

SPORTS INTEGRITY A MULTI AGENCY APPROACH

Good afternoon ladies and gentlemen and thank you for the invitation to be here today and participate in this seminar on the criminal threats to the global sports industry.

I am Mike O'Kane and I am the Business Director of the large European Betting and Gaming company Ladbrokes for whom I have worked for nearly 40 years. In that time I have seen considerable change in the European and global betting industry from an operational perspective but also its licensing and regulation.

I am also the Chairman of ESSA on whose behalf I am here speaking today on the particular topic of corruption in sports and its impact on the global betting industry. I have experience in how European and Asian betting operators manage the potential damaging impact of corruption and criminal influences within the sector.

ESSA was set up in 2005 as an industry led early warning system to reduce the potential impact of unusual and suspicious sports betting and identification of corruption within sport. It was set up because of the concerns of a number of the large on-line companies around the standard of governance, use of insider information and match fixing within sport. The evidence was that there were shortfalls in governance and the betting companies were then being targeted by the corruptors and criminals to make their activity pay.

At that time there was little co operation between the stakeholders and the companies also found that by working together they were able to share experiences and agree the best way to protect their own integrity and influence other stakeholders to take action.

Since then the original companies have been joined by most of the largest brands around including on-line and retail with such brands as BWin, Ladbrokes, Paddy Power and William Hill.

Most recently they were joined by the well known French brand the PMU and from Asia the biggest regulated football betting operator the Hong Kong Jockey Club.

ESSA and its members have since also been building close working relationships with private sector gambling regulators such as the UK Gambling Commission, Alderney Gambling Commission, Malta Gaming Authority to name some of the best known. Those relationships recognise the individual operators' licence responsibilities but also brings the increased strength of the broader industry approach.

ESSA also has worked with some Sports Governing bodies where they seek data sharing or information on insider trading, match fixing and/or breaches of sports' own rules on participants' betting. These sports also work with other monitoring systems some of whom are also here today.

ESSA and some of members have also helped to finance the big education programmes managed by the Professional Players Federation in the UK and the larger E U Athletes here in Europe.

Finally, ESSA directors have also worked with sports on improving detection processes and general awareness of how betting works across the globe.

Corruption - A challenge for sport

It is clear that sport has historically had issues of corruption and integrity at different times providing challenging issues for its regulators.

Those integrity issues have covered financial impropriety, racial and or sexual abuse, drug abuse/cheating and now the added issue of betting.

The fixing of matches has a legacy within sport and it is clear that often there is no direct betting precursor.

For example the latest news from here in Italy includes sentences given to 3 people including the former president of Lecce Football club for fixing the big game between old rivals Bari and Lecce in the 2011/2012 season.

In this case the corruption was right at the top of the club management structure and the prosecutors have indicated that 200,000 euros were paid by Lecce to win the game and thereby avoid relegation.

An important aspect of sports integrity is the misuse of insider information . Sport always has a broad base of people attached to itself with players, coaches, trainers, physiotherapists , advisors, managers ,agents etc. All of whom have information about the player or team that allows them an insight into performance. That information if used improperly can provide illicit financial gain in certain circumstances. It doesn't necessarily involve fixing but is still a scourge of my industry.

There is also too often easy access provided to unlicensed individuals to participants, officials and locker rooms that access allows them to gain valuable information about participants and instigate low level corruption. Sport needs to review all its access procedures.

Match fixing is the next level up and is where the outcome of an event has been predetermined and therefore can provide certainty of financial gain if that fixing is then linked to betting transactions. This is where potential criminal activity can be seen ,organised by individuals who are very often also focused on corruption at various levels within society.

Let us be clear all corruption in sport has the potential to have a reputational and financial impact on sport and betting operators.

We could discuss for some time how much damage is done as more and more the public become used to the issues of integrity.

Cycling for example and its long history of drug taking , certain athletes doing the same, Rugby and the blood cheat and even Formula 1 team instructions have become whilst not accepted but at least seen as part of the way some sports are run.

However, what is true is that like any other aspect of life , corruption will thrive where opportunity lies. What cannot be denied is that Corruption in sport is directly linked to poor governance .

Role of ESSA

Licensed operators across the globe already have sophisticated **Know your customer** protocols intended to ensure the protection of minors and identify possible money laundering. All customers need to provide identity checks and transactions must pass through their own accounts and adhere to proper banking controls. That is not the case in asia where the culture and operation does still have a high percentage of business conducted through affiliate and agents.

Operator's own trading systems have various sophisticated algorithms that help to risk assess every market, transaction and customer ,looking for the patterns that might give cause for attention.

ESSA provides a platform for its members to share their concerns and pick up trends of behaviour that might help in identification of the corruptors. As I say it therefore becomes an aggregator of information on the individual events, associated betting markets, also actual transactions linked to real customers across a diverse geographical range. The linking of customers, IP addresses and location is a very powerful tool. Its primary purpose is to protect its member operators from financial damage and deliver for its tens of millions of customers certainty that they are betting on honest events/markets with responsible companies. As an additional benefit the platform can provide sport with transactional data where the misuse of insider information or match fixing instances are being investigated. It also provides sport with evidence when sports persons are breaking the sports own rules on betting, where those rules exist.

The information on transactions are available to regulators and law enforcement agencies who at the end of the day are the only ones with investigative powers and can take the prosecutions required across many nations.

ESSA Alerts

The alert process is most effective because it builds upon the sophisticated risk management systems that exist within the trading operations of all its members. Those risk management systems have common themes such as .

- Pricing algorithms that use a formula to determine prices

- Event liability profiles that set how much a company is prepared to lay

- Customer risk flags that indicate individual betting characteristics

- Geographical location mapping of countries/cities with high risk bettors

- IP address patterns that show links between customers and/ or with the sport etc

etc

They allow the individual traders to build up a detailed expectation of how markets should operate before and during a game, also estimate the size of liability and individual bet. Patterns outside those profiles will cause an alert to be triggered;

Example 1

Customers open multiple accounts with funds and leave dormant until the specific event.

Example 2

Customers betting in particular patterns that appear to be against the algorithm and/or the play of the event. Betting against the pattern.

Example

Similar bets struck in time or geographical location that indicate a link

The list is endless but its strength is that it doesn't rely on one aspect of detection but many many differing combinations.

Once any one of the hundreds of traders spots anything, even the most mundane they can share with the others traders across companies and any patterns can then be established.

Once all have reported their views the head bookmakers reviews the content and where necessary request further information. After assessing the patterns the head bookmaker then decides on one of two courses of action.

1 If the evidence is such that no direct pattern is showing an integrity issue members are informed, but the event, participants, and customers will be flagged by the companies for future intelligence. Thereby helping with future integrity issue identification

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2 If the evidence does suggest an integrity issue then ESSA can through its data sharing protocols pass that information on to the relevant regulator and /or sports body. Those organisations can then follow up with the relevant company to obtain the data they require.

In addition the individual operators will through their licensing requirements pass on to their regulator. The UK the data is then assessed by the sports betting integrity unit.

ESSA and the operators do also in the UK participate in the Sports Betting Integrity Forum which is designed to allow all stakeholders to exchange views , experience and thereby identify areas of concern.

Which Solutions can protect

Whilst today is primarily focussed on the criminal threats to sport and how the various monitoring systems being used across the industry can assist I do not believe that such systems are the full answer in themselves.

The answer is to address actions around a risk based approach at every level, blanket solutions are both naive in their concept and doomed to be ineffectual. Too many seminars talk about the global threats and particularly from asian criminal gangs without real engagement with the industry

What is needed is focused activity around those sports where governance needs to improved as that is where opportunity lies. Particularly

In addition where customer interest and therefore market size allows sufficient financial gain to be achieved.

So firstly the target for monitoring will be for example around football but not at the dizzy heights of the world cup or champions league but lower down in the national leagues where problems can lie.

The targeting of sport by corruptors for betting scams is driven also by the potential for substantial financial gain with minimal chance of detection. Therefore inevitably those persons will focus on the large betting markets in the Far East or those operators who do not at present participate in industry wide alert systems.

They will also target operators and markets that fall outside effective law enforcement jurisdictions where they believe there is neither the appetite or determination to apprehend or penalise.

As we will hear today there are different monitoring systems that presently operate across the sector.

Market analysis that uses trading algorithms to identify expected and actual pricing across multiple operators. These systems also often use flagged participants.

Live transactional customer data such as used by ESSA

and finally Regulator systems that usually consist of public and industry reports feeding in to intelligence data bases that build up an integrity profile that can then be further supported by legally obtained bank, phone records and even if necessary personal surveillance.

Finally the criminal intelligence systems operated by law enforcement that can identify bad persons in other areas that are likely to also have links to sport and its participants.

Multi agency approach

Today's seminar will try to assess the strength of the various monitoring systems which is laudable but I think might miss the key point that being that the real results will only come from co-operation across all agencies. Hence my final points.

Firstly criminal look for opportunities to make illicit money where they can. Sport and sports betting is no different , so all agencies should meet in an open frame of mind to identify the risks and where action can reduce those risks. No element of cultural life and also sport can be guaranteed to be free of the risk of criminal activity, but if the cultural environment is one where corruption ,bribery and lack of law enforcement is prevalent then obviously there is greater risk to sport.

There is a need for national sport betting platforms that allow data input by interested parties where there is then the power to take the appropriate action. The database platform must provide for data sharing both ways because the preventative and come to that pre-emptive benefits will drive the corruptors to another sector or industry.

All operators and systems must work within a risk based regulatory environment but must accept data and partnerships across the globe and in some cases from differing legal and regulatory landscapes.

Any structure of monitoring systems will though always be ineffective if the root cause of such activity is not addressed ,that being the need for international governance templates to be applied to every sport. It must be possible to ensure that all sports governing bodies, tournament organisers, etc apply to an internationally recognised governance structure that demands of them to exhibit standards of democracy, transparency and accountability a theme I know recognised by the uk commission.

Finally of the operators , i am confident that every one of them are very serious about dealing with this matter and all need to be active participants in the sharing of transactional data amongst the industry because that is where the real transactional evidence is but will also continue to use the very useful market monitoring systems that also exist to support their trading systems.

Many thanks for your attention and I look forward to answering any questions .