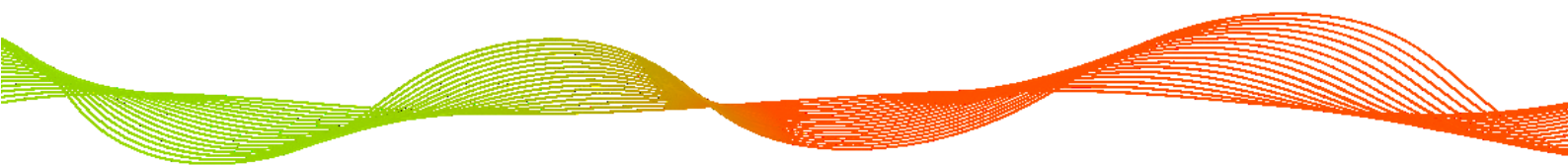




IBIA response: Brazilian Draft Decree Regulating Fixed Odds Betting

September 2019



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Draft Decree Regulating Fixed Odds Betting

1. The International Betting Integrity Association (IBIA)¹, a not-for-profit body representing the betting integrity interests of many of the largest licensed retail and online betting operators in the world, welcomes the opportunity to comment on the Draft Decree on the Regulation of Fixed Odds Betting in Brazil.² In particular, the provisions relating to the rate and approach to betting taxation and actions to detect, deter and punish the manipulation of sporting events.³
2. IBIA set out its position on the regulation of the market in its response to the previous consultation published by the Secretariat of Evaluation, Planning, Energy and Lottery (Secap) of the Special Secretariat of Finance of the Ministry of Economy on the regulation of fixed odds sports betting in Brazil.⁴ That document has been attached to this response for ease of reference (Annex A). The focus of this document is to comment on specific aspects of the Draft Decree.
3. The association's response focuses on two main issues: a) the decision of the Brazilian authorities to propose a 1% turnover tax on licensed betting operators; and b) the lack of detailed integrity measures within the Draft Decree. IBIA believes that these two issues will have a significant impact on the success of the regulatory framework. In particular, the channelization of consumers to licensed operators and protecting the integrity of the market and sports events.
4. Whilst the association welcomes the licensing of an unlimited number of betting operators that fulfil the licensing criteria, we have concerns about the adverse impact of a turnover tax on the attractiveness of the market for consumers and operators. The association also questions the government's calculation of the value of a 1% turnover tax in relation to a gross gambling revenue model (GGR) and whether the business benefits of GGR have been fully considered.⁵
5. The association maintains that the adoption of a taxation model that reflects the international availability and dimension of sports betting products, and is not over-burdensome, is of paramount importance. The evidence shows that a burdensome fiscal framework, notably for online betting and relative to other markets, is counterproductive to market maximisation. The GGR model has become the standard approach to taxation for online gambling services globally.
6. It is widely agreed that to be successful a market must provide an attractive and competitive framework compared to offshore services. The approach to taxation is a key component of that. A report by Oxford Economics (2018) has highlighted the business benefits attained from a GGR model as opposed to a turnover approach; GGR offers more flexibility on products and the ability to meet the needs of consumers, whilst turnover taxes constrain operators' businesses.⁶
7. In addition, it has been widely reported that the Brazilian authorities initially believed that a 1% turnover tax equated to around 5%-7% GGR.⁷ Recent reports have suggested that the authorities now believe that this equates to 15%-20% GGR.⁸ Professor I. Nelson Rose, one of the world's

¹ <https://ibia.bet/>

² <http://www.economia.gov.br/acesso-a-informacao/participacao-social/consultas-publicas/2019/consulta-publica-me-secap-no-02>

³ Ibid. Draft Decree Article 3

⁴ <http://pesquisa.in.gov.br/imprensa/jsp/visualiza/index.jsp?data=29/07/2019&jornal=530&pagina=27&totalArquivos=212> & http://www.planalto.gov.br/ccivil_03/_Ato2015-2018/2018/Lei/L13756.htm & <https://ibia.bet/wp-content/uploads/2019/09/IBIA-response-Brazil-consultation-August-2019-FINAL-Website-English-version-1.pdf>

⁵ Turnover = the total amount bet & Gross Gambling Revenue (GGR) = stakes minus winnings

⁶ Oxford Economics Pages 3 & 4

⁷ <https://focusn.com/sports-brazil-betting-outside> & <https://calvinayre.com/2019/09/17/business/brazil-final-consultation-sports-betting-regulations/>

⁸ <https://www.gamesbras.com/english-version/2019/9/24/there-is-no-chance-that-gambling-regulation-in-brazil-will-suspend-club-sponsorships-14429.html>

leading experts on gambling, has calculated that a 1% turnover tax on betting equates to a 24% GGR tax.⁹ This would put Brazilian betting taxation towards the higher end of the global scale, along with the negative business constraints that a turnover tax will have on betting operators.

8. This will put significant pressure on the competitiveness of the products Brazilian licensed sports betting operators are able to offer compared to offshore betting services operating under significantly lower and more operator friendly tax regimes. As such, a turnover tax is unlikely to remove the attractiveness of the offshore market to the level that could be achieved under a GGR approach. IBIA therefore encourages the Brazilian authorities to reconsider its betting taxation position and to re-evaluate the impact and benefits of the turnover and GGR models.
9. The second issue of concern to the association is the lack of specific integrity measures contained in the Draft Decree. Despite government comments that the regulatory framework will protect against match-fixing, there is unfortunately little in the Draft Decree to support that position.¹⁰ The association is aware that this also concerns other stakeholders, notably sports bodies, which have promoted the monitoring of betting markets to protect sporting events.¹¹
10. Whilst the Decree's reference to international integrity cooperation and the potential issuing of rules on integrity detection and reporting are welcome, there is no detail on the operation or extent of those measures.¹² The association set out a range of best practice sports betting integrity provisions in its response to the previous consultation (see Annex A) and IBIA hopes that the Brazilian authorities will reconsider these in its ongoing policy deliberations.
11. Indeed, the association supports a strong regulatory focus on effective measures to address betting-related corruption in sport and fraud perpetrated against licensed betting operators, such as match-fixing. IBIA is particularly supportive of the proposal set out in the Netherlands draft law that betting operators must engage with an international monitoring body,¹³ and which would also bring clear value for the integrity of the Brazilian betting market if imposed there.
12. This provides an important additional layer of protection both for operators' own businesses as well as the regulatory framework and is an approach endorsed by other jurisdictions. For example, the Gibraltar Gambling Commissioner actively encourages its licenced betting operators to join a "properly structured and organized information sharing/alert mechanisms for managing suspicious bets" in its Remote Technical and Operating Standards documentation.¹⁴
13. The German state of Schleswig-Holstein requires its operators to join an integrity monitoring body and this is also proposed through the amended German State Treaty.¹⁵ Whilst New Jersey includes a similar stipulation to the Netherlands draft legislation.¹⁶ This supports the European Commission funded Betmonitalert report which strongly recommends that authorities should oblige all of their licensed sports betting operators to be "part of a betting monitoring system".¹⁷

⁹ Impact of a 1% Tax on Sports Betting <http://www.gamblingandthelaw.com/impact-of-a-1-tax-on-sports-betting/>

¹⁰ <https://www.yogonet.com/international/noticias/2019/09/04/50857-brazils-ministry-of-economy-to-issue-preliminary-sports-betting-rules>

¹¹ <https://www.gamesbras.com/english-version/2019/9/19/lack-of-control-and-integrity-in-betting-decree-draft-concerns-sao-paulo-football-sector-14387.html>

¹² Draft Decree Article 14 & Article 52

¹³ Remote Games of Chance consultation version – Article 4.7 and related sections in the Explanatory Memorandum (Translated from Dutch to English)

¹⁴ https://www.gibraltar.gov.gi/new/sites/default/files/HMGoG_Documents/RTOS%20Final%20Version%201.0.2012.pdf Page 40

¹⁵ <https://www.gesetze-bayern.de/Content/Document/StVGStV-21> & https://www.im.nrw/sites/default/files/media/document/file/1601291_Letlinien%20Sportwetten.pdf

¹⁶ <https://www.nj.gov/lps/ge/docs/SportsBetting/PublishedproposalJan7th2019.pdf> 13:69N-1.6

¹⁷ http://ethisport.com/wp-content/uploads/2017/06/Betmonitalert_Design-NB-DEF-2-06-2017.pdf Page 7

IBIA response: Brazilian Draft Decree Regulating Fixed Odds Betting

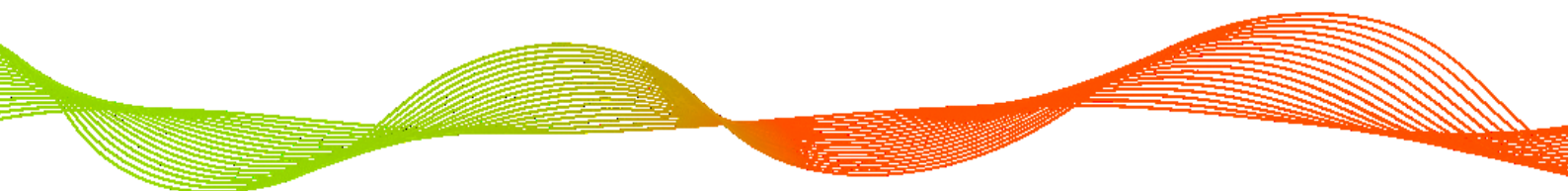
14. Both the Betmonitalert report and the Netherlands draft law specifically refer to this association (in its previous identity as ESSA) as a best practice example. IBIA and its members strongly encourage the adoption of this market monitoring requirement to underpin the integrity measures contained in the proposed Brazilian sports betting regulatory framework. Indeed, the association's global monitoring and alert system identified and reported 851 cases of suspicious sports betting during January 2015 to July 2019, including 13 alerts on Brazilian sporting events.
15. IBIA supports robust sanctions for those found guilty of betting related corruption. However, it is only through cooperation and partnership working, both nationally and internationally, that evidence-led investigations and sanctions can have the desired impact. The association would therefore welcome establishing a betting integrity cooperation agreement with the Brazilian authorities to exchange information to protect the betting market and related sporting events.
16. The International Betting Integrity Association hopes that the Brazilian authorities will give full consideration to the issues raised in this document concerning the content of the Draft Decree, notably on betting integrity. The association will be pleased to have further dialogue and engagement with the Brazilian authorities on any of the issues raised in this response.

Khalid Ali
Secretary General
International Betting Integrity Association
<https://ibia.bet/>



IBIA response: Brazilian sports betting regulatory framework consultation

August 2019



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Chapter 1: Introduction

1. The International Betting Integrity Association (IBIA)¹⁸ is a not-for-profit trade body representing the betting integrity interests of many of the largest licensed retail and online betting operators in the world. The association welcomes the opportunity to respond to the consultation on the regulation of fixed odds sports betting in Brazil as set out in Law No. 13,756 of December 2018.¹⁹
2. The association's members are licensed and operate within various regulatory frameworks for gambling around the world; their business operations and focus are truly international. That commercial enterprise is currently conducted through around 50 retail and online/remote sports betting brands, including many globally recognised household names, across six continents.
3. IBIA's principal goal is to protect its members, consumers and partners, such as sports bodies, from fraud caused by the unfair manipulation of sporting events and associated betting. The organisation combats this fraud with evidence-based intelligence, principally obtained from its monitoring and alert system which identifies suspicious activity on its members' markets.
4. The association has longstanding information sharing partnerships with leading sports bodies and gambling regulators around the world to utilise that data to investigate and prosecute corruption. That approach has been successful in helping to drive criminals away from regulated markets, creating a safe and secure environment for our members' customers and sports.
5. The association, which was established in 2005 and formerly known as ESSA, is the leading global voice on integrity for the licensed betting industry. It represents the sector at high-level policy discussion forums and maintains a policy of transparency and open debate, publishing quarterly integrity reports analysing activity reported on the IBIA monitoring and alert platform.
6. In particular, IBIA holds seats on betting integrity policy groups run by the International Olympic Committee (IOC), European Commission and the Council of Europe, amongst others. The association also engages in mitigating actions with a range of partners, such as player betting education programmes and academic studies on the causes and solutions to match-fixing.
7. The Secretariat of Evaluation, Planning, Energy and Lottery (Secap) of the Special Secretariat of Finance of the Ministry of Economy has requested views on the fixed odds sports betting regulatory model that should be introduced in Brazil. Seven questions (as below) have been provided exploring issues such as integrity, corporate social responsibility and fraud prevention.²⁰
8. IBIA has provided examples of the best practice regulatory models in operation based on its significant experience in this area. The association has sought to bundle together related cross-cutting questions into a single answer. In doing so, we have split our response into two sections covering: a) Licensing, Regulation and Taxation; and b) Betting Product Availability and Integrity.

¹⁸ <https://ibia.bet/>

¹⁹ <http://pesquisa.in.gov.br/imprensa/jsp/visualiza/index.jsp?data=29/07/2019&jornal=530&pagina=27&totalArquivos=212> & http://www.planalto.gov.br/ccivil_03/_Ato2015-2018/2018/Lei/L13756.htm

²⁰ <http://www.economia.gov.br/acesso-a-informacao/participacao-social/consultas-publicas/2019/regulamentacao-das-apostas-esportivas-de-quota-fixa>

9. The association would welcome further engagement with the Brazilian authorities concerning the development of a regulated sports betting model and on the implementation of effective integrity measures in particular. Any correspondence on this matter should be directed to:

Khalid Ali, Secretary General
International Betting Integrity Association

Consultation questions regarding the regulation of fixed odds bets.

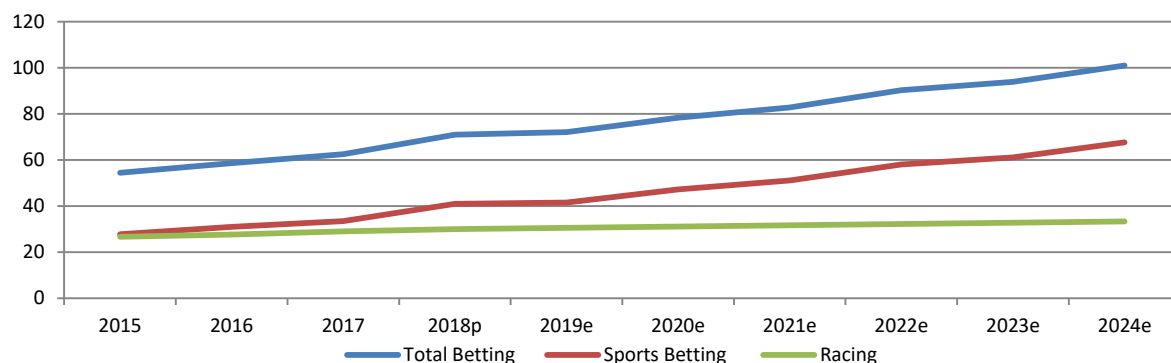
- 1) Considering the intrinsic characteristics of fixed odds betting, in physical and virtual means, and the financial viability issues of the operation, is the distribution of the collection, provided for in article 30 of Law No. 13,756, of December 12th, 2018 understood as appropriate? What would be the most appropriate form of legal provision for this distribution? Is there any global jurisdiction with this destination? Justify your answer.
- 2) What are the means of operating fixed-odd betting that can be shared with the regulator to provide robust oversight and control elements? Exemplify
- 3) Which government agency or regulatory state agency of fixed-odds betting can serve as a benchmark for the future operation in Brazil? Justify your answer
- 4) What are the minimum market surveillance, control and monitoring processes? How can the market interact with the government? Are there any changes to criminal law or regulations that can help combat illegal gaming?
- 5) What would make the process more attractive: concession or permit? If a concession, what would be the minimum number of companies? Justify your answer.
- 6) In your assessment, are there any points in Law No. 13,756 of December 12, 2018 that require adjustment, improvement or correction? What is the suggestion to change this legal instrument? Justify your answer.
- 7) Are there any points that you consider essential for future regulation of fixed odds betting? What would be the ideal regulatory model, considering the national legal system? Comment and exemplify

Chapter 2: Licensing, Regulation and Taxation

(Incorporating answers to questions 1, 2, 3, 4, 5, 6 & 7)

10. The global regulated betting market is growing rapidly, notably sports betting online, and according to leading industry data analysts H2 Gambling Capital will reach US\$101bn in gross win by 2024 (see Figure 1). Sports betting will account for 67% (with racing 33%) of that total.

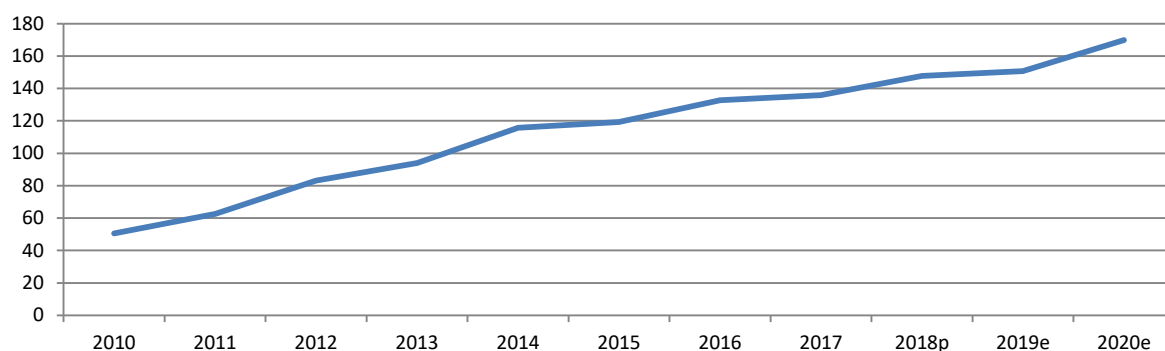
Figure 1: Global Regulated Betting by Gross Win (US\$ bn)



Source: H2 Gambling Capital, August 2019

11. That consumer activity is reflected in the Brazilian market and where the lack of licensing will mean that sports betting gross win for offshore operators will reach BRL 169.8m by 2020.

Figure 2: Brazilian Offshore Online Sports Betting by Gross Win (BRL m)



Source: H2 Gambling Capital, August 2019

12. However, within a proper regulatory and taxation structure Brazil could see a licensed market equating to upwards of BRL 2,389.2m in gross win by 2024, with sports betting equating to 95% of that market.²¹ The following paragraphs seek to outline the key elements IBIA believes will set the foundation for a robust and successful sports betting regulatory and fiscal regime in Brazil.

13. Firstly, it is fundamental that any framework is able to adequately cater for, and readily adapt to, new commercial developments and any regulatory challenges that may accompany those. Developing an effective regulatory and fiscal framework is therefore an important and necessary undertaking in what is an ever-evolving global gambling and technological environment.

²¹ H2 Gambling Capital, August 2019

14. Modern technological advances have opened new global channels of interaction between businesses and consumers; the betting and sporting sectors are no different in that regard. Policymakers must consider their market regulation and structure within that landscape, notably whether to adopt a model that serves to deter, or one which attracts and regulates, operators.
15. Our experience is that there are clear limitations regarding integrity and related issues such as revenue generation and taxation from a market that restricts or deters betting operators. Evidence shows that imposing a restriction on choice and competition will not sufficiently meet the needs of modern-day consumers who are able to readily access products in other markets.
16. Various attempts to block citizens from accessing operators outside of a regulated market (e.g. ISP²² and DNS²³ blocking) have not proved to be effective and can often be easily circumvented.²⁴ This customer migration adversely impacts the ability of the regulator to oversee related consumer activity and to have access to important data on the functioning of that market.
17. That includes any fraudulent betting activity (e.g. match-fixing) that may involve persons whose illicit actions may have otherwise been caught within a wider licensed betting market. The adoption of sports betting integrity provisions are therefore invariably weakened by a framework that serves to deter operators from being licensed and regulated in that market.
18. As such, we recommend that all aspects of the market benefit from a licensing system that attracts and allows any number of operators that fulfil the licensing criteria to offer betting. Indeed, the prevailing policy direction in other jurisdictions endorses this licensing method: the UK, Denmark, Sweden, Malta, Spain and many others attest to the success of this approach.
19. It is also important that, as with the countries listed above, any licence fees are proportionate and wholly based on the necessary administrative costs of proper market regulation. Licensing fees should not be used as a means to impose an unjustified revenue raising tool, and in effect an additional means of taxation, which would deter operators from seeking a licence.
20. With that in mind, the association strongly supports and encourages the Brazilian authorities to adopt a licensing system which is open and allows any company to apply for an online licence. Aligned with that is the adoption of a taxation model that reflects the international availability and dimension of sports betting products and is not over-burdensome from that perspective.
21. The evidence from European markets shows that a burdensome fiscal framework, notably for online betting and relative to other markets, is counterproductive to market maximisation. The gross gambling revenue (GGR)²⁵ model has become the standard approach to taxation for online gambling services across much of Europe and indeed globally (see Figure 3).
22. A turnover tax (on stakes) invariably creates betting products that are less competitive and are unappealing to consumers compared to operators offering the same products taxed on GGR.²⁶

²² Internet Service Provider (ISP)

²³ Domain Name System (DNS)

²⁴ http://www.rga.eu.com/data/files/PR_2016/2016_09_05_Regulation_of_online_betting_market_in_Poland_EN_4.pdf Page 5

²⁵ Gross Gambling Revenue (GGR) = stakes minus winnings

²⁶ <https://www.rga.eu.com/wp-content/uploads/REPORT-Regulation-of-online-betting-market-in-Poland.pdf> Pages 7, 9 and 10

As with other services, betting consumers are product and price sensitive and will therefore switch between operators, including offshore, depending on the competitiveness of the betting offer.²⁷

23. The type and level of taxation thus significantly influences the size and product availability of the licensed betting market and is an important driver of market growth, structure and consumer attraction. The association and its members are therefore concerned about the proposed turnover taxation approach proposed in Brazil, which goes against global norms.
24. In particular, the negative impact this will have on consumer challenging to Brazilian licensed operators and the importance of achieving a high channelling rate as a core component of any successful regulatory system. An assessment of European countries shows that their approach to taxation directly impacts the rate of consumer activity channelled to their regulated market.
25. For example, those in the 10-20% GGR range have 'high to very high' levels of channelling of consumers to their regulated operators (as opposed to offshore operators), with the UK (15% GGR) and Denmark (20% GGR) estimated to have consumer channelling rates of 95% and 90%.²⁸
26. Whereas channelling rates for those employing a turnover tax is 'low to medium'; Poland (12% turnover tax) is estimated to only have 30% of its consumer activity channelled to its operators and France (9.3% turnover tax) around 60% channelled to its licensed betting operators.²⁹
27. Turnover based markets are unattractive to betting operators (especially online) and consumers alike and invariably suffer from low levels of licence applications and related market competition. To highlight this, in 2016 online gambling licences in the UK numbered over 200, with Spain 51 and Denmark 38 (all have a GGR taxation of 15-20%), whilst France had only 16 licensed operators, with Poland 4 and Portugal 2 (all employing a turnover taxation of 8-16%).³⁰
28. Unsurprisingly, French regulator ARJEL has called on the government to reform the current turnover taxation system to increase the attractiveness of its gambling market.³¹ Whereas, the GGR-based regulatory regimes in the UK, Spain, Denmark and others have flourished. In line with this fiscal approach, the Swedish Government understandably determined to set the tax rate of its new licensed online betting market (operational from January 2019) at 18% GGR.³²
29. This approach was supported in a report by Copenhagen Economics which determined that "a tax-rate of online gambling which gives both a high channelling rate as well as high (Swe. "goda") tax revenues lies within the range of 15 to 20 percent of the gross gambling revenue (GGR)."³³ The open licensing and taxation approach adopted in Sweden has proved successful with 87 licence applications being approved and active by August 2019, with 45 for sports betting.³⁴
30. South and Central American markets have also adopted GGR taxation approach, notably: Colombia 15%, Buenos Aires (Argentina) 25% and Mexico 30%. Whilst many of the state-level

²⁷ Ibid. Page 17

²⁸ <https://www.rga.eu.com/wp-content/uploads/REPORT-Regulation-of-online-betting-market-in-Poland.pdf> Pages 19, 20 and 21.

²⁹ Ibid. Pages 18, 21 and 24

³⁰ Ibid. Pages 19,20 and 21

³¹ https://gamblingcompliance.com/premium-content/insights_analysis/france%E2%80%99s-arjel-pushes-ggr-tax-illegal-offerings-grow

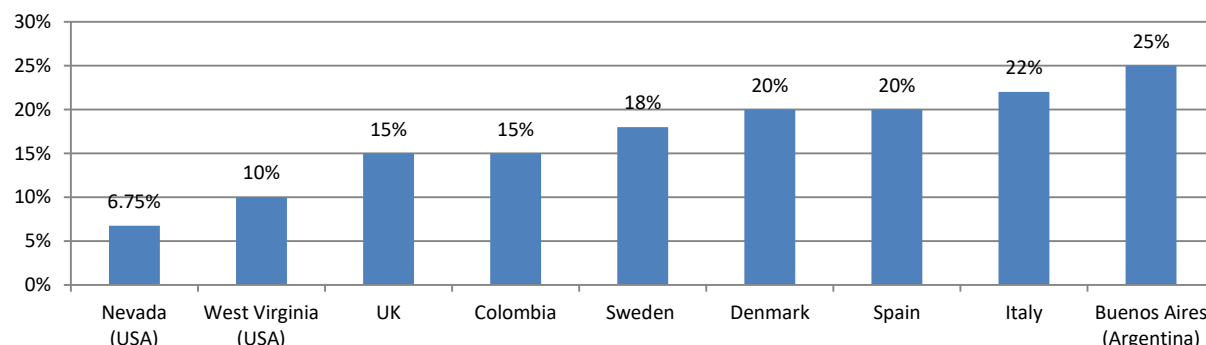
³² <https://www.lotteriinspektionen.se/en/press-contact/notes-archive/information-about-applying-for-a-licence/>

³³ <https://www.copenhageneconomics.com/dyn/resources/Publication/publicationPDF/8/368/1478078895/copenhagen-economics-2016-licensing-system-for-online-gambling.pdf> p.4

³⁴ <https://www.spelinspektionen.se/licensansokan/bolag-med-spellicens/>

markets opening in the United States of America are similarly also adopting a GGR approach (e.g. Nevada 6.75%, Indiana 9.5%, West Virginia 10%, Mississippi 8-12%, New Jersey 8.5-14.25%).

Figure 3: Examples of GGR Betting Taxation



Source: H2 Gambling Capital, August 2019

31. IBIA does not believe that the burdensome turnover taxation approach proposed in Brazil will prove as successful in attracting operators or to channelling consumers to that market as a GGR model. There is a clear danger that many Brazilian consumers will be attracted to sports betting products in other more fiscally advantageous markets, negating Brazilian regulatory measures.
32. Indeed the approach set out in Article 30 will add significant commercial pressures on Brazilian licensed operators and the attractiveness of the products they are able to offer compared to operators outside of this framework. In Europe, only two countries have set out consumer pay-out ratios (a maximum pay-out ratio in France and a minimum pay-out ratio in Belgium) and licensed operators in both have struggled to maintain a competitive offer for consumers.
33. The approach will serve to create a far more challenging regulatory and integrity environment than would be evident under a more globally representative and fiscally competitive framework. IBIA members wish to engage in an effective Brazilian regulatory and fiscal betting environment and we contend that further consideration should therefore be given to the tax model and rate.
34. The available data strongly suggests that to maximise the revenue generating potential of the Brazilian market, and to establish an effective licensing and regulatory regime with high levels of consumer channelling, the introduction of a GGR taxation of 15-20% is necessary.
35. In summary, a successful betting regulatory framework begins with an interrelated system of licensing and taxation, and which form key drivers to the success of the market. There is clear evidence that an open (unlimited) licensed market and GGR taxation approach represent the two key intertwined elements of successful regulatory and fiscal models in other markets.
36. This has proven to be the most effective means of maximising the market from a licensing and revenue generating perspective and where both are complementary to the core regulatory aim. That then provides a stable platform from which other important issues such as sports betting integrity factors can be addressed and mitigating actions and sanctions implemented.

Chapter 3:

Betting Product Availability and Integrity

(Incorporating answers to questions 2, 3, 4, 6 & 7)

37. In addition to the development of a suitable regulatory and fiscal structure for sports betting, it is also fundamental to the viability of the market that licensed operators are able to offer a wide range of sports betting products; imposing restrictions invariably leads to consumers seeking those banned products through other markets, including unregulated offshore channels.
38. This includes the availability of specific sports betting products (e.g. pre-match and live betting) at all levels (e.g. Grand Slam, ATP, WTA and lower level ITF tennis betting) and different forms of betting (e.g. fixed odds, pool betting, exchange and spread betting). Within that, it is also important that there are no unnecessary limitations on consumer activity and spending.
39. Restricting product availability will prove counterproductive to maximising the market's fiscal potential and also regulatory and integrity oversight. Product limitations are invariably arbitrary and benefit offshore operators unhindered by those constraints. Such restrictions are often attempted to be justified for two main reasons: a) social concerns about potential addiction; and b) that certain bets may facilitate the manipulation of sports matches and related betting fraud.
40. The Brazilian authorities will understandably, and quite rightly, want to ensure that its licensed sports betting market is well-regulated and provides suitable mitigating measures against social harms. IBIA and its members support an approach to regulation that balances commercial, social and regulatory aspects, but that such action is evidence-based and proportionate.
41. It is important to emphasise that many countries around the world have betting markets without significant consumer and trade restrictions around regulated sports betting and its availability and do not suffer from increased levels of addiction as a result. Responsible betting operators work closely with regulators to set clear parameters, including self-exclusion policies tailored to each customer, whilst allowing consumers access to a wide variety of regulated products.
42. It is not in the interests of responsible regulated operators to encourage or facilitate social problems from any form of gambling, in fact quite the contrary. Such adverse behaviour is to the detriment of responsible operators and the reputation of the industry; regulatory authorities would also move to impose new regulatory measures and increased cost burdens on operators.
43. The British Gambling Commission, which covers one of the largest and most mature betting markets in the world regulates and permits all forms of betting on all types of sporting events without any restrictions. It does so whilst maintaining a close oversight of the market and is continually working with its licensed operators, adopting an evidence-based policy approach.
44. It published a policy paper in September 2016 that assessed the potential dangers of addiction from live betting and concluded that: "We do not consider that someone who bets in-play is

automatically at increased risk of harm from gambling, but expect that licensees will monitor all bettors for signs of risk as required by our Licence conditions and codes of practice.”³⁵

45. The issue of match-fixing is often used to try and justify limiting the availability of live (or in-play) betting. However, this runs contrary to the available data. Firstly, law enforcement bodies such as INTERPOL and Europol have stated that match-fixing is not primarily focused on regulated betting operators (as in much of Europe) but unregulated operators mainly based in Asia.³⁶
46. Secondly, corruptors are also known to focus on the more mainstream traditional sports betting markets, such as pre-match final result, which have high levels of liquidity and therefore offer greater opportunity for corruptors to try and mask their illicit activities, rather than live (in-play) or side betting markets which have much lower liquidity levels.
47. An independent report published by the ASSER Institute, which assessed the integrity risks of certain sports bets on the basis of quantitative empirical evidence, further supports this position.³⁷ Published in January 2015, the report analysed a detailed set of betting data covering football matches likely to have been manipulated for betting purposes over a period of five years (May 2009 - November 2014) to assess the impact of pre-match and live (in-play) betting.
48. The report shows that match-fixers primarily take advantage of high liquidity betting markets and that almost all suspicious betting patterns were observed in the main betting markets which relate to the final outcome of a match (with only 0.4% in side markets). The report therefore concluded that the evidence does not support the claim that live betting, in comparison to pre-match betting, significantly encourages corruption in sport. It found no correlation between live betting and possible instances of match-fixing that would justify a prohibition of these bet types.
49. Prescribed lists of available bet types and limitation on the sports on which bets can be taken have been introduced in some countries where protecting the integrity of sporting events has been presented as a reason for this approach. Indeed, some sports have pressed for certain types of bets to be prohibited on integrity grounds. They believe that these products are detrimental to the integrity of sport, although no clear evidence has been shown to support this.
50. Many countries that regulate betting on sporting events do not currently impose significant restrictions on types of bets or events, with regulated operators able to offer a wide range of products and services, whilst employing risk-based security systems to monitor their markets. IBIA therefore strongly endorses that this approach be adopted by the Brazilian authorities.
51. Responsible regulated betting operators are constantly assessing the risk of every market they offer and impose their own betting limits where that is deemed necessary and appropriate. After all, betting operators are the intended victims of sports fraud and have a clear inherent operational business need to ensure the integrity of sports events and related betting products.
52. Those operators are focused on providing a safe and secure environment for all consumers. They employ advanced security systems and are well-versed in guarding against fraudulent activity.

³⁵ British Gambling Commission In-play (in-running) betting: position paper (September 2016) paragraph 2.4

³⁶ Page 11 Interpol Match-fixing in Football Training Needs Assessment 2013 & <https://www.europol.europa.eu/content/results-largest-football-match-fixing-investigation-europe>

³⁷ <http://www.asser.nl/media/2422/the-odds-of-matchfixing-report2015.pdf>

Significant product restrictions are therefore only enforced in a limited number of jurisdictions and there is no evidence to suggest that the sporting events taking place in these countries are any less susceptible to betting corruption, often perpetrated through unregulated channels.

53. Indeed, where such restrictions have been imposed, as in France and Italy, the prevailing policy has been to constantly expand the list of prescribed sports events and types of bets permitted.³⁸ This has resulted in the Italian market showing significant growth through increased consumer channelling to the regulated offer, benefiting the integrity of the market and sporting events.³⁹
54. Portugal's gambling regulation also imposes a restriction on its licensees to only offer betting on a prescribed list of sporting events and types of betting products.⁴⁰ Like France, the Portuguese market has failed to attract operators with only 11 licences in operation, of which only seven cover betting,⁴¹ thereby hampering integrity measures and regulatory oversight as many consumers instead use offshore operators offering a larger sports betting product catalogue.
55. Spain initially introduced a process whereby the regulatory authority approved and published a catalogue of sports events and the aspects of those events on which betting could take place, but quickly removed this requirement.⁴² The market has since seen significant growth in sports betting and is far better placed to protect the integrity and commercial aspects of its market.⁴³
56. The British Gambling Commission has considered such match-fixing and betting product issues in its policy deliberations. In its 2019 position paper it commented that it is "familiar with methods used in other countries to promote betting integrity such as restricting the types of bets offered or approving sports governing bodies' rules before allowing betting on those sports."⁴⁴
57. The regulator "has the power to impose such restrictions" but "does not consider, based on the available evidence, that such intrusive or resource intensive methods are warranted or would be effective".⁴⁵ Indeed, on live (in-play) betting, it has determined that "any threat to sports betting integrity can be managed without the need to ban what is a very popular activity."⁴⁶
58. This supports the regulator's 'In-play betting position paper' from 2016, which states that: "Despite the concerns raised about the risks to integrity from in-play betting there is limited evidence to show that the risks are greater than those associated with pre-event betting."⁴⁷
59. As such, restrictions on the type of bets regulated betting operators can offer to consumers "are not warranted at this time. Taking such action may also increase the risk that bettors would be driven to seek to place bets via grey and black markets, over which we have no oversight."⁴⁸

³⁸ <http://www.ariel.fr/-A-la-Une-.html> & <http://www.gamingtechlaw.com/2016/03/sportsbetting-liberalization.html> & <http://www.gamingtechlaw.com/2017/07/italian-sportsbetting-rules-improved.html>

³⁹ <https://calvinayre.com/2019/05/08/business/italy-sports-betting-returns-back-april/>

⁴⁰ <http://www.srii.turismodeportugal.pt/pt/jogo-online/lista-de-modalidades-e-competicoes/> & <https://www.rga.eu.com/portuguese-online-gambling-law-failing-to-reduce-the-unregulated-market/>

⁴¹ <http://www.srii.turismodeportugal.pt/pt/jogo-online/entidades-licenciadas/>

⁴² <https://www.ordenacionjuego.es/en/ordenes-ministeriales> Article 14: ORDER EHA 3080/2011 & <http://www.boe.es/boe/dias/2013/10/30/pdfs/BOE-A-2013-11335.pdf>

⁴³ [file:///C:/Users/foleytrain/Downloads/Orden_HAP_1998_2013_modificacion_OM_distintos_tipos_juego_en%20\(1\).pdf](file:///C:/Users/foleytrain/Downloads/Orden_HAP_1998_2013_modificacion_OM_distintos_tipos_juego_en%20(1).pdf)

⁴⁴ Paragraph 3.6 <https://www.gamblingcommission.gov.uk/PDF/Protecting-betting-integrity.pdf>

⁴⁵ Ibid.

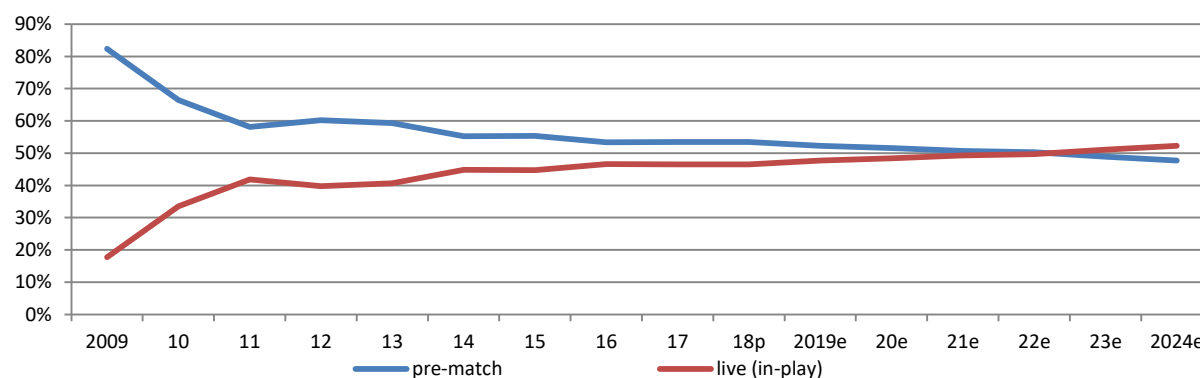
⁴⁶ http://www.egrmagazine.com/news/gambling_commission_rejects_in-running_ban_proposal

⁴⁷ Paragraph 4.4 <https://www.gamblingcommission.gov.uk/PDF/In-running-betting-position-paper.pdf>

⁴⁸ Paragraph 4.12 <https://www.gamblingcommission.gov.uk/PDF/In-running-betting-position-paper.pdf>

60. Removing the attractiveness of the offshore market and increasing regulatory oversight must be a key objective for any licensing model. As data from leading market analyst H2 Gambling Capital shows, live betting represents an increasingly large proportion of all sports bets placed globally (see Figure 4) and is therefore a key component of operators' product catalogue. Any product prohibition, notably for live betting, will thus prove counterproductive to achieving that aim.

Figure 4: Global Pre-Match vs Live (In-Play) Interactive Sports Betting by Gross Win %



Source: H2 Gambling Capital, August 2019

61. Within a competitive global market, any restrictions on the types of bets or products offered can have a detrimental impact on the market and the level of consumer channelling to that market. This adversely impacts the oversight and consumer protection capabilities of a regulatory authority and its associated ability to safeguard the integrity of its sports betting market.
62. Maintaining the integrity and credibility of the market is of paramount importance. The association believes that any integrity policy should consider this issue and collaboration with stakeholders, including betting operators, from a national and international perspective. This approach recognises the cross-border and global nature of sports betting related match-fixing.
63. The Council of Europe (CoE) Convention on the Manipulation of Sports Competitions is recognised as the principal international approach. It seeks to co-ordinate the fight against match-fixing at national level (through national integrity platforms) and to foster co-operation between all organisations and relevant authorities at national and international levels.⁴⁹
64. The association helped to develop the Convention and supports many of the measures included within it. Signature and ratification of the Convention is open to states outside of the Council of Europe⁵⁰ and IBIA suggests that Brazil consider the benefits of adopting the integrity practices contained within it and engaging in the related international integrity cooperation platforms.
65. The UNESCO MINEPS and IOC International Forum for Sports Integrity (IFSI) also provide international platforms for sports betting integrity discussions and have produced related proposals and guidance.⁵¹ The measures and actions contained in these initiatives are, however,

⁴⁹ <http://www.coe.int/en/web/conventions/full-list/-/conventions/rms/09000016801cdd7e> Article 13

⁵⁰ <https://rm.coe.int/16808fe387>

⁵¹ <http://www.unesco.org/new/en/social-and-human-sciences/themes/physical-education-and-sport/mineps/>

<https://www.olympic.org/news/international-forum-for-sports-integrity-steps-up-action-to-prevent-competition-manipulation-and-corruption-in-sport>,
https://www.unodc.org/documents/corruption/Publications/UNODC-IOC_Model_Criminal_Law_Provisions_for_the_Prosecution_of_Competition_Manipulation_Booklet.pdf &
<https://www.unodc.org/documents/corruption/Publications/2017/UNODC-IOC-Study.pdf>

quite understandably often broad-based and a more in-depth consideration and analysis of national level actions would be of benefit when considering any future betting integrity policy.

66. A range of integrity measures are readily available and employed by various regulatory authorities, including: obligation for operators to report suspicious betting; information sharing; voiding suspicious bets; suspension of betting markets. However, the model in operation in the UK is widely seen as one of the most effective and is an example of best practice in this area.
67. The legislation provides for specific integrity provisions to counteract sports betting corruption, including the regulator's ability to: issue codes of practice (Section 24); prosecute offences (Section 28); exchange information (Section 30 and Schedule 6); an offence of cheating (Section 42); require the provision of information (Section 88); and to void bets (Section 336).⁵²
68. To help enforce these provisions a Sports Betting Intelligence Unit⁵³ was established within the regulator. It works with the betting industry and with sports to identify and investigate potential threats. Licensing conditions also require betting operators to report any suspicious betting to the regulator and sports; this is supplemented by a confidential public intelligence line.⁵⁴
69. To complement this, the regulator produces and continually reassesses documentation to help inform stakeholders on its policy position and its expectations in the fight against betting related corruption. This includes guidance on: Protecting Betting Integrity (2019)⁵⁵; Misuse of Inside Information (2014)⁵⁶; and the Betting Integrity Decision Making Framework (2017).⁵⁷
70. A Sports Betting Integrity Forum (SBIF)⁵⁸ has also been established and has produced the UK's national Sport and Sports Betting Integrity Action Plan⁵⁹ developed by its key members: regulator, law enforcement, sports bodies and betting operators. It details the expected focus and requirements of those parties in delivering effective sports betting integrity actions.
71. This strategic cross-sector approach forms part of the UK's wider Anti-Corruption Plan⁶⁰ and is a blueprint of good practice and effective detection and enforcement measures to protect sports, consumers and regulated operators from the negative impact of betting related match-fixing. The association recommends that the Brazilian authorities adopt a similar integrity policy.
72. It is also suggested that any national policy consider engaging a wider international audience noting that match-fixing is a global issue. IBIA has information sharing agreements with many regulatory authorities around the world, allowing both parties to engage on integrity matters both in relation to our international alert system and with regard to any national actions.
73. To complement this approach there is also clear value from betting operators being part of a wider international integrity alert and monitoring system, which also feeds data into the

⁵² http://www.legislation.gov.uk/ukpga/2005/19/pdfs/ukpga_20050019_en.pdf

⁵³ <http://www.gamblingcommission.gov.uk/news-action-and-statistics/Match-fixing-and-sports-integrity/Sports-Betting-Intelligence-Unit.aspx>

⁵⁴ Licensing condition 15.1 <https://www.gamblingcommission.gov.uk/for-gambling-businesses/Compliance/LCCP/licence-conditions-and-codes-of-practice.aspx> &

<http://www.gamblingcommission.gov.uk/news-action-and-statistics/Match-fixing-and-sports-integrity/Confidential-intelligence-line.aspx>

⁵⁵ <http://www.gamblingcommission.gov.uk/PDF/Protecting-betting-integrity.pdf>

⁵⁶ <http://www.gamblingcommission.gov.uk/PDF/Misuse-of-inside-information.pdf>

⁵⁷ <http://live-gamblecom.cloud.contentis.com/PDF/Betting-integrity-decision-making-framework.pdf>

⁵⁸ <http://www.sbif.uk/home.aspx>

⁵⁹ <http://www.sbif.uk/images/Documents/SBI-Action-Plan-2017-FINAL.pdf>

⁶⁰ https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/388894/UKAntiCorruptionPlan.pdf

regulator. This adds an additional layer of protection both for operators' own businesses and also the licensed framework and its operational integrity capacity and associated reputation.

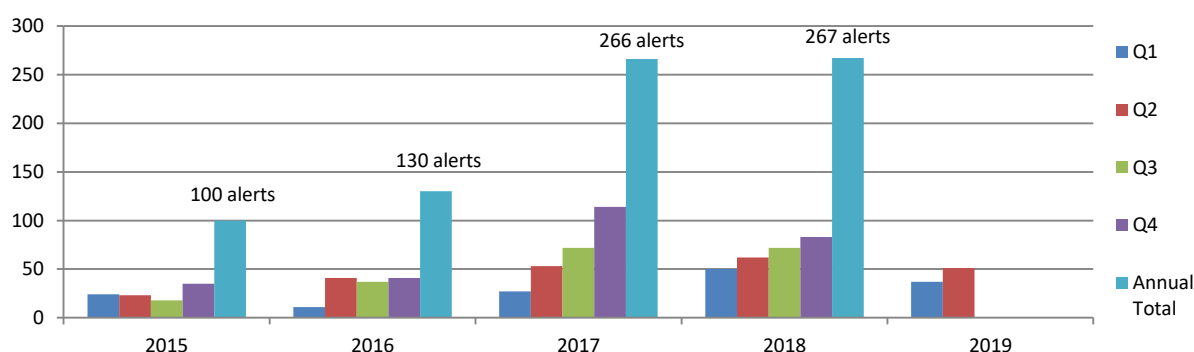
74. To this end, the Gibraltar Gambling Commissioner actively encourages its licenced betting operators to join a "properly structured and organized information sharing/alert mechanisms for managing suspicious bets" in its Remote Technical and Operating Standards documentation.⁶¹ The majority of Gibraltar's licensed betting operators are members of this association.

75. The German state of Schleswig-Holstein requires its betting operators to join an integrity monitoring body and this is also proposed through the wider German licensing regime in the amended German State Treaty.⁶² New Jersey includes a similar stipulation and the Netherlands draft legislation also requires operators to be a member of an international monitoring system.⁶³

76. This approach supports the European Commission funded Betmonitalert report which strongly recommends that public authorities should oblige all of their licensed betting operators to be "part of a betting monitoring system".⁶⁴ Both the report and the Netherlands legislation specifically refer to this association (in its previous identity as ESSA) as a best practice example.

77. The association's monitoring and alert system identified and reported 851 alerts of suspicious sports betting during the period 2015 - Q2 2019 (see Figure 5 and Annex A). That included 13 alerts on Brazilian sporting events, including two cases in the second quarter of 2019.

Figure 5: IBIA Suspicious Betting Alerts Reported 2015 to Q2 2019



Source: International Betting Integrity Association data, August 2019

78. IBIA supports robust sanctions for those found guilty of betting related corruption. However, it is only through cooperation and partnership working, both nationally and internationally, that evidence-led investigations and sanctions can have the desired impact. The association would therefore welcome establishing a betting integrity cooperation agreement with the Brazilian authorities to exchange information to protect betting markets and related sporting events.

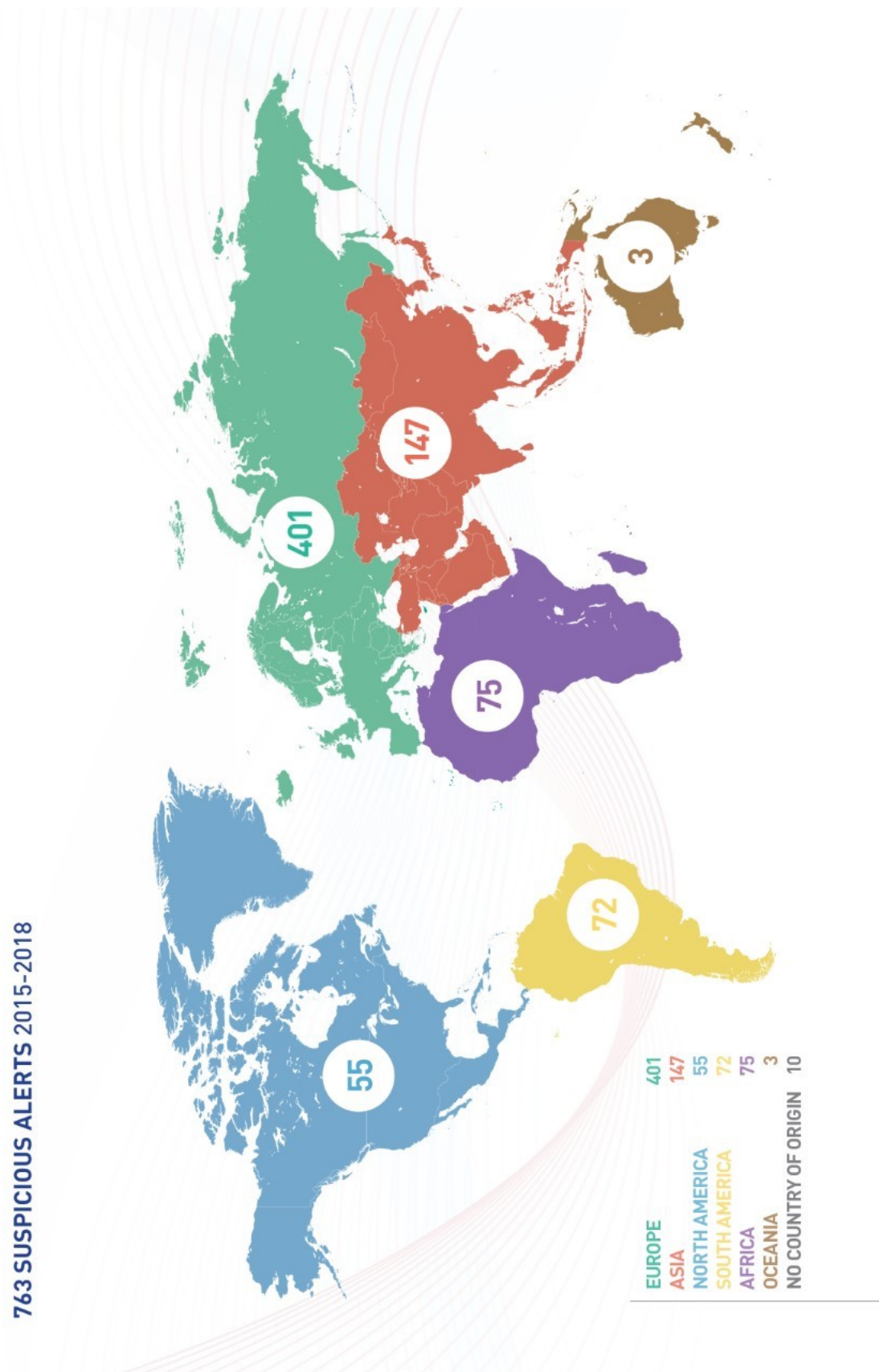
⁶¹ https://www.gibraltar.gov.gi/new/sites/default/files/HMGoG_Documents/RTOS%20Final%20Version%201.0.2012.pdf Page 40

⁶² <https://www.gesetze-bayern.de/Content/Document/StVGStV-21> & https://www.im.nrw/sites/default/files/media/document/file/160129II_Leitlinien%20Sportwetten_.pdf

⁶³ <https://www.nj.gov/lps/ge/docs/SportsBetting/PublishedproposalJan7th2019.pdf> 13:69N-1.6 & Remote Games of Chance consultation version –Article 4.7 and related sections in the Explanatory Memorandum (Translated from Dutch to English)

⁶⁴ http://ethisport.com/wp-content/uploads/2017/06/Betmonitalert_Design-NB-DEF-2-06-2017.pdf Page 7

Annex A: IBIA Alert Data 2015-18





Members



Affiliates

