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Franchise Wars – How Citibet and Asia’s Other Biggest Bookmakers have ‘McDonaldised’ Illegal Betting

By James Porteous, Research Head, ARF Council on Anti-Illegal Betting & Related Financial Crime

Illegal horse racing betting exchange Citibet is growing its potential market even faster than in previous years due to technology changes that have allowed the operator to expand access more widely across the Internet. Citibet is now franchised across *literally thousands* of third-party illegal betting websites via a software “plug-in”, which makes Citibet betting markets and pirated live streams on global horse racing available to any illegal bookmaker.

“Franchisees” can install this software by copy-and-pasting a few lines of code in the back-end of their website, or rely on one of the many gambling software providers which service unregulated betting operators to do it for them. This is the ‘McDonaldisation’ of online illegal betting.

The Asian Racing Federation has warned for almost a decade of the threat of Citibet (aka 长城, LK988 and other names in different jurisdictions), a completely unregulated horse racing betting exchange which has liquidity comparable to the biggest legal racing tote operators in the world – all completely untaxed, with zero know-your-customer or money-laundering controls.

Citibet and illegal betting in general continue to be a major threat to the sport of racing and legal wagering operators on which the sport depends. Citibet turnover is comparable in some markets to the legal market, such as in Hong Kong where it was estimated to have grown 9% in 2022 compared to the previous year while the local legal betting market on horse racing has shrunk.¹ Citibet betting turnover on racing in Australia was also reported as having doubled in the period from 2019 to 2022.²

Long-term analysis by the ARF Council has indicated that illegal betting turnover can overtake legal turnover; illegal betting provides the perfect avenue to corrupt racing; and over-zealous regulation of the legal wagering industry actually has the opposite effect intended by regulators and drives customers into the arms of illegal operators.

These threats to racing are from a range of illegal betting operators, but we focus on Citibet because it specialises *only* on racing, and has turnover reported to be USD 50 billion or more a year.³

And though these threats are not new, in 2024 they are greater than ever, because Citibet has massively expanded its target market through this plug-in business-to-business model. Illegal betting on horse racing from every jurisdiction in the world, complete with pirated live broadcasts, in-running betting, better prices than legal tote operators and other product enhancements, has now been “franchised” to a vastly wider audience.

And Citibet is not alone – the biggest betting operators in the world have also adopted this model, thus massively amplifying both their own turnover and the exposure of individuals to illegal betting.

What is Citibet?

Citibet has been the primary platform for illegal betting on horse racing in Asia for around 20 years.

Likely drawing inspiration from the then-new legal betting exchange Betfair, Citibet's forerunner was founded around 2004 by illegal betting operators in Southeast Asia. This transferred the pen-and-paper model then employed by Asian illegal bookmakers into a tech platform, and proved so popular that it quickly was opened up to non-syndicate members.

Around 2008, Citibet was hacked and all betting records were lost -- but its owner agreed to pay-out any customer's claim to have made a winning bet. This gave Citibet's owner enormous "face" – an Asian term for one's reputation – among illegal bettors and sent its primary competitor for illegal betting on horse racing into irreversible decline.

Citibet has dominated the market for illegal betting on racing ever since – it is by far the largest unlicensed betting operator specialising only on racing, and among the world's largest illegal betting platforms by turnover.

The majority of Citibet turnover has historically been on Asian racing jurisdictions, but this does not mean it is of concern *only* for these jurisdictions. It remains to be seen, for example, where the illegal Citibet turnover on Singapore and Macau will be funnelled when those jurisdictions stop racing in 2024.

Citibet is by far the largest and most liquid unregulated illegal betting exchange market for horse racing in the world, with this huge liquidity allowing illegal bookmakers to hedge their risk by laying off liabilities. In March 2024, leading online 'bet brokers' were actively promoting Citibet as a means to bet illegally on racing at Cheltenham, as shown in the advert on Instagram shown below.



Figure 1 - An advert on Instagram promoting betting on Citibet on March's Cheltenham Festival. Source: <https://www.instagram.com/p/C4YCiTLORVz>

This presents integrity issues for global racing, since Citibet as a betting exchange allows corruptors to ‘lay’ horses – profit from them *losing* not winning and, Citibet obviously has zero integrity safeguards in place nor information-sharing agreements with racing integrity authorities.

Would you like fries with that? Citibet’s franchise model

A key technological development in the growth in illegal betting on racing in the past four years is that Citibet is now franchised across *literally thousands* of third-party illegal betting websites via software plug-ins.

Citibet does not directly own or operate all of these thousands of websites, but makes its betting markets and pirated live streams on global horse racing available to them via its plug-in. “Franchisees” can install this software by copy-and-pasting a few lines of code in the back-end of their website, or rely on one of the many gambling software providers which service unregulated betting operators to do it for them.

The ease of use, and access to this franchised version is important in boosting the number of potential bettors, because Citibet’s primary network of mirror websites are (a) very complicated for the layperson to understand and (b) often only directly accessible (for the layperson) by agents, and/or via access granted by agents.

The new franchise model has thus removed a key barrier to entry – knowing an agent –and consequently led to a huge growth in the numbers of people betting illegally on racing anywhere in the world.

Citibet’s plug-in version is a simpler, more user-friendly version with near-identical products and markets, rebates, live-streams and other enticements as the main exchange. Bets on the franchised version flow into the main Citibet exchange to increase liquidity. Franchisees will pay either a revenue-share or subscription fee to access this product.

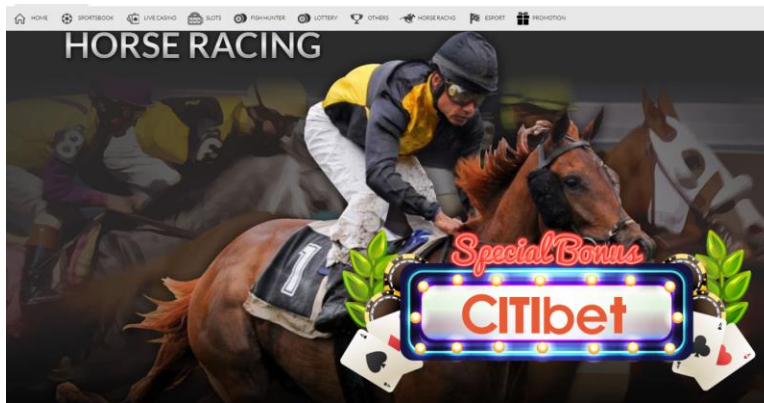


Figure 2 - Citibet plug-in page on a typical unlicensed betting website targeting bettors in Asia. Source: <https://9.1083.co/web/horse>



Figure 3 - a sophisticated advert on YouTube promoting a franchised version of the Citibet platform to bettors in Malaysia and Singapore. Source: <https://www.youtube.com/watch?app=desktop&v=tkVHygHmsSA>

IBSaaS – Illegal Betting Software as a Service

Citibet is not unique in this new business model. The biggest betting operators in Asia have taken inspiration from the Software as a Service (SaaS)⁴ business model common in modern internet technology companies and made their entire sports betting markets, managed by hundreds of traders and sophisticated big data modelling, available to a host of third-party sites without the capital, expertise or other means to offer complex global sports and racing betting markets by themselves.

The biggest Asian operators thus now deploy their sportsbook technology not only on their *own* networks of betting websites, but on literally thousands of “franchisees”.

Some of these operators are very well-known brands, with licences in offshore betting havens such as the Isle of Man and the Philippines. Others, such as Singbet / aka Crown / aka Huangguan, widely believed to be one of the biggest unregulated sports betting operators in the world, are not known to be licensed in any jurisdiction. Regardless of licence status, the core customers for both types of operators and their “franchisees” are in jurisdictions where they are unlicensed (i.e. illegal betting).

As shown in the image below, which is an advert for a very well-known Asian betting operator's franchise version, franchisees can benefit from 30+ sports available for betting, 400+ expert traders, and the operator's long-established network of street-level illegal betting customer recruitment agents on the ground across Asia.

Why Partner with [REDACTED]?

[REDACTED] API and Whitelabel Solutions provide the following features

- Official [REDACTED] Sportsbook Product:
 - Supporting over 30 types of Sports to bet on.
 - 15 different Bet Options.
 - 4 kinds of Odds Display.
 - Supporting over 14 languages.
 - 400+ Traders to ensure you get the best and most up to date odds!
- With only ONE API integration, you have access to popular Live Casino, Slots and other Games popular in Southeast Asia!
- Our system allows for multiple customization options to meet your needs and enable swift creation of your site.
- Promotion Wallet System supports you in crafting special promotions for a specific Game Type!
- Our easy to use Multi-Level Agent System allows for greater reach to Players.
- 24/7 Online Customer Service ready to assist you!

Figure 4 - This advert for a very well-known Asian operator's API version highlights the 30+ sports, 400+ traders, and the fact that franchisees can benefit from the operator's long established network of illegal betting agents on the ground across Asia

Notably, some prominent licensed operators, despite their claims of not serving unregulated markets, also offer their markets and technology as “IB SaaS”. This practice potentially provides them a legal loophole, enabling them to operate within a grey area of international gambling laws, but it is clear that they are massively expanding the global target market of illegal betting.

Why should racing and other sports care?

There may be a perception that Asian betting operators such as Citibet are only of local concern, to individual racing jurisdictions in Asia. But it takes bets on every racing jurisdiction in the world – and the expansion of its markets to a much wider mass market audience of “franchise” customers will likely only drive this liquidity expansion.

For example, the demise of racing in Singapore and Macau – both of which were large Citibet illegal markets – means that that large illegal betting turnover which was previously bet on Singapore and Macau racing has to flow somewhere and it remains to be seen what impact their shutdown will have on other racing jurisdictions.

Jurisdictions who say ‘it could never happen here’ should not be complacent, as shown by the rise in turnover on Australian racing, and the apparent targeting of UK racing betting consumers illustrated by the Cheltenham advert above.

Other sports should also not be complacent – the franchising of the betting markets of the world’s biggest unregulated bookmakers means that there is potential for massive expansion of the illegal betting audience, and thus liquidity to mask corrupt bets on fixed outcomes.

The threat to the integrity of sport is not from licensed and regulated legal betting operators, who share information on suspicious betting with sports authorities, law enforcement and regulators, but with the illegal operators who do not.

The owners of one of the largest sports betting platforms to have adopted this franchise model have even been widely rumoured to be directly involved in match-fixing themselves.

Asian illegal operators who have franchised out their markets on football, tennis, basketball and other sports have and will continue to be used as the primary platforms for sports corruption.

Corruption in racing and other sports is driven by the organised crime groups that profit from illegal betting, including from Citibet. Public domain cases showing this involvement include criminal cases involving two Australian drug traffickers, one with links to the Calabrian Mafia and one implicated in race-fixing, both of whom were Citibet account holders;⁵ and the cross-border Hong Kong-Mainland China case study in 2017 detailed below.

Case study ^{6 7}

A cross-border police action between Hong Kong and Mainland China in December 2017 underlines the involvement of organised crime in Citibet and the scale of illegal profits involved. Police confiscated the equivalent of ~USD 13.8 million in illegal betting records and ~USD 1.4 million in cash, and arrested 71 people. Police believed some had triad backgrounds and were senior agents of the organisation. Most turnover was on football and racing, via illegal betting networks Huangguan (皇冠) and Citibet respectively, said Police, with pictures showing Citibet prominently displayed on computers used in the control room.

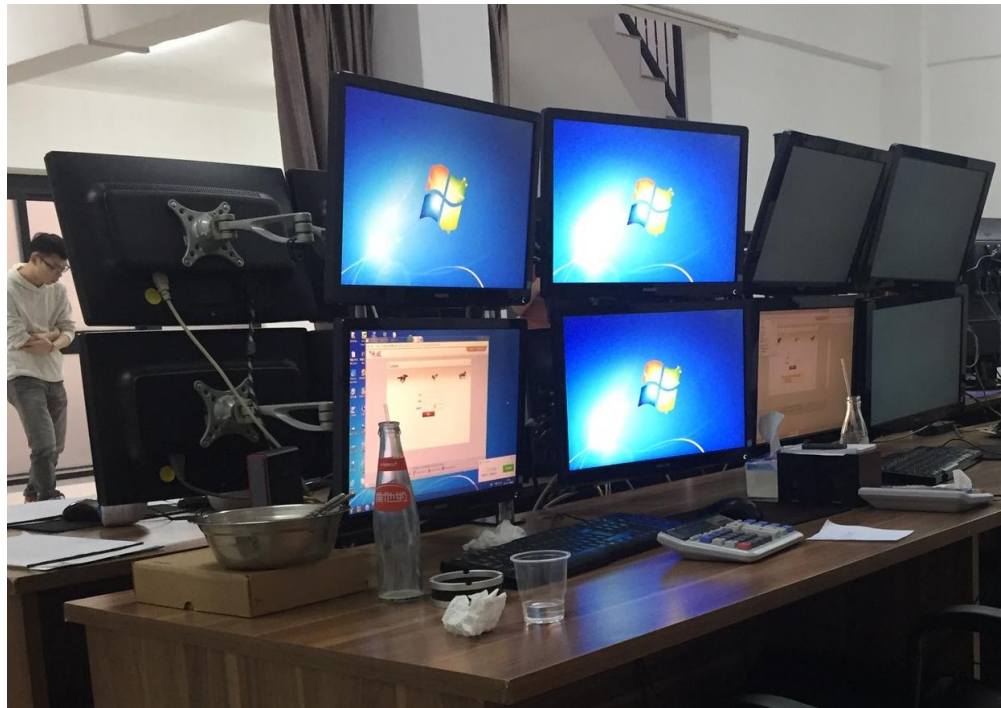


Figure 5 - A picture released by Police shows Mainland China mirror websites of Citibet displayed on two of the illegal betting syndicate's computer screens. Source: HK01 via Hong Kong Police press release

<https://www.hk01.com/%E7%A4%BE%E6%9C%83%E6%96%B0%E8%81%9E/138690/%E7%B2%B5%E6%B8%AF%E5%85%A9%E5%9C%B0%E6%89%93%E6%93%8A%E9%9D%9E%E6%B3%95%E6%94%B6%E5%A4%96%E5%9C%8D%E6%B3%A2%E9%A6%AC%E9%9B%86%E5%9C%98-%E6%AA%A2%E9%80%BE%E5%84%84%E5%85%83%E6%8A%95%E6%B3%A8%E7%B4%80%E9%8C%84%E5%8F%8A%E8%B3%AD%E6%AC%BE%E6%8B%9871%E4%BA%BA>

Illegal betting has been described as a foundation upon which most other organised crime activities are supported,⁸ and Citibet profits can bankroll investment in other criminal enterprises such as drug trafficking, vice, and cyber- and telecoms-fraud. The massive liquidity in illegal betting makes it a prime conduit for money laundering. Some experts believe more than 10% of the global proceeds of organised crime, or USD 140 billion, is laundered via online betting each year.⁹

Most recently, the ARF Council has highlighted that illegal betting operators are now heavily involved in human trafficking and have adapted their technology to a new industry, the global epidemic of industrial cyber-scams. Notably, Citibet is believed to have operations in one of the so-called ‘casino compounds’ in Cambodia involved in such activity, although this cannot be proven.

Conclusion - Action has been taken but more needs to be done

Citibet, and other operators like it, have massively expanded the illegal betting target market through new technology. This is a transnational organised crime problem.

The Citibet technology team is believed to be in Taiwan; it appears to have customer service staff in Cambodia; its ultimate owner(s) is/are suspected to be in Malaysia or Singapore; it is suspected to have thousands of agents all over the world. This transnational nature means a similarly transnational law enforcement response, in coordination with other key stakeholders such as racing and other sports authorities, the legal betting operators, internet service providers, is required.

One approach is blocking websites on which Citibet operates. Internet service providers and communications authorities can block these URLs. But because mirror websites are quick and cheap to set up and are essentially infinite, such efforts require ongoing network monitoring and analysis, and information sharing.

The “franchising” of Citibet and other illegal betting operators’ markets to literally thousands of websites will expand access to and use of Citibet ever further.

Ultimately, one of the most effective means of combatting illegal betting is an appropriate legal betting market that can compete effectively. Consumers prefer to wager in legal markets, not with illegal operators. This is intuitive to understand, because they know their deposits and winnings will be safe, and they are not exposing themselves to criminal risk.

Given this preference, effective disruption of Citibet and other illegal operators, through coordinated international law enforcement, website blocking, payment monitoring, and enhancement to the legal product, is a necessity for better protection of those consumers as well as combatting the organised crime groups that profit from this industry.

1 Asian Racing Federation, 'Illegal Betting Poses Growing and Complex Threat to Racing and Sports', Asian Racing Federation, (21 February 2023), <https://www.asianracing.org/news/illegal-betting-poses-growing-and-complex-threat-to-racing-and-sports> , accessed 25 March 2024

2 Asian Racing Federation, 'Illegal Betting Poses Growing and Complex Threat to Racing and Sports', Asian Racing Federation, (21 February 2023), <https://www.asianracing.org/news/illegal-betting-poses-growing-and-complex-threat-to-racing-and-sports> , accessed 25 March 2024

3 Peter Scargill, 'The \$50 billion black market bookmaker: how an illegal operator became one of the world's biggest', Racing Post, (10 July 2023), <https://www.racingpost.com/news/features/in-focus/the-50-billion-black-market-bookmaker-how-an-illegal-operator-became-one-of-the-worlds-biggest-aCor50U3LV1v/>, accessed 25 March 2024.

4 Software as a Service (SaaS) is a software distribution model in which applications are hosted by a provider and made available to customers over the internet, typically on a subscription basis.

5 'Victoria Police calls for changes to sports betting laws as rigged betting goes offshore', Herald Sun, 6 December 2015 (www.heraldsun.com.au/news/2015/12/06/victoria-police-calls-for-changes-to-sports-betting-laws-as-rigged-bets-go-offshore/); accessed 25 March 2024

6 Christy Leung, 'Police seize more than HK\$100 million in illegal betting slips and arrest 71 in cross-border crackdown', South China Morning Post, 4 December 2017 (<https://www.scmp.com/news/hong-kong/law-crime/article/2122816/police-seize-more-hk100-million-illegal-betting-slips-and>); accessed 25 March 2024

7 魯嘉裕, '粵港兩地打擊非法收外圍波馬集團 檢逾億元投注紀錄及賭款拘 71 人', 香港 01, (04 December 2017),

<https://www.hk01.com/%E7%A4%BE%E6%9C%83%E6%96%B0%E8%81%9E/138690/%E7%B2%B5%E6%B8%AF%E5%85%A9%E5%9C%B0%E6%89%93%E6%93%8A%E9%9D%9E%E6%B3%95%E6%94%B6%E5%A4%96%E5%9C%8D%E6%B3%A2%E9%A6%AC%E9%9B%86%E5%9C%98-%E6%AA%A2%E9%80%BE%E5%84%84%E5%85%83%E6%8A%95%E6%B3%A8%E7%B4%80%E9%8C%84%E5%8F%8A%E8%B3%AD%E6%AC%BE%E6%8B%9871%E4%BA%BA>, accessed 25 March 2024.

8 L Moodie, Organized Crime Section. Illegal Gambling, Paper presented at the Gambling, Law Enforcement Systems Issues Conference, University of Alberta, Edmonton, March 8 2002. As cited in Banks, Gambling Crime and Society, 2017

9 Christian Kalb and Pim Verschuuren, Institut de Relations Internationales et Strategiques, Money Laundering: the Latest Threat to Sports Betting?, IRIS Editions 2013

Education, education, education: the Importance of Training in Combatting Illegal Betting

By Brent Fisher, ARF Council Member and General Manager, Investigations & Intelligence, Racing Victoria

The primary reason why the ARF Council researches the illegal betting industry is because it is one of the main threats to the integrity of horse racing (and other sports). Illegal betting undermines fair competition and the credibility of sporting outcomes and can cause irreparable damage to racing, the careers of those involved, and the trust of fans worldwide. Illegal betting and integrity are thus inextricably linked.

As regulators and sporting bodies strive to maintain the integrity and purity of sports, the education of those charged with overseeing these standards becomes crucial. In Victoria, Australia, there is a concerted effort to enhance the capabilities of stewards and integrity officials employed within the thoroughbred, harness and greyhound racing industries through specialised training programs. The following article explores the innovative educational measures implemented in Victoria to empower these officials with the knowledge and tools necessary to combat the challenges posed by illegal betting and other integrity threats. This proactive approach not only aims to thwart immediate threats but also prepares these guardians to anticipate and respond effectively to future challenges in sports integrity.

Introduction

The global focus and increased oversight of racing has heightened the need for racing integrity units worldwide to identify, combat and respond to various integrity risks/threats.

In the battle to ensure an ongoing “level playing field”, education is one of the greatest weapons, which can assist regulators and provide insights needed to outsmart those who seek to undermine the integrity of racing. Education and increased knowledge can have the ability to transform regulators into proactive integrity guardians.

In August 2019, the Victorian government introduced the Victorian Racing Integrity Board (VRIB), an independent cross-code integrity board that oversees the delivery of integrity functions by Racing Victoria, Greyhound Racing Victoria, and Harness Racing Victoria (the three racing codes in Victoria, VRI).

The Board was established to enhance the VRI’s integrity framework and ensure racing integrity in Victoria is subject to an independent and transparent system of checks and balances.

During the 2021/2022 calendar years, the VRIB and three Victorian racing codes, as well as other key stakeholders, set about the development and the upskilling and education of integrity officials within the VRI.

Two courses - a Racing Industry Professional Staff Development Program and a Graduate Certificate in Sports Integrity were developed, and Victoria University commenced delivery of these courses from May to September 2023.

The Racing Industry Professional Staff Development Program was primarily designed for less experienced integrity officials in the Victorian racing industry, with one to five years' experience, and consisted of modules including health and safety, conflict management, working with others and team leadership.

The Graduate Certificate in Sports Integrity was focused at more experienced personnel, with 5–20 years' experience, and covered topics such as Data Management in Sport; Sport Integrity and Ethics; Strategic Planning and Management for Sport Business and Managing Investigations in the Sporting Industry.

Learning outcomes of this post-graduate level course included:

- increased understanding and advanced knowledge utilising cross-disciplinary recognition to analyse illegal, corrupt and anti-social behaviour on the field of sport integrity;
- exhibit the application of legal and ethical principles to decision making processes when dealing with integrity issues in sport; and
- design and justify strategic initiatives involving structural, cultural, and operational change enabling sporting enterprises to adopt practices which focus on integrity and use it as a tool for creating additional public perceived value.

Case Study Approach

The focus of both courses is that they are based on a practical case study approach. Real-life examples of matters that ended in either tribunal or court proceedings are discussed in a 360-degree manner – beginning with the intelligence (human or other sources) that prompted an investigation; the investigation techniques and protocols used; how the materials produced as a result of the investigation process are then collated into a brief of evidence in preparation for a tribunal or court hearing; the prosecutorial process determining whether the matter should proceed (e.g., is there a reasonable prospect of conviction based on the presented evidence and is the matter one worth pursuing in the interests of racing); and then a deliberation of the tribunal or court determination both in terms of liability and penalty.

The case study approach is important because it engages the students in active learning, allowing them to share their practical experiences and learn from others. It can involve participant-led presentations, exercises, role plays, debates, and guest speakers. The case study approach also enlivens the foundational, and informational or academic lectures and gives better context to the accompanying readings and assessments, incorporating additional readings or multimedia.

Conclusion

With the increased focus on the governance and accountability of racing, a well-educated integrity official is the first line of defence against any attempt to erosion of the spirit of racing. The challenge for integrity officials in the modern era to regulate and govern the sport of racing, presents itself with many obstacles.

Though technology has assisted the role of integrity officials over many years, such as increased cameras at race meetings for race-day stewards and through the development of various platforms which lead to increased efficiencies and reduction of errors (equine swabbing and wagering monitoring, for example), it also presents new challenges for integrity officials, with the ongoing development and demand for encrypted software and technology which can inhibit investigation.

Such challenges need to be met (in part) through the ongoing upskilling and education of integrity officials to ensure they have the capability and the skillset required to adequately address the present scenario, but also to ensure they can address emerging issues and threats to the racing industry.

The courses undertaken and successfully completed by integrity officials across the three codes in Victoria during 2023 lay a foundation for these officials to be more confident and informed to adequately address current issues, and emerging trends and risks, which seek to undermine the integrity of racing and developing pathway for career racing integrity officials.

In my view, as guardians of integrity, we recognise and acknowledge that education is not a destination, but an ongoing continuous journey, propelling us forward in our mission to preserve the essence of racing not only now, but also for the future.

Regulating the Legal Market and Preventing Illegal Betting

By Martin Purbrick, Chairman, ARF Council on Anti-Illegal Betting and Related Financial Crime

As sports betting continues to globalise, it becomes harder for consumers to differentiate between online legal and illegal betting and also more difficult for gambling regulators to understand the silent encroachment of illegal betting operators in their local market. Illegal betting operators increasingly purchase licences in jurisdictions that do not confer legality beyond that jurisdiction, creating a grey area for consumers who see them only as an online betting operator.

The global nature of online betting has made it difficult to clearly define what constitutes illegal betting. This ambiguity is exploited by illegal betting operators who claim to be ‘licensed betting operators’ because they have purchased licences from certain jurisdictions which specialise as offshore licensing havens. However, these licences provide zero legality in the jurisdictions in which these betting operators take bets. The widespread misconception among consumers that offshore online betting operators with a licence in a jurisdiction other than where they are located are legal has further compounded the issue.

In all developed countries where there is a modern Internet infrastructure, consumers have open access to the huge global range of online Internet based betting and gambling websites which the ARF Council has highlighted as involving a large amount of unlicensed (and usually illegal at the point of sale) betting operators, many operated by major organised crime groups particularly in Asia.

The ARF Council's analysis in the [‘State of Illegal Betting’](#) report in 2022 found that of 534 betting websites examined, less than 40% (207) were classified as Licensed and Regulated. The majority of websites examined are thus effectively illegal in most countries, being either Unlicensed and Unregulated or Licensed but Under-regulated.

ARF Council analysis and reporting has concluded that consumers are generally attracted to these online illegal betting markets because of price (better odds), product (more bet types), and customer experience (ease of access and use). This has led to the growth of online illegal betting with a growing number of consumers going to online illegal betting operators, but a challenge is measuring this.

Consumer access to illegal betting is not immediately measurable, largely because online betting customers do not respond honestly to survey questions that ask if they have taken part in an illicit or illegal activity. So we know from the ARF Council analysis and reporting that the illegal betting (and organised crime) problem is huge, but we have difficulty knowing exactly how many consumers from specific countries bet in these markets. This difficulty with measurement is causing gambling regulators to lag behind international developments in betting and gambling markets as they lack insight into the rapid changes.

Regulators focus on legal markets and licensed operators

Gambling regulators inevitably focus largely on licensed legal betting operators in their own jurisdiction, and consequently often have limited or no insight into how illicit and illegal markets are changing. This lack of insight is heightened as illegal betting operators have been expanding in offshore locations where they are beyond the reach and often even the visibility of the authorities.

ARF Council research has shown how large numbers of online illegal betting operators have gravitated to offshore licensing regimes, in particular in Curacao, Malta, and the Philippines (see the '[State of Illegal Betting](#)'). In addition, large number of online illegal operators have expanded their operating bases across South East Asia in Cambodia, Laos, and Myanmar. The former have licences somewhere and the latter have no licence anywhere, but both groups of operators do not have gambling licences at the point of sale where the transaction with the consumer takes place, which is where the activity becomes illegal.

If an online betting operator does not have a licence in the country where they accept bets from consumers (i.e. at the point of consumption) then this is usually a criminal offence under the local gambling laws. However, there is far too often no apparent enforcement action by gambling regulators against offshore online unlicensed betting operators and also no major commentary from regulators regarding the problem. This issue stems from a lack of insight by gambling regulators into illegal betting markets and operators, which must change if they are to effectively regulate gambling that impacts and harms consumers in their local market.

Regulators not understanding illegal markets

The lack of regulator insight into illegal betting markets is illustrated by the use of 'white label licensing' in some developed countries. White label betting websites have had a major role in the growth of illegal betting markets.

A complete 'white label' is when a whole website and licence is provided by a third-party B2B company. The supplier provides all of the technology, while the operator's role is limited to branding and marketing and recruiting bettors. White-label websites are somewhat analogous to franchises, with minimal capital outlay required by the operator, but a large proportion of turnover funnelled upstream to the supplier/franchiser.

The white-labeller's website content, including odds and trading management, is thus provided to tens or more other betting operators, allowing them to display their markets – and also in the case of white-label betting exchanges, to channel bets from customers in illegal markets into the wider 'regulated' exchange, a key integrity risk.

White-label providers enable would-be betting operators to set up a betting website in weeks with almost zero technical or bookmaking expertise. But the high fees mean that a constant stream of new losing bettors must be found. This low-outlay, high-overhead cost structure is thus one reason for the proliferation of online illegal betting websites which rapidly come and go, and for the aggressive marketing of such websites via social media and other platforms.

Silent encroachment of illegal betting to displace legal markets

In addition, many countries allow offshore online betting operators, most from Asia, to advertise at sports events, especially football, in their local jurisdiction despite the operators not being licensed in that country. By advertising in jurisdictions where gambling is legal, Asia-facing gambling operators are blurring the lines between ‘legal’ and ‘illegal’ gambling.

If online betting operators from one region advertise in a country where they do not possess a licence to accept bets, then they blur the lines between legal and illegal for consumers. In the jurisdiction where the advertising takes place consumers will have a misplaced view of the credibility a company brand about which they know nothing about. In the jurisdiction where the advertising is directed, for instance consumers in Asia watching sports competitions in Europe where Asian betting operators advertise, there is also a perceived legitimacy from seeing the brand on television. But this advertising does not confer legality, which only comes from a gambling licence in the jurisdiction where bets are accepted.

This practice is a silent encroachment of illegal betting operators in markets where they are not licensed. The websites of these “Asia-facing operators” are freely available to all consumers, who are part of a globalised online market. It is disingenuous to suggest that these online betting operators are not available in the country where they advertise but are not licensed if they geo-locate consumers, because VPNs are freely available and can easily circumvent these supposed restrictions.

Increased impact of gambling harm from illegal betting

There is currently a critical public debate regarding how over-regulation of legal licensed betting operators may drive consumers to access the online illegal betting market. It is essential for the protection of consumers that gambling regulators recognise this debate and engage with stakeholders to better understand the issue of illegal betting.

Affordability checks imposed on betting operators by gambling regulators are an example of what is likely to be self-defeating and will inevitably lead to greater long-term levels of gambling harm to consumers. This is because the imposition of these checks directly impacts ease of use of online legal betting by consumers, which is a factor to drive them to online illegal betting websites where there are no checks on customer affordability or often even identity.

Because online illegal betting operators are not subject to any licensing conditions and regulation, there is immediate potential for far greater levels of gambling harm. Consumers experience debt from borrowing to fund betting with illegal betting operators, which is a vicious cycle as criminals are often those lending money at extremely high interest rates to fund continued gambling with the illegal market. This is the prospect facing many developed markets as affordability checks on legal licensed betting operators will inevitably drive consumers to the illegal markets.

Gambling regulators should consider the long-term impact of continually adding regulatory conditions to the legal betting market, when worse negative social impacts can come from illegal and illicit gambling channels. This has not been well considered by many gambling regulators, which are usually focussed on what they know - licensed betting operators. It is important for gambling regulators to better assess social harm from gambling in parts of the market that it does not know, which is online offshore illegal betting operators.