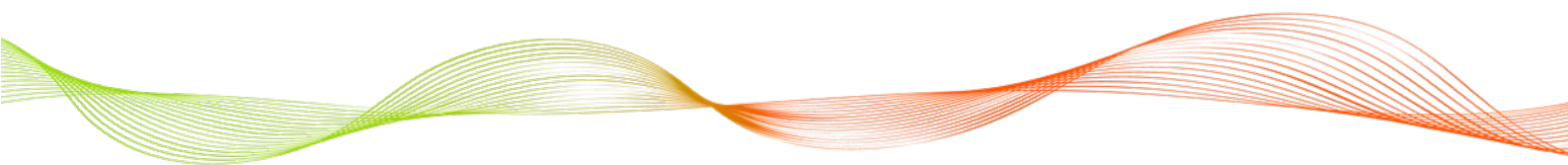




international betting
integrity association



1. The International Betting Integrity Association (IBIA), 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 regulation implementing the Remote Games of Chance Act. In particular, the provisions relating to the availability of betting products and actions to detect, deter and punish the manipulation of sporting events.
2. The association endorses the licensing of operators and the regulatory focus on effective measures to address betting-related corruption in sport and fraud perpetrated against betting operators (e.g. match-fixing). IBIA is particularly supportive of the proposal set out in the draft Remote Games of Chance Decree that operators must engage with an international monitoring body, and which brings with it clear value for the integrity of the Dutch sports betting market.
3. This is 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 licensed 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.
4. 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. Whilst New Jersey includes a similar stipulation to the Netherlands draft legislation. This 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".
5. Both the report and the Netherlands draft legislation 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 Netherlands sports betting regulatory framework.
6. However, whilst the association and its members welcome the decision to license and regulate online betting in the Netherlands, we have concerns regarding the effectiveness of the proposed regime and the underlining reasoning and impact of the proposals to restrict consumers from engaging in, and licensed operators from offering, certain sports betting products.
7. The draft regulations comprise a number of provisions which will serve to restrict the availability of betting products to Dutch consumers. This includes a range of bets that are deemed "inherently unsuitable for betting because, given the nature of the bets, they pose a risk to the integrity of the sport. This concerns negative events and events that are easy to manipulate."
8. Part 2 of Appendix 2 to Articles 3.16 and 3.17 lists the events on which the licence holder is currently not proposed to be allowed to take bets. At present this includes markets on tennis (winning or losing games and sets) and football (first throw in, yellow and red cards, first corner kick and fouls). Other elements such as head-to-head betting are also deemed to be excluded, and which could potentially be related to a wide array of sports, albeit the extent of this is unclear.
9. It is also unclear what benefits can be attained from requiring the licence holder "to inform the relevant sports associations of its offer of betting on the matches of that association (Article 4.8(2) of the Remote Games of Chance Decree)" given that such bets can and will continue to take place with betting operators around the world on which there is no such imposition.
10. Indeed, there is a lack of clarity throughout this aspect of the regulations, with the potential for differing interpretations and a need for further detailed guidance and reflection. Where clear parameters are provided, as in Appendix 2, the Netherlands authorities are proposing specific restrictions on two of the largest regulated betting markets in football and tennis (Figure 1).

Figure 1: Breakdown of Sports within Regulated Online Sports Betting – 2017 GGR

Source: H2 Gambling Capital, 2018

11. Data from leading industry analysts H2 Gambling Capital shows that 80% of tennis betting is in-play with a large portion on point, game and set markets. It is important to recognise that these markets are very popular, especially in the growing in-play product range (Figure 2). Consumers will seek such markets through other channels if the Dutch regime prohibits them.

Figure 2: Global Pre-Match vs Live (In-Play) Interactive Sports Betting by Gross Win %

Source: H2 Gambling Capital, August 2019

12. The importance of meeting the needs of modern-day consumers in a globally competitive marketplace should not be underestimated. Such markets are a core component of operators' businesses and restrictions will undoubtedly serve to add pressure on the licensing regime and its ability to maximise the channelization of consumers to the Netherlands regulated market.
13. Indeed, the total regulated global betting market was \$67.5bn in GGR in 2017 (Figure 3). It is calculated that this will reach around \$90bn by 2022. Adding the unregulated market to this was estimated to make the total sports betting market (retail and online) worth \$2.1tn in turnover and \$143bn of GGR in 2017. The opportunities are vast and attempts to block consumers (e.g. ISP & DNS) from accessing betting products with offshore operators are often circumvented.

Figure 3: Global Sports Betting Turnover and GGR 2017 (US\$bn)

Turnover (\$593bn)

GGR (\$67.5bn)

Source: H2 Gambling Capital, 2018

14. Poland is a clear example of how its consumers have circumvented enforcement action for its burdensome sports betting regime in favour of products provided by offshore operators. Official government figures show that offshore operators accounted for 51% of the market in 2018.
15. Preventing match-fixing is often used to justify limiting the availability of markets as the draft regulation proposes. 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 operators (as in much of Europe) but unregulated operators mainly based in Asia.
16. Secondly, corruptors are known to focus on mainstream markets such as the final result. An independent report published by the ASSER Institute supports this position. That analysed a five-year set of detailed betting data covering football matches likely to have been manipulated to assess the impact of in-play and side markets (e.g. yellow/red cards and corners).
17. The report shows that match-fixers primarily take advantage of high liquidity markets with the vast majority of cases of suspicious betting observed in the main markets which relate to the final outcome. The report therefore concluded that the evidence does not support the claim that side markets significantly encourage corruption nor any justification to prohibit these bet types.
18. IBIA's football betting alert data endorses this view (Figure 4). Whilst the Dutch authorities have specifically proposed to prohibit what it refers to as negative markets (e.g. first throw in, yellow and red cards, first corner kick and fouls) such markets only constitute 10% of the association's recent alerts; the mainstream markets (e.g. result, total goals, HT/FT) represent 90% of alerts.

Figure 4: IBIA Football Alerts Reported in Main Markets v Negative Markets by % 2018 – Q2 2019

Source: International Betting Integrity Association, September 2019

19. Moreover, imposing product restrictions on Dutch licensed operators does not make it any less likely that the sporting events in that licensing jurisdiction will be any safer from betting corruption, which can take place with a multitude of operators around the world. As such, the available data does not justify the regulatory position taken by the Dutch authorities.

20. Indeed, the British Gambling Commission has considered this issue and was “not persuaded that there is a sufficient case for restricting types of bets” on integrity grounds. 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”.
21. The Gambling Commission also notes that to impose restrictions “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.” Removing the attractiveness of the offshore market and thereby increasing consumer oversight must be a key objective of any effective regulatory structure for gambling.
22. However, the proposed approach of prohibiting betting markets will prove counterproductive to achieving that aim. Indeed, whilst the reforms to the Dutch market are broadly welcome, the restrictions on the availability of betting products through licensed operators, aligned with a comparatively high tax rate, are predicted to maintain a sizeable offshore market (Figure 5).

Figure 5: Netherlands Consumer Onshore v Offshore Online Betting Activity by Gross Win (€m)

Source: H2 Gambling Capital, September 2019

23. It is predicted that this will equate to around 45% of the amount bet by Dutch consumers by 2024. In comparison, markets such as Spain and Denmark, where no substantive betting product restrictions are in place, and where online betting taxation rates are more towards the global norm (20% GGR in both cases), will continue to have a much higher consumer channelling rate.

Figure 6: Danish Consumer Onshore v Offshore Online Betting Activity by Gross Win (DKKm)

Source: H2 Gambling Capital, September 2019 (includes horse race and sports betting)

24. In Denmark, this equates to a channelling rate for online betting of around 94% in 2018, which is predicted to rise to approximately 98% in 2024 (Figure 6). Whilst Spain had a channelling rate for online betting of around 80% in 2018, which is predicted to rise to 93% by 2024 (Figure 7). This is in stark contrast to the current and predicted onshore v offshore Netherlands market structure.

Figure 7: Spanish Consumer Onshore v Offshore Online Betting Activity by Turnover (€m)

Source: H2 Gambling Capital, September 2019 (includes horse race and sports betting)

25. It is important to note that Spain initially introduced an approved catalogue of sports events and the aspects of those events on which betting could take place, but removed this requirement around a year after the licensed online market opened. It also lowered its GGR tax from 25% to 20% in 2018. The Spanish market has seen significant growth in licensed betting as a result.
26. 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. 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.
27. The process of restricting betting and providing lists of approved events and bet types, and the constant review and updating of that approach, invariably involves additional administrative and monitoring cost burdens on both the regulatory authority and its licensed operators. Such practices are of questionable positive integrity impact given the limitations of any national level approach in a fragmented global market of differing regulatory models for gambling.
28. Indeed, many offshore operators will continue to offer whatever types of products they chose without any regulatory limitation, oversight or possible sanctions, nor is there any requirement on them to engage in responsible preventative actions to protect consumers or sporting events. It is important to note that other more effective integrity measures are available to regulatory authorities, including: information sharing, voiding bets and suspension of markets.
29. The International Betting Integrity Association (IBIA) broadly welcomes the Dutch licensing regime. However, the data set out above and the association’s experience in this area globally is that it is fundamental to the viability of regulated betting operators and their markets that they are able to offer a wide range of betting products; imposing restrictions invariably leads to consumers seeking banned products through other markets, including unregulated channels.

30. Indeed, the association contends that the betting provisions contained in the regulation:
 - i. Lack clarity regarding the extent of the proposed product restrictions;
 - ii. The prohibition of products on integrity grounds is not supported by the evidence;
 - iii. Creates an unattractive market for consumers, relative to other markets;
 - iv. Adds unnecessary administrative cost burdens on operators and the regulator; and
 - v. Aligned with a high tax is predicted to maintain a sizeable offshore market.
31. The association therefore hopes that the Dutch authorities will reconsider the position taken in the draft regulation regarding the proposed restrictions on betting and will take an evidence-based approach to its policy. In particular, that the Netherlands considers adopting a policy approach that regulates and allows its licensed operators to offer consumers access to all types of bets. That will serve as the best means to protecting the market's viability and integrity.
32. On the latter issue, the association would also be delighted to engage with the Netherlands authorities on the implementation of the proposed provisions ahead of the licensing process, notably any requirement to engage with an international monitoring system. Indeed, the association would welcome a closer working relationship on integrity with the Dutch authorities, in general, to exchange related information to protect betting markets and sporting events.



Affiliates

