

## ESSA Response: UK Government and Gambling Commission Fees Consultation (July 2016)

### Introduction

1. ESSA is a global betting integrity body that represents many of the largest regulated sports betting operators in the world, 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 alert 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. The association is also a partner in an international anti-match-fixing project, entitled "Keep Crime out of Sport", led by the Council of Europe and funded by the European Commission.
11. In addition, ESSA co-funds a multi-jurisdictional player betting education programme with EU Athletes, the European Commission and other partners from the betting sector<sup>1</sup>.
12. These activities have been successful in helping to drive corrupters away from regulated betting markets, creating a safe and secure environment for our customers and sports.
13. The association is committed to working in partnership with other key stakeholders to deliver practical and proportionate solutions to betting related match-fixing in sport.
14. ESSA, and its members, therefore have an interest in any activities and operational costs relating to integrity that are funded by fees imposed by the Commission on its licensees.

<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)

## Gambling Commission betting integrity expenditure

15. ESSA is aware that the Commission's expenditure on betting integrity, whilst forming a relatively small part of its overall budget, has grown significantly in recent years. Those regulatory costs, funded solely through operator licence fees, have risen from under £100,000 in 2009/10<sup>2</sup> to around £1m in 2015/16<sup>3</sup>, representing a tenfold increase.
16. ESSA understands that activities around sports betting integrity can be resource intensive; 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.
17. We also note the consultation document's statement that: "Reports received by the SBIU have increased by over 50% since the implementation of the 2014 Act and as the Commission continues to build its stakeholder networks with the newly-licensed operators, it is expected that volumes will continue to increase."<sup>4</sup>
18. In addition, we recognise that the overall cost impact on individual licensed operators can depend on a number of issues, including how many operators that burden is spread across and a continuing risk-based analysis of those businesses and associated betting markets.
19. It is important to emphasise that ESSA's members operating under Commission betting licences are keen that it continues to meet the right balance between regulation, the related cost impact on licensees and their ability to establish and operate a competitive business.
20. 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.
21. Indeed, we took the opportunity at ESSA's sports betting integrity event in the European Parliament in October 2015 to promote the British regulatory model and to endorse the adoption of the British Integrity Action Plan<sup>5</sup> across the EU and worldwide.
22. 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.
23. 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.
24. ESSA notes the commitment by the UK Government and the Commission that the current "proposals would reduce the Commission's total income from fees by an estimated 10%"<sup>6</sup>.

<sup>2</sup> Paragraph 3.34 <http://www.gamblingcommission.gov.uk/pdf/proposals%20for%20gambling%20commission%20fees%20from%206%20apr%202012.pdf>

<sup>3</sup> Page 31 – 5% of £19.59m in expenditure <http://www.gamblingcommission.gov.uk/pdf/Annual-report-and-accounts-2015-16.pdf>

<sup>4</sup> Paragraph 3.15 <http://www.gamblingcommission.gov.uk/pdf/Consultations/Proposals-for-Gambling-Commission-Fees-from-April-2017.pdf>

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

<sup>6</sup> Paragraph 1.12 <http://www.gamblingcommission.gov.uk/pdf/Consultations/Proposals-for-Gambling-Commission-Fees-from-April-2017.pdf>

25. Moreover, that “the Commission expects its costs in relation to British-based gambling, remote regulation and betting integrity to all decrease marginally in cash terms over the next few years, therefore representing an overall 5% real-terms efficiency by 2018/19.”<sup>7</sup>
26. ESSA welcomes this and the expenditure levels laid out in the Commission’s Corporate Business Plan for 2016/17, which reflects this drive to reduce costs, and that forecast expenditure on integrity will account for around £800,000 during the current fiscal year.<sup>8</sup>

### **Other impacts on integrity expenditure**

27. It is 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. 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.
28. Whilst the Commission currently 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 operators potentially subsidising integrity due to poor sports governance.
29. 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.
30. 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.
31. 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 regulated products such as live betting do not pose a significant increased integrity risk.<sup>9</sup>
32. 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.
33. The Sports Betting Integrity Forum (SBIF), Co-Chaired by ESSA Chairman Mike O’Kane, is also trying to improve the national position across a range of stakeholders, notably sports.
34. It is vital that sports bodies play their part in protecting their events from the adverse impact of their own corrupt personnel, notably through effective rules and robust sanctions.
35. 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).

<sup>7</sup> Paragraph 3.21 <http://www.gamblingcommission.gov.uk/pdf/Consultations/Proposals-for-Gambling-Commission-Fees-from-April-2017.pdf>

<sup>8</sup> Page 5: Betting integrity expenditure being 4% of £20.2m in 2016/17 <http://www.gamblingcommission.gov.uk/pdf/Corporate-Business-Plan-2016-17.pdf>

<sup>9</sup> <http://www.asser.nl/media/2422/the-odds-of-matchfixing-report2015.pdf>

36. However, there are sports which have not sought to prioritise mitigating actions covering the manipulation of sporting events in same way they would in other areas e.g. doping.
37. Whilst some in the sports sector claim that betting creates risks 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.
38. ESSA draws your attention to the FIFPro report 2012<sup>10</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>11</sup>
39. It is now widely accepted by policymakers around the world that poor sports governance is the biggest risk to the integrity of sport, and therefore by association to sports betting markets. The importance of addressing corruption in sport and its impact on issues such as match-fixing was highlighted during the UK-hosted international Anti-Corruption Summit.<sup>12</sup>
40. ESSA hopes that the Commission and UK Government will be mindful of those positions in its discussions with the sports sector and others on its national policy and regulatory cost setting, as well as the various international betting policy forums in which it participates.

## Conclusions

41. 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.
42. 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.
43. 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.
44. 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.
45. In setting its fees and related expenditure, ESSA hopes that the UK Government and Gambling Commission will be mindful that there has been a relatively sizeable increase in integrity costs borne by the betting sector in recent years; especially as that has been impacted by the actions (or inaction) of other parties which do not contribute to those costs.

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<sup>10</sup> <http://www.fifpro.org/en/don-t-fix-it/black-book>

<sup>11</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>

<sup>12</sup> [https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/522791/FINAL\\_-\\_AC\\_Summit\\_Communique\\_-\\_May\\_2016.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/522791/FINAL_-_AC_Summit_Communique_-_May_2016.pdf)

46. As such, we welcome the Commission's commitment to driving down costs, whilst continuing to ensure evidence-based and proportionate operational expenditure with a clear and necessary integrity benefit funded through respective operator licence fees.
47. ESSA and its members therefore support the general approach set out in the joint UK Government and Gambling Commission fees document, and the regulatory focus on betting integrity activities, related stakeholder engagement and evidenced-based policymaking.

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