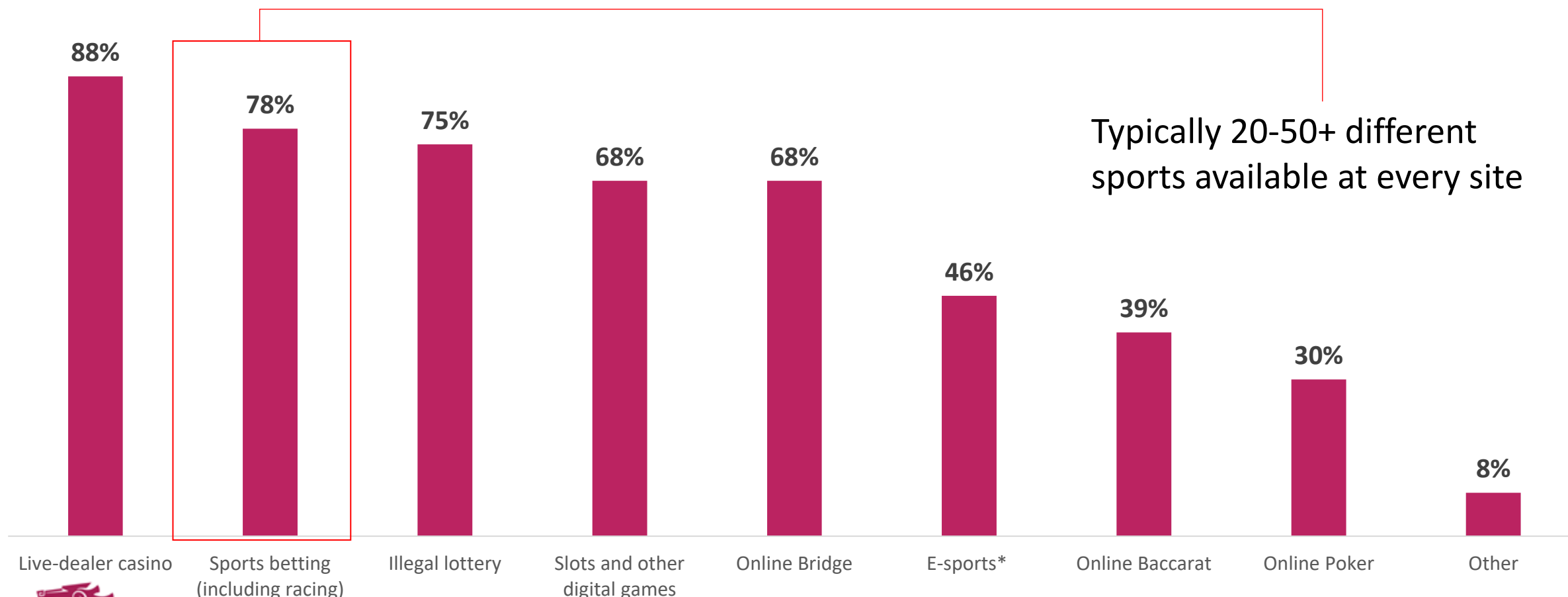
Main reasons bettors bet on illegal websites		UK	US	HK	Canada
1	Better prices (odds/rebates/ higher limits)	✓	✓	✓	✓
2	Wide product range	✓	✓	✓	✓
3	Credit betting		✓	✓	✓
4	Superior technology - ease/speed/anonymity	✓	✓		
5	Loyalty programs/ promotions	✓		✓	

Illegal operators **do not pay tax** and have **none of the overheads** of legal operators so can offer more attractive prices (odds) and rebates



# ILLEGAL BETTING WEBSITES OFFER A VAST RANGE OF BETTING PRODUCTS

More than a third of illegal betting websites offer one or more of the below betting products and a vast range of sports wagering



\* E-sports not classified as sports betting here

Source: ARF Council State of Illegal Betting report <https://www.asianracing.org/files/the-state-of-illegal-betting-2022>

# IT IS EASIER THAN EVER TO BECOME AN ILLEGAL BETTOR

## Hong Kong

87% of illegal bettors used illegal betting websites in 2022

## Australia

Traffic to an online illegal casino doubled to 1.2 million visits in just 2 months in 2020

## United States

2022 survey: 48% players who bet online bet illegally

## India

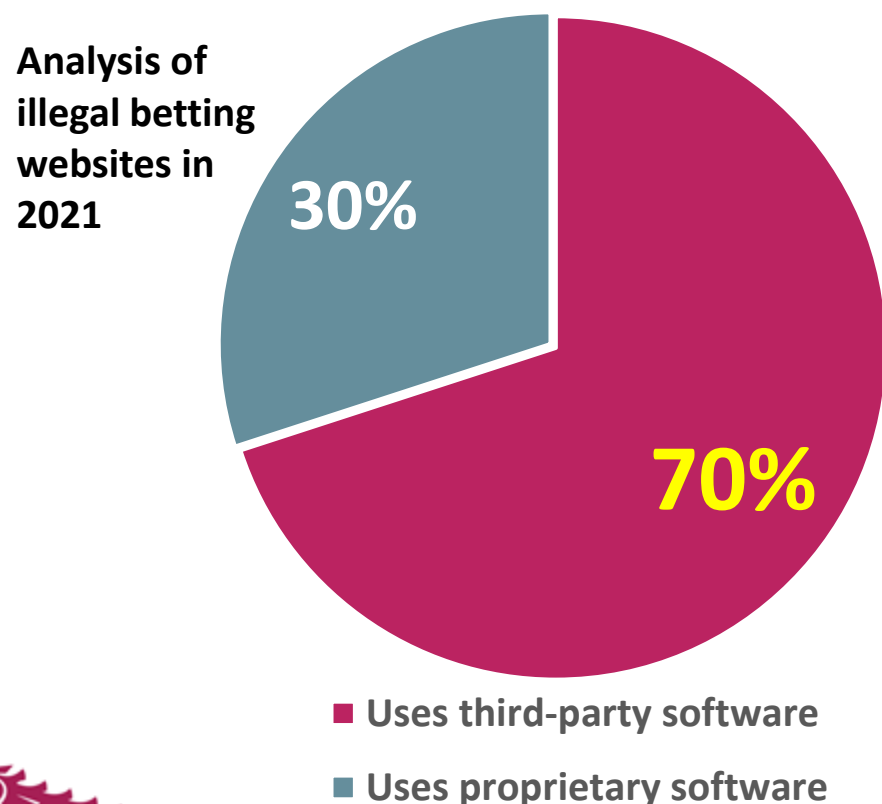
2021 survey: roughly half of gambling market (US\$60 billion) was spent on unregulated betting

**Agent-led social media advertising** a factor → Notable increase in illegal betting through agents/ bookmakers and usage of apps and social media to attract bettors



# IT IS EASIER THAN EVER TO SET UP AN ILLEGAL BETTING WEBSITE

Most illegal betting websites use business-to-business third-party software to power all their gambling products – no expertise required



- **Built-in betting and payments platforms** save operators time and costs of developing own, running back-end operations, customer service
- **No in-house odds trading team needed** or payments system, which are expensive to set up
- Can focus resources on **building agent network**, customer acquisition and marketing



# IT IS EASIER THAN EVER TO FUND ILLEGAL BETTING ACCOUNTS

Illegal bettors can bet through cryptocurrency betting sites or decentralised gambling apps to circumvent local restrictions and stay pseudonymous



*Popular cryptocurrencies including **Tether** and **Ethereum** offered as deposit methods on betting sites for competitive exchange rates*

**63%** of illegal betting websites globally that accept cryptocurrency

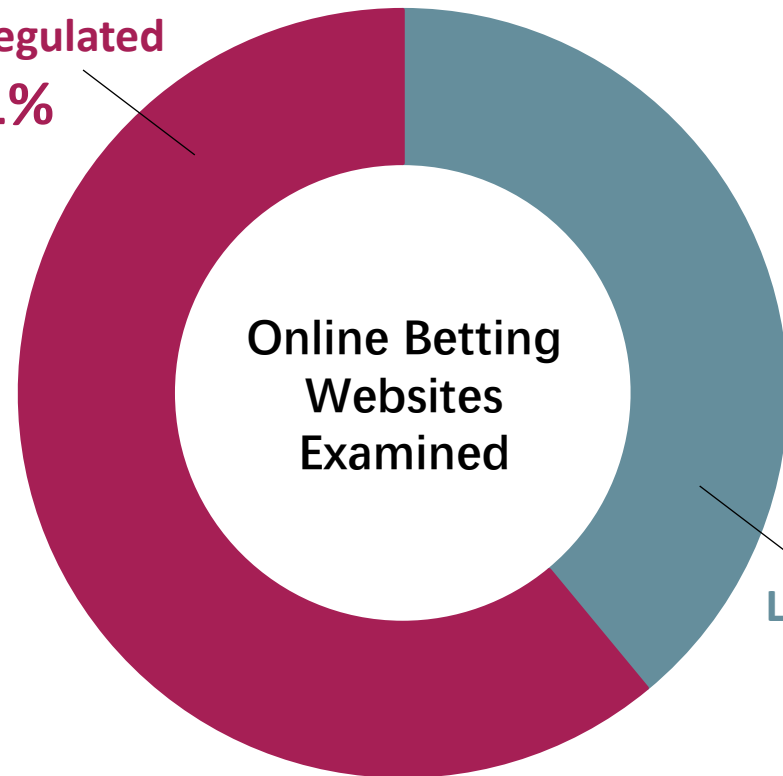
**Crypto is also used by illegal bookmakers to...**

- Offshore profits, particularly out of China
- Settle customer credit lines
- Pay workers overseas
- Launder criminal proceeds

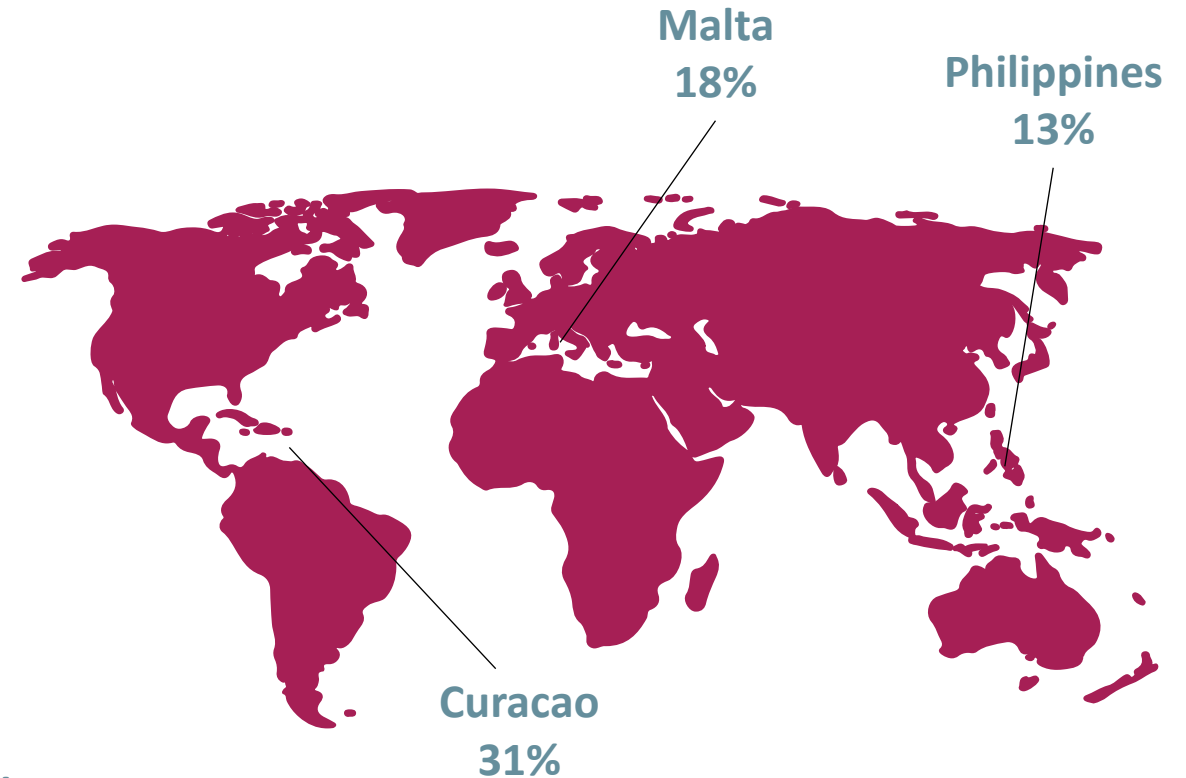


# ILLEGAL BETTING IS INCREASINGLY LESS DISTINCT FROM LEGAL BETTING ONLINE

Licensed but Under-regulated/Unlicensed and Unregulated  
61%



Licensed and Regulated  
39%



Three jurisdictions are responsible for **62%** of the licences for online betting operators that are Under-regulated



# Illegal Betting funds organised crime





# ILLEGAL BETTING IS CLOSELY LINKED TO MANY TYPES OF ORGANISED CRIMINAL ACTIVITY

## Provision of credit leads to other debt-enforcement related crimes

- Assault
- Kidnapping
- Robbery
- Fraud
- Usury

## Related money-laundering offences

- Render legal entities complicit in criminal activity by layering illegal betting (& other criminal) proceeds within legal betting business operations

## Provide revenue streams for other organised criminal activity

- Robbery
- Terrorist Activities
- Drug/Human Trafficking

## Fix sports matches & events to increase revenue

- Match-fixing and associated illegal betting
- Bribery
- Intimidation

These can take place as debtors look to relieve their debt burdens or as they are coerced to commit criminal acts by illegal bookmakers to pay off their debt



# ORGANISED CRIME-LINKED MACAU JUNKET OPERATORS NOW OF TRANSNATIONAL CONCERN

Macau (pre-pandemic) **world's largest casino gambling market**

"Junket operators" bring high-rollers from Mainland China to Macau

Expanded political influence and rising competitive tensions

**Close ties to organised crime (triads)** to illicitly move money, enforce debt collection

**Macau junkets**

Junkets **will be even more aggressive now** amid China crackdown

**Diversified into other countries and industries** esp. non-gambling businesses to **mask criminal roots**



# IT IS EASIER THAN EVER TO HIDE THE PROCEEDS OF ILLEGAL BOOKMAKING

The convenience of digital payments and virtual banking pose new and emerging threats and typologies for illegal betting

- Use of **money mules** and **virtual bank** mule accounts
- Difficulty tracking down suspects, which frequently change their personal particulars
- Use of **cryptocurrency payments** in betting
- Laundering of money through **cryptocurrency exchanges**

**USD 800 billion – 2 trillion**

Amount laundered **globally** each year

**USD 140 billion**

Amount laundered through sports bets each year

**USD 23.8 billion**

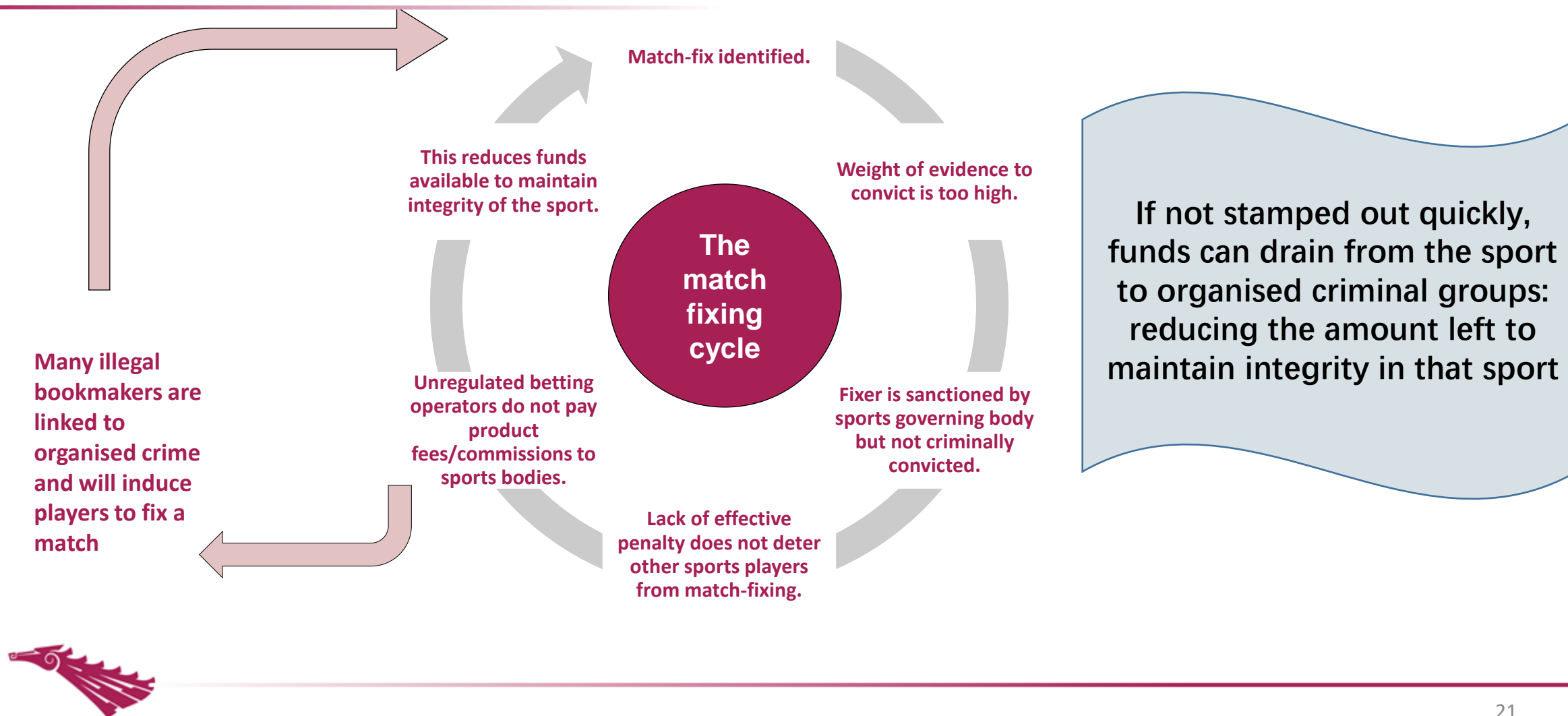
worth of cryptocurrency laundered globally in 2022



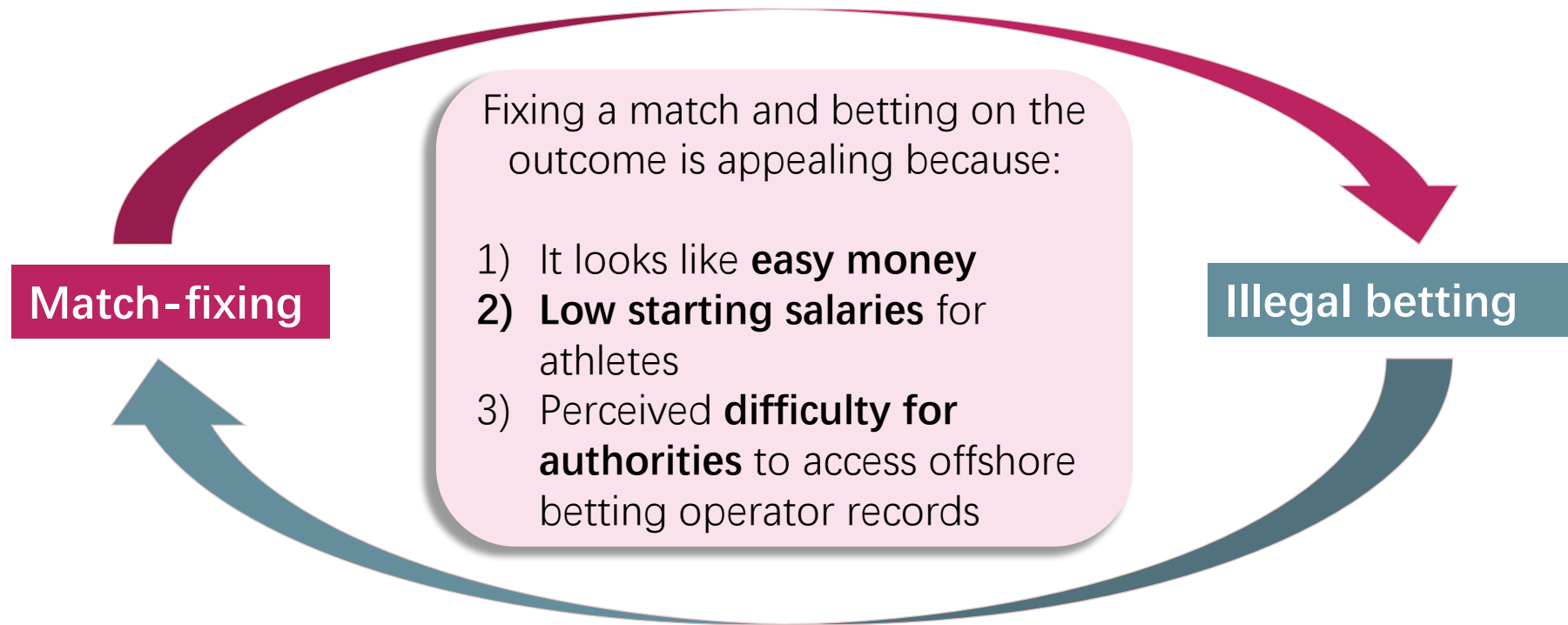
Illegal betting undermines the integrity of racing and other sports



# ILLEGAL BETTING HELPS FEED THE VICIOUS CYCLE OF SPORTS CORRUPTION



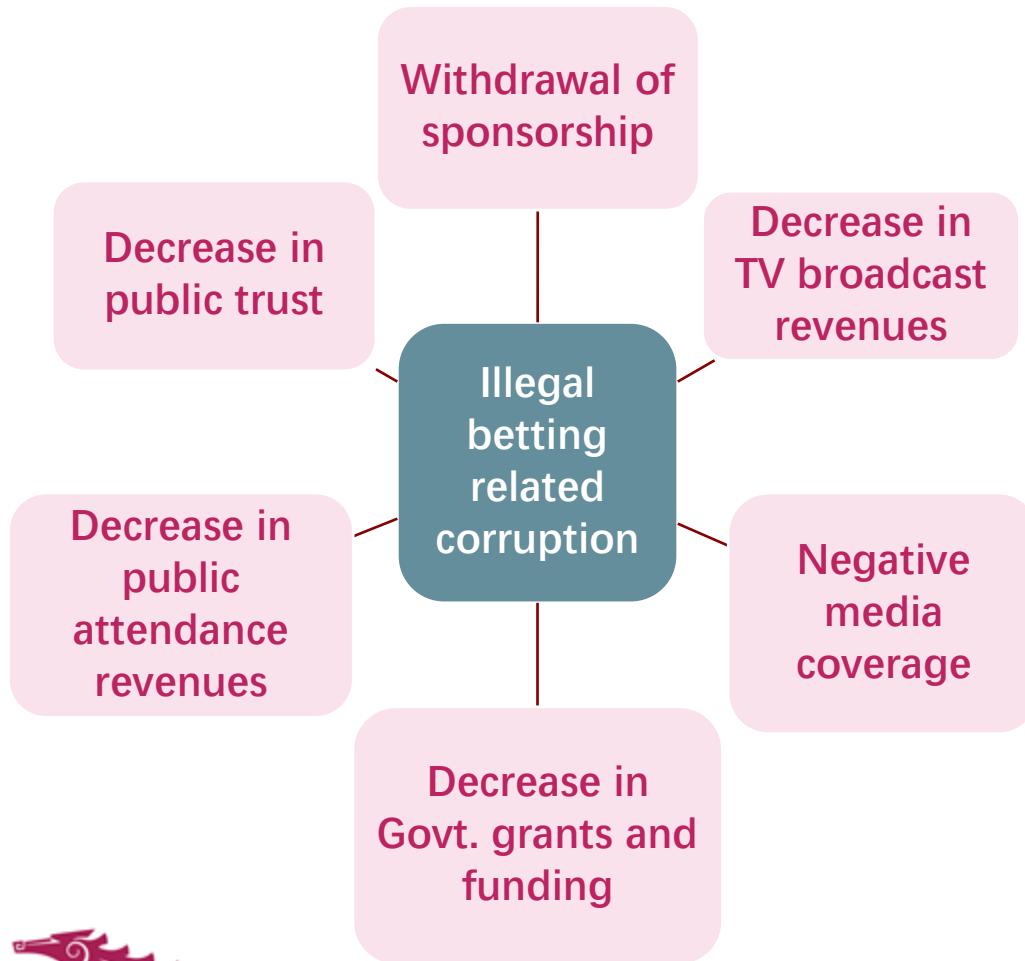
# ILLEGAL BETTING & MATCH-FIXING ARE INTRINSICALLY LINKED



Match-fixers will corrupt low-paid athletes with bribes, then make huge profits by betting on the matches they have fixed at illegal betting sites



# ILLEGAL BETTING –RELATED CORRUPTION, IF NOT TACKLED, SIGNIFICANTLY HARMS THE REPUTATION OF SPORT



**All of which  
significantly  
harm the  
reputation of  
the sport**



# THE SUPPLY OF SPORTS DATA IS FUELING ILLEGAL BETTING

Betting software, sports and integrity data companies

**Supply sports and  
betting data to**

**Legal and illegal  
betting operators**

- **driving illegal betting expansion**
- **causing more corruption in sports**





# Illegal betting has a highly negative social impact



# ILLEGAL BETTING IS AMONG THE FORMS OF BETTING MOST STRONGLY ASSOCIATED WITH PROBLEM GAMBLING

Jurisdiction	Non-problem gamblers %		At-risk, moderate-risk or problem gamblers %	
Bettors type	Legal	Illegal/ offshore	Legal	Illegal/ offshore
Australia	40.3	21.5	59.7	78.5
New Zealand	76.8	68.8	23.2	31.2
South Korea	83.7	64.7	16.3	35.3
Hong Kong	62	28	39	73

**20%** more bettors likely to be **at risk of problem gambling** among the four jurisdictions studied



PGSI scale, 2012 survey – from Gainsbury et al 2017, op cit  
PGSI scale, 2012 survey – from AUT Offshore Gambling by New Zealanders Study 2015, op cit.  
The NGB's Socio-Economic Impact of Illegal and Online Gambling in South Africa, 2016  
DSM-IV-based scale (K-NODS), from Chonbuk University 2016 op cit  
PGSI scale, 2015 survey – from Tessler et al 2017, op cit

# ILLEGAL BETTING HAS NO CONSUMER SAFEGUARDS

## Legal operators

VS

## Illegal/offshore operators

Responsible-gambling initiatives

No such safeguards in place

Subject to regulatory oversight

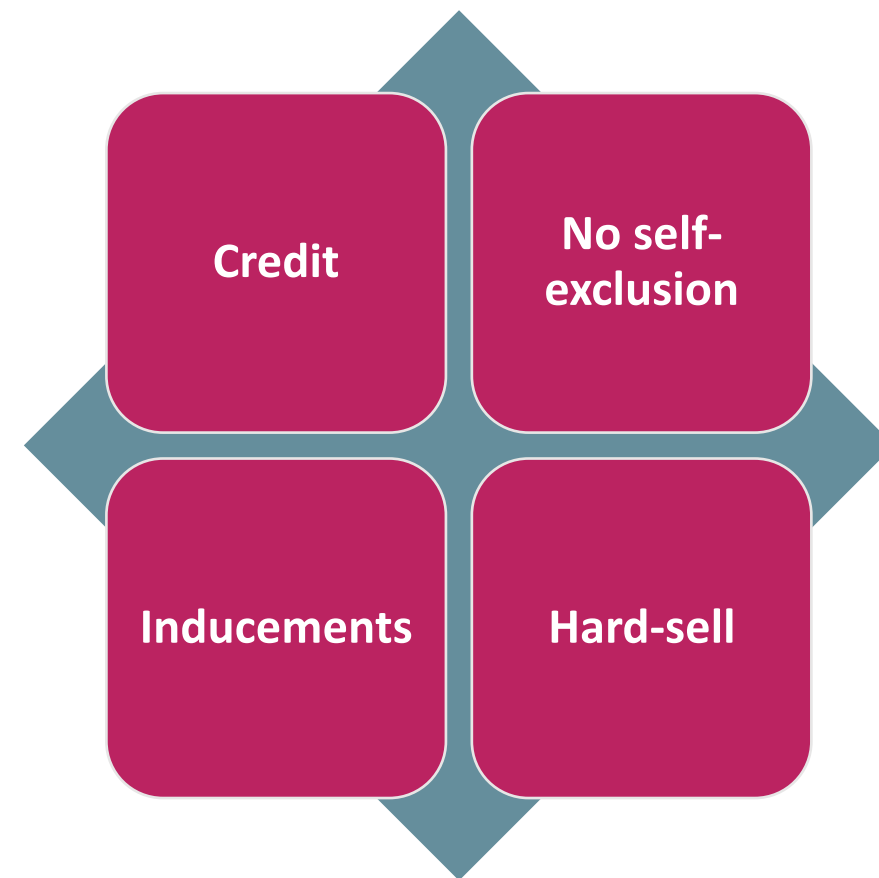
Actively entice customers to gamble to excess to maximise profit

Ban credit betting (e.g. HK, Australia, UK)

Allows credit betting

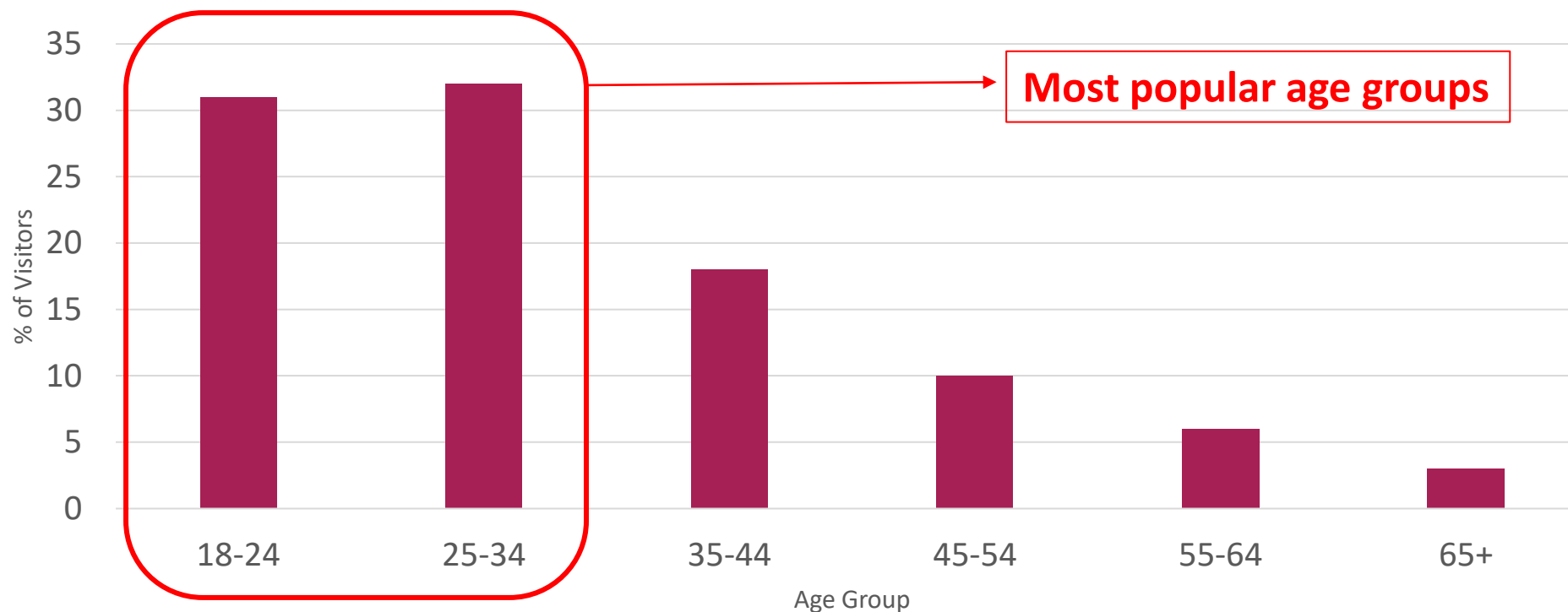
Bans betting advertising (e.g. Italy, Belgium, Netherlands, Spain)

No constraint as to permissible betting product types, max bet limits and advertising/marketing restrictions



## ... AND THE TARGETS OF ILLEGAL BETTING INCREASINGLY YOUNG

Worldwide Age Distribution to Illegal Betting Websites  
(Apr 2021 – Mar 2023)



# ILLEGAL BETTING & ITS IMPACT ON INCOME INEQUALITY

Illegal bookmakers in theory, **widen income gaps** because they act as **concentrators of wealth, not redistributors**;

Anecdotaly this has been borne out in Hong Kong from H2 2021 data:

	Illegal betting customers	Legal betting customers
Average spend of monthly income	>50%	8%
Use credit to bet	65%	4%

Typical illegal betting customer in Hong Kong:

***“share many of the characteristics of **excessive gambling** identified in international literature – **an avid interest in gambling, high frequency gambling and a thrill-seeking nature**”***

**All of which illegal bookmakers look to amplify through the various methods previously discussed**



# Preventing illegal betting requires a multi-stakeholder approach



# IT IS DIFFICULT TO FIND AND PROSECUTE ILLEGAL BETTING OPERATIONS



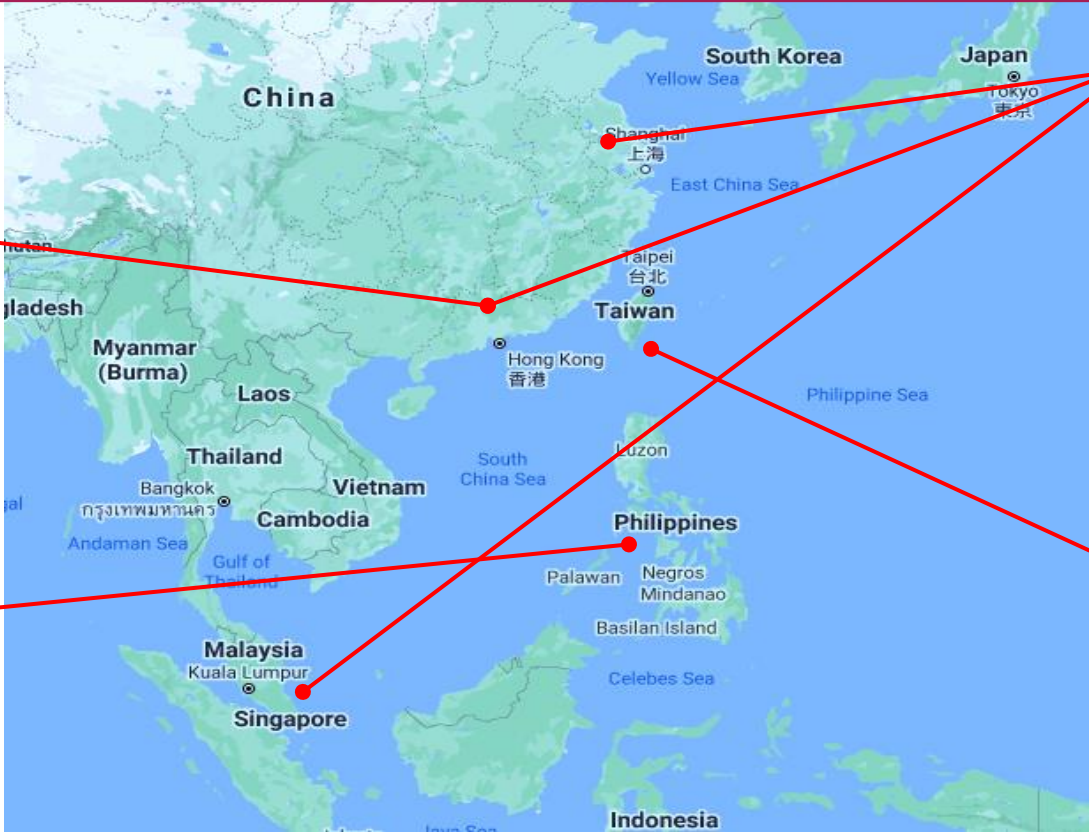
Organised crime syndicate in one part of Asia uses criminal proceeds to fund website



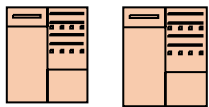
Licence, business registration and call centre staff in other part(s) of Asia



*Where did the crime take place?*

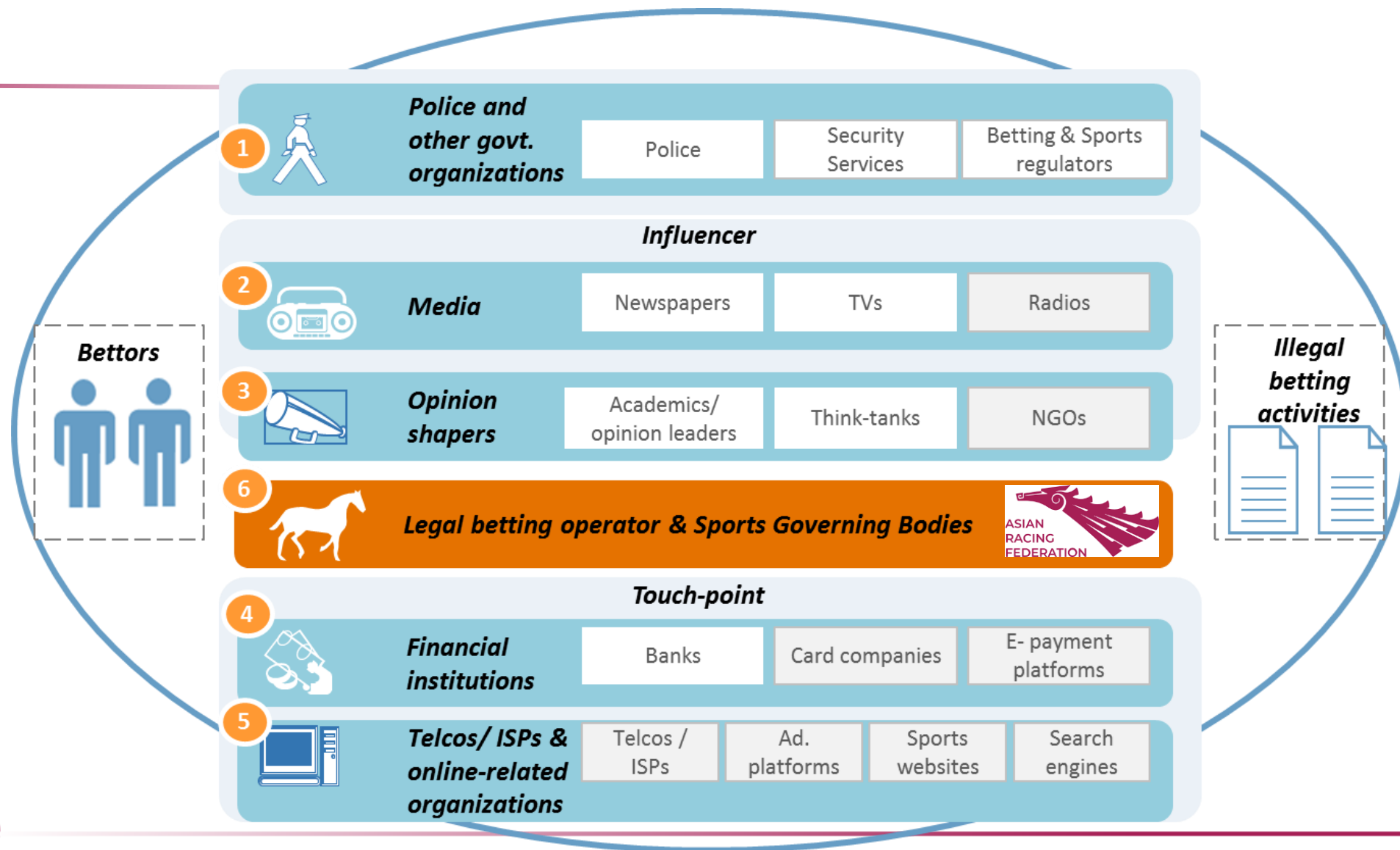


Customers from Asia (and beyond)



Servers and technology staff in other part(s) of Asia

# STAKEHOLDERS MUST FIGHT ILLEGAL BETTING TOGETHER



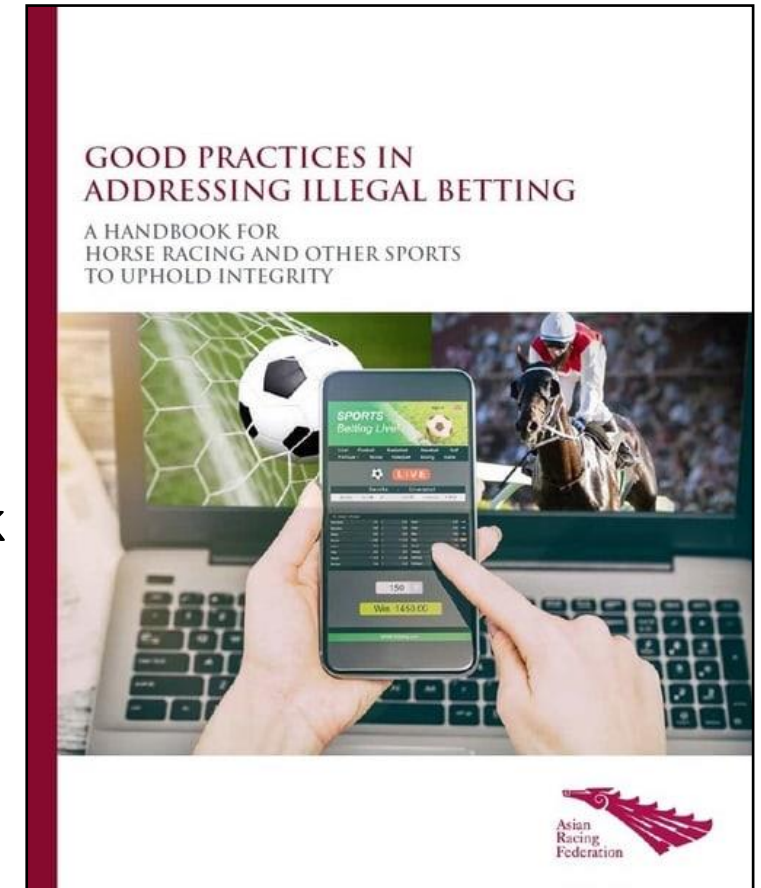


Awareness of the problem has increased,  
but action is needed at the national level



# GOOD PRACTICES IN ADDRESSING ILLEGAL BETTING: A HANDBOOK FOR RACING AND SPORTS ORGANISATIONS TO UPHOLD INTEGRITY

1. Gambling regulators should adopt the Macolin Convention definition in national gambling regulation;
2. Betting operators should be licensed and approved by the specific jurisdiction in which they operate, rather than by offshore jurisdictions;
3. Taxation authorities should prevent betting and gambling being used to shelter tax evasion;
4. Internet Service Providers (ISPs) should be required to block access to illegal betting websites;
5. Financial institutions should lobby operators to block transactions to and from illegal betting merchants;
6. Licensed betting operators should commit to 100% of their revenues to come from regulated markets, and to exit markets in which there are no viable paths to regulation.



# 1. GAMBLING REGULATORS SHOULD ADOPT THE MACOLIN CONVENTION DEFINITION IN NATIONAL GAMBLING REGULATION

Council of Europe Convention on the Manipulation of Sports Competitions Article 3,5,a states:

*“Illegal sports betting’ means any sports betting activity whose type or operator is not allowed under the applicable law of the jurisdiction where the consumer is located.*

**\*\*\*Betting operators must be licensed in the jurisdiction where they accept a bet from the consumer\*\*\***



## 2. BETTING OPERATORS SHOULD BE LICENSED AND APPROVED BY THE SPECIFIC JURISDICTION IN WHICH THEY OPERATE, RATHER THAN BY OFFSHORE JURISDICTIONS

### Law enforcement agencies

should take prosecution action against betting and gambling operators that breach local laws by operating without a local national license.

### Gambling regulators

should publicly state which betting and gambling operators are accepting wagers in breach of local national laws and warn consumers that such operators should not be utilised for wagering.



### 3. TAXATION AUTHORITIES SHOULD PREVENT BETTING AND GAMBLING BEING USED TO SHELTER TAX EVASION

The vast profits either go offshore or directly fund criminality, rather than supporting society through taxation in the jurisdictions in which consumers are based

- Taxation laws relating to profits tax as well as betting duty (i.e. on wagers) should be strictly enforced.
- Sales taxes on wagering transactions by national residents should be strictly enforced and collected.

Taxation authorities should require that people with betting or gambling income should be required to keep records of wagers and winnings.



## 4. INTERNET SERVICE PROVIDERS SHOULD BE REQUIRED TO BLOCK OFFSHORE SITES THAT ARE OFFERING ILLEGAL WAGERING SERVICES TO RESIDENTS

### **Gambling regulators**

should prevent regulated gambling operators from accepting bets sourced from unregulated operators.

### **National law enforcement agencies**

should exchange information about unregulated gambling with their international counterparts



## 5. FINANCIAL INSTITUTIONS SHOULD BLOCK TRANSACTIONS TO AND FROM ILLEGAL BETTING MERCHANTS

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### National banking and financial sector regulators

should issue clear written guidance to licensed banks in their national jurisdiction that they should **NOT** process payments or facilitate business for unlicensed betting and gambling operators as this would facilitate financial crime.



## 6. LICENSED BETTING OPERATORS SHOULD COMMIT TO 100% OF THEIR REVENUES TO COME FROM REGULATED MARKETS, AND TO EXIT MARKETS IN WHICH THERE ARE NO VIABLE PATHS TO REGULATION

Licensed betting operators should commit – as part of their license application process –

To take all reasonable steps to NOT accept wagers from customers in jurisdictions where they do not hold a local license

Implement responsible gambling programmes and have self-exclusion policies in place

Be seen to act in a responsible fashion to distinguish themselves from illegal operators

Contributing financially to research, education and treatment of problem gamblers

Taking active steps to ban minors and vulnerable people

Globally, sports, racing and the legal betting industry must work together to bring pressure to bear on betting tax havens and jurisdictions which act irresponsibly and enable illegal and grey-area betting



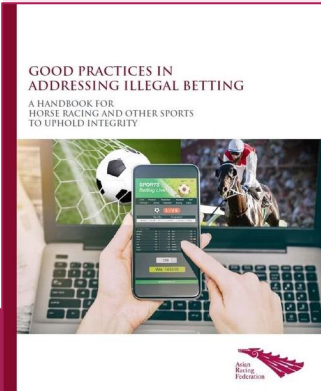


# FURTHER RESOURCES



Download  
['The State of Illegal Betting'](#)

Visit the ARF Council website  
<https://www.asianracing.org/aib>



['Good Practices in Addressing  
Illegal Betting: A Handbook for  
Racing and Sports Organisations  
to Uphold Integrity'](#)

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