

## ESSA Response: British Gambling Commission Fee Discussion Paper

### Sports Betting Integrity Costs

1. ESSA is a global betting integrity body that represents many of the largest regulated sports betting operators and which serve over 40 million consumers in the EU alone.
2. It is a key player in the fight against betting related match-fixing and acts for the regulated betting sector at national and international match-fixing policy discussion forums.
3. In particular, the organisation holds positions on important working groups at the European Commission, Council of Europe and the International Olympic Committee (IOC).
4. The organisation's principal goal is to protect sports, consumers and betting operators from potential fraud caused by the unfair manipulation sporting events and associated betting.
5. ESSA helps to combat this fraud with evidence-based intelligence, principally obtained from its early warning system which identifies suspicious activity on its members' betting markets.
6. That includes crucial information on consumer identities, locations and other transactional information which is not available via other non-regulatory detection platforms.
7. Many of our members are licensed and operate within the regulatory framework managed by the British Gambling Commission (referred as the "Commission" in this document).
8. ESSA has an information sharing arrangement with the Commission, as well as a number of other gambling regulatory bodies and sports governing authorities, through which it disseminates data relating to any relevant suspicious betting activity it has identified.
9. The association's members invest over €50m (around £37m) in compliance and internal security systems every year in order to help combat betting related fraud in sport.
10. We also help co-fund a multi-jurisdictional player betting education programme with EU Athletes, the European Commission and other partners from the regulated betting sector<sup>1</sup>.
11. That investment has been successful in helping to drive the criminals away from regulated betting markets, creating a safe and secure environment for our customers and sports.
12. ESSA, and its members, therefore have an interest in any operational costs relating to integrity that are funded by fees imposed by the Commission on its licensees.
13. We note from your discussion paper (para. 4.8) that betting related integrity costs are forecast to form 6% of the Commission's budget in 2015/16.
14. The Commission's separate Business Plan for 2015/16 states that it anticipates that its operating budget for 2015 will be £20.1m<sup>2</sup>.

<sup>1</sup> [http://www.eu-ssa.org/wp-content/uploads/Eu-Athletes\\_Erasmusfunding\\_2015\\_FINAL.pdf](http://www.eu-ssa.org/wp-content/uploads/Eu-Athletes_Erasmusfunding_2015_FINAL.pdf)

<sup>2</sup> Paragraph 1.7 <http://www.gamblingcommission.gov.uk/pdf/Business-plan-2015-2016.pdf>

15. On that basis, betting integrity costs in 2015/16 are forecast to be in the region of £1.2m.
16. We welcome your commitment, in paragraph 1.6 of your discussion paper, to a “continuing drive to reduce the costs of regulation.”
17. However, it is also clear that the Commission’s expenditure on betting integrity, whilst forming a relatively small part of its overall budget, has nevertheless grown in recent years.
18. Those regulatory costs have risen from under £100k in 2009/10<sup>3</sup> to around £730k (4% of £18.3m)<sup>4</sup> in 2014/15 and are now forecast to be around £1.2m (6% of budget) in 2015/16.
19. We support evidence-based and proportionate operational costs with a clear and necessary betting integrity benefit and requirement funded through respective licence fees.
20. With that in mind, we also note (para. 2.3) that “efforts in relation to countering sports betting corruption grew substantially after the report of the Sports Betting Integrity Panel, chaired by Rick Parry in 2010,” involving increased costs on such thematic issues (para 4.3).
21. ESSA understands that activities around sports betting integrity can be resource intensive and that there may be a need to future-proof costs to a degree for potential expenditure on actions which cannot always be accounted for at the beginning of each budgetary period.
22. This includes important regulatory actions, such as legal prosecutions, which can be costly but which may nevertheless be deemed crucial to maintaining the integrity of the regulatory structure within which the Commission’s licensed operators and consumers participate.
23. In addition, we recognise that the overall cost burden on licensed betting operators depends on a number of issues, notably how many operators that burden is spread across, and the Gambling (Advertising and Licensing) Act 2014 may have had an impact here.
24. It is important to emphasise that ESSA’s members operating betting businesses under Commission licences are keen that it meets the right balance between regulation and the cost impact on licensees and their ability to establish and operate a competitive business.
25. It should also be highlighted that ESSA and its members have, and continue to be, strong public advocates of the regulatory framework managed by the British Gambling Commission and the betting integrity aspect in particular; the Commission is a world leader in this area.
26. Indeed, we took the opportunity at ESSA’s integrity event in the European Parliament in mid-October to again promote the British regulatory model and to endorse the adoption of the recently published British Integrity Action Plan<sup>5</sup> across the EU and world-wide.

<sup>3</sup> Paragraph 3.34 <http://www.gamblingcommission.gov.uk/pdf/proposals%20for%20gambling%20commission%20fees%20from%206%20apr%202012.pdf>

<sup>4</sup> Pages 29 & 30 <http://www.gamblingcommission.gov.uk/pdf/Annual-report-and-accounts-2014-15.pdf>

<sup>5</sup> <http://www.gamblingcommission.gov.uk/Press/2015/Sports-betting-integrity-action-plan-published-today.aspx>

27. The Commission's regulatory structure, cross-sector partnership working and evidence-based approach to policymaking on integrity is one which is to be applauded, and represents one of the more advanced, fair and effective betting frameworks in operation.
28. Maintaining a viable and secure regulatory environment for operators and consumers is of course a paramount concern requiring appropriate expenditure, but it is not one where fees and integrity costs can be open-ended, noting national and international business pressures.
29. Greater clarity and detail on the reasons and rationale behind the increasing regulatory costs in this area would have proved beneficial to our understanding of the Commission's integrity expenditure and the necessity for that in meeting associated regulatory obligations.
30. It is also important to highlight that there is an issue regarding the level of burden that should be placed on the regulated betting sector given the adverse impact of other parties.
31. In particular, the impact of poor sports governance and financial practices on the integrity of the regulated betting market and resulting Commission expenditure and licence fees.
32. Whilst the Commission has no powers to levy integrity costs on sports bodies (national or international), it is important to recognise the impact of their actions and the concern regarding betting operators potentially subsidising integrity due to poor sports governance.
33. Whilst aspects of the sports sector have continually portrayed betting as the cause of match-fixing and related sporting corruption, this masks the reality of the situation.
34. Betting related match-fixing is fundamentally the product of corrupt sports people either alone, or colluding with criminal elements, to unfairly manipulate sporting events to financially defraud betting operators (regulated or unregulated) and their consumers.
35. It is also now widely accepted that corrupters primarily focus on unregulated betting markets and recent research by the ASSER Institute, using empirical data, has shown that newer products such as live betting do not pose a significant increased integrity risk<sup>6</sup>.
36. The proactive actions of public authorities such as the Gambling Commission and its Sports Betting Intelligence Unit (SBIU), along with operator investment in internal security systems, has undoubtedly served to protect regulated markets, consumers and sporting events.
37. It is vital that sporting bodies also play their part in protecting their events from the adverse impact of their own corrupt personnel, notably through effective rules and robust sanctions.
38. There are some good examples of this led by the International Olympic Committee (IOC) and others such as the World Professional Billiards and Snooker Association (WPBSA).
39. In the UK, the Sports Betting Integrity Forum (SBIF), Co-Chaired by ESSA Chairman Mike O'Kane, is trying to work to further improve the national position across a range of stakeholders and is a valuable activity that justifies Commission focus and expenditure.

---

<sup>6</sup> <http://www.asser.nl/media/2422/the-odds-of-matchfixing-report2015.pdf>

40. However, there are also many sports which have not sought to prioritise mitigating actions covering the manipulation of sporting events in same way they would in other areas.
41. Whilst the sports sector claims that betting creates risk for them, it should be noted that corrupt sports personnel and poor sports governance actually creates increased risk and associated regulatory costs for betting operators, who are often the focus of sports fraud.
42. ESSA draws you attention to the FIFPro report 2012<sup>7</sup> which details the impact of poor financial practices in sport as a facilitator of match-fixing, and the 2014 Bangladesh match-fixing tribunal which found that “more often than not, sports regulators do not stop matches or events even where they have information about corruption in the match or event.”<sup>8</sup>
43. ESSA hopes that the Commission will be mindful of such documentation in its discussions with the sports sector, UK Government and others on its national policy and regulatory cost setting, as well as the various international betting policy forums in which it participates.
44. Clearly, there has been an increased political focus on this issue, both national and international, that has stimulated a degree of debate and policy reflection on the appropriate level of regulation and associated betting integrity expenditure.
45. Licence fees from regulated betting operators are of course the central means of meeting those costs and protecting markets, consumers and, by association, sporting events from corrupt activities; the Gambling Commission has been particularly successful in this area.
46. The framework established by the Gambling Act 2005 and the Commission’s evidence-based regulatory approach to betting integrity is a template that many others would benefit from following and one which ESSA and its members welcome and promote in our discussions.
47. The market managed by the Commission is one which, overall, strikes the right balance between regulation and market protection, consumer choice and business opportunities; maintaining its integrity is a fundamental requirement to ensuring a viable market place.
48. In setting its fees and related expenditure, ESSA hopes that the Commission will be mindful that there has been a relatively sizeable increase in integrity costs borne by the betting sector and the need to continue to ensure that this is both necessary and proportionate.
49. Whilst we remain watchful regarding the increasing costs in this area, overall, ESSA and its members support the Commission’s general expenditure and regulatory focus on betting integrity activities, related stakeholder engagement and evidenced-based policymaking.

#### CONTACT INFORMATION

Khalid Ali,  
Secretary General  
Sports Betting Integrity  
ka@eu-ssa.org  
www.eu-ssa.org



<sup>7</sup> <http://www.fifpro.org/en/don-t-fix-it/black-book>

<sup>8</sup> Paragraph 56 Bangladesh Cricket Board Anti-Corruption Tribunal (Issued 8 June 2014) <http://www.thedailystar.net/upload/gallery/pdf/bpl-full-verdict-file-.pdf>