

## **Gambling-led Corruption in International Sport: an Australian Perspective**

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### **Overview**

In 2011, the President of the International Olympic Committee, Jacque Rogge, identified gambling-related corruption as the biggest single threat to the integrity of international sport. Recent events have highlighted that Australian sport is not immune from such corruptive behaviour. Moreover, the threat posed is not confined to sport. By utilising online gambling platforms, recognised international crime syndicates have the capacity to launder money and to engage in assorted secondary criminality of a financial nature including identity theft, economic conspiracy and fraud.

Against this backdrop, the Australian Research Council's (ARC) Centre of Excellence in Policing and Security (CEPS) co-ordinated and hosted a one-day workshop in July 2011 with partner organisations, sports bodies and researchers to discuss the following: the vulnerability of sport to betting-led corruption; risk management and preventative measures currently in place in Australian and international sport; and future resilience enhancement mechanisms that could be applied through the sports industry. Further, an objective of the workshop was to identify and agree areas where academic research could strengthen the understanding and expertise on sport's vulnerability to gambling-led corruption and how that could inform a coordinated and more effective response by sport and relevant government agencies in an effort both to underpin the integrity of sports events and undermine the illicit, online behaviour of criminal syndicates. What follows is a thematic (and updated) review of the workshop's deliberations including the author's keynote address.<sup>1</sup>

### **Historical overview and context**

Two brief historical and contextual points need to be highlighted on the topic of gambling-led corruption in sport.

First, cheating in, and the fixing of, sports events have a history that is almost as old as organised sport. Modern sports organisations have developed quite sophisticated, if largely private, self-regulatory mechanisms in identifying cheats and fixers. In particular, the manner in which international sport, as directed by the World Anti-Doping Agency, monitors, internally prosecutes and sanctions those who take prohibited performance enhancing drugs is instructive as to how sport might deal with the integrity threat posed by illicit, online gambling and match-fixing. In addition, the relationship between gambling and sport is long in history. The manner in which the oldest organised professional sport, the horse racing industry, monitors, internally

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<sup>1</sup> The workshop, held at the Queensland Cricketers Club on 27 July 2011 was entitled "Combating Serious Crime and Corruption in Sport: International and Comparative Perspectives". For further details on both the work of CEPS and this workshop, including an accompanying briefing paper (Issue 6, Nov 2011) see [www.ceps.edu.au/about/publications](http://www.ceps.edu.au/about/publications). The author thanks CEPS Director, Professor Simon Bronitt for his support with this project.

prosecutes and sanctions those associated with gambling-inspired corruption is again highly instructive as to how sport deals with betting-led conspiracies.<sup>2</sup>

This institutional history notwithstanding, it is the combination of cheating and betting in sport, based on inside information supplied by officials or players and placed upon online and offshore gambling platforms, that poses a significant integrity threat to modern sport and also reveals certain regulatory vulnerabilities within international sport to such activities such that certain sports betting platforms are being used as a conduit for transnational financial crimes, cross border money laundering and associated economic criminality or fraud.

The second contextual point lies in an explanation of the meaning of an “integrity” threat. Borrowing from the Australian Sport Commission’s definition of the “Essence of Australian Sport, integrity in competitive sport has four essential elements: fairness; respect; responsibility; and safety.<sup>3</sup> Put simply, integrity in this regard concerns a respect for the core values of fair and open competition in the game or event in question. In the context of modern professional sport, however, integrity has, for sports governing bodies, a meaning that extends beyond the playing field and is related to modern sport’s business model and branding.

Taking Australia’s leading sports as an example, revenue streams – gate receipts, associated merchandising, sponsorship and, crucially, TV and media rights deals – in the world’s leading sports leagues remain relatively robust with the primary financial stability threat tending to be internal (in the form of spiralling player wages) rather than external (in the form of the global economic downturn). Nevertheless, sports governing bodies across the world are acutely aware that professional sport’s business model is based fundamentally on an implied contract of trust and confidence with its spectators and sponsors. That contract or bond is predicated on supporters and sponsors believing in the “controlled unpredictability” of what occurs on the sport field. Accordingly, if that trust is undermined because, for instance, supporters and sponsors suspected that players’ actions are motivated for nefarious reasons, then consumers and sponsors will quickly move their money elsewhere and thus destabilise that sport’s financial viability. In this, leading sports governing bodies are aware that in today’s highly competitive sports market (again epitomised by the various codes in Australia) there are a number of alternatives for this support and money.

In sum, it is the credibility or integrity of the brand that is of the utmost importance to sports bodies and thus the associated anxiety of leading sports bodies, as led by the IOC, with the issue at hand. Analogies abound from the world of sport about the corrosive impact that (lack of) integrity issues can have on a sport’s brand and goodwill and, as a corollary, on the difficulties a sport can have in trying to regain that trust and confidence of supporters and sponsors. The regulatory corruption that has led to the demise of professional boxing as a mainstream sport is noteworthy. The allegations of corruption surrounding the administration of the Indian Premier League have seen turnover figures for that cricket tournament decline markedly in the last

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<sup>2</sup> For an interesting Australian example of this, see *Glesson Review of Sports Betting Regulation in the State of Victoria* (2011); available through [www.justice.vic.gov.au](http://www.justice.vic.gov.au).

<sup>3</sup> [www.ausport.gov.au/about/essence\\_of\\_sport](http://www.ausport.gov.au/about/essence_of_sport).

year. The reputational difficulties that athletics and professional cycling have with regard to doping continue, despite recent progress in cleaning up the sports in question.

Applying this to gambling, the integrity threat emerges where doubts or suspicions arise about, for example, an unusually slow run rate in cricket or a high number of dropped balls in the field; a decision by a player to take a tap rather than a kick at goal in rugby; a tennis or snooker result that is at odds with the form or ranking of those involved; idiosyncratic positional moves by a coach; or the inconsistent decision-making of a referee during the course of a game. Although all of the above may be underpinned by perfectly rationale explanations, recent gambling related events illustrate that on occasion certain happenings on the pitch may be underpinned by a more sinister rationale or, at the very least, attract the suspicion of betting-led conspiracy.

### **Betting + Sport = Corruption?**

Does the close relationship between betting and/on sport lend itself to corruption? The answer to this question is no, not necessarily so, and certainly not always. Nevertheless, and drawing from five brief case studies of examples of betting corruption (from international cricket, European soccer, major league sport in the United States and Australian sport); identifiable patterns begin to emerge. These common features, which have also been referred to in other research – notably the research commissioned by the EU Sports Platform, *Examination of Threats to the Integrity of Sport* (2010) – can assist sports governing bodies both in identifying and isolating their regulatory vulnerabilities to the threat and in instigating preventative and investigative mechanisms to address the problem.<sup>4</sup>

### **Case Studies**

#### *Case Study A: NBA, United States*

Tim Donaghy was a referee in the National Basketball Association from the mid 1990s until his resignation in 2007. His resignation related to a FBI investigation into allegations that Donaghy gambled on games that he had officiated and made decisions affecting the point spread in those games, so as to facilitate spread-betting patterns on the games. In July 2008, Donaghy was sentenced to 15 months in federal prison on charges relating to the investigation.<sup>5</sup>

#### *Case Study B: Rugby League, Australia*

Two minutes into a NRL game between the North Queensland Cowboys and the Canterbury Bulldogs in August 2010, the Bulldog's Ryan Tandy was penalised for a delaying offence. Ordinarily, the Cowboys would have taken a kick at goal but elected to tap the ball and eventually scored a try. Irregular betting patterns involving significant amounts of money were identified by betting operators on a Cowboys' penalty goal to be the first scoring play. An investigation by the NSW Casino and Racing Investigation Unit has led to four arrests including Ryan Tandy and his agent.

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<sup>4</sup> EU Sports Platform, *Examination of Threats to the Integrity of Sport* (2010); available through [www.eusportsplatform.eu](http://www.eusportsplatform.eu).

<sup>5</sup> See also CAS 2010/A/2172 *Oleg Oriekhov v UEFA*.

The charges were based on economic conspiracy and obtaining money by deception and, in the player's case, relate to providing false and misleading information to a parallel investigation by the NSW Crime Commission. In December 2011, Tandy was found guilty on the "knowingly providing false evidence" charge and received a six month, non custodial sentence.

*Case Study C: Rules Football, Australia*

In July 2011, Heath Shaw a player with leading AFL club Collingwood was suspended for eight matches and fined Aus\$20,000 after being involved in a betting scandal also involving Collingwood captain Nick Maxwell. Shaw and a friend bet Aus\$10 each on Maxwell kicking the first goal of a league game against Adelaide, knowing that Maxwell was to start the game not in his usual position but in the forward line. Shaw also passed the information to friends who also laid a series of minor bets. Maxwell was fined Aus \$5,000. Three members of Maxwell's close family also placed bets. There was evidence that betting odds in the markets on Maxwell scoring came in from 100-1 for the first goal to 25-1.

*Case Study D: Cricket, International*

In October 2011, three Pakistan cricketers and their agent faced trial in London on charges relating to economic conspiracy, accepting corrupt payments and cheating at gambling. The charges emanated from accusations that the players received money for deliberately bowling no-balls at pre-determined times during a Test match against England in August 2010. They received custodial sentences.<sup>6</sup> An International Cricket Council anti-corruption investigation had previously imposed lengthy playing sanctions on the players in February 2011. That decision has since been appealed to the Court of Arbitration for Sport.

*Case Study E: Football, Finland*

In June 2011, nine players from Zambia and Georgia, and a Singaporean man accused of bribing them, went on trial in Finland in a match-fixing investigation into that country's football league. The players were charged with accepting bribes of up to Aus\$70,000 to influence the outcome of matches. A series of other bribery related scandals involving individual players and the suspension of a leading Finnish club, Tampere United, for an unexplained amount of Aus\$400,000 on its balance sheet from a Singaporean company, has led to an investigation into the league by the Finnish authorities, as well as a Court of Arbitration of Sport hearing into Tampere's breach of FIFA's regulations on third party investment in clubs.

## **Identifiable Patterns**

### 1. Evolving sophistication of the betting market

Traditional forms of gambling fixes, for example, a boxer taking a dive or the nobbling of the favourite in a horse race, appear somewhat quaint to the contemporary eye. In the horse racing example, for instance, the fix had to be quite elaborate: the horse in question had to be "got at" physically; the money placed on laying the favourite or backing another horse or both had to be put on in a conspiratorial manner so as not to attract the suspicions of an irregular betting pattern by the relatively small

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<sup>6</sup> *R v Amir & Anor* [2011] EWCA Crim 2914.

and highly risk aware bookmaker community; and finally the fix had to come off in the sense that the favourite duly had to lose.

Contrast this with today's online betting environment. The where, when and what a gambler can bet on is virtually unlimited. Wireless and telecommunication developments mean that a punter can, and on various multimedia platforms, bet incessantly and do so from home or in the pub or at the event itself. This flexibility and anonymity lends itself to betting conspiracies. Moreover, while in the traditional form of betting, the punter gambled on the final outcome of the event i.e., who might or might not win, the various different in-play forms of betting now available mean that punters can engage in bets on much more defined aspects of the game itself such as spot-bets or spread-betting.

It follows, and as illustrated variously by case studies B, C and D above and building on the investigations of Declan Hill and others, that if a third party can convince a player to do something particular at a specific time in a game, which need not necessarily impact on its final outcome (and thus cause no great moral hesitancy for the player), this inside information can be used to the advantage of that third party on betting exchanges.<sup>7</sup> Again it must be stressed that, although bets of the kind outlined appear somewhat "exotic" in nature, a quick perusal of online betting exchanges and spread betting facilities illustrates that the combination and category of bets available to the modern punter are bewilderingly broad. Put simply, no matter how exotic a bet appears, there is nearly always a market online for the punter's money.

## 2. Vulnerable players

Player education and awareness, as supplemented by strict sanctioning, is a central preventative measure in dealing with this activity. Players are sometimes unaware that seemingly innocuous information, such as positional or tactical changes for a forthcoming game, may be used to the betting advantage of third parties.

Players also need to be educated as to the undue influence that might be placed on them for such information be it through a commercial agent or their wider social entourage. Matters such as the profiling of vulnerable players (such as those from countries where corruption is a facet of everyday life) and the regulation of sports agents is of importance here, as is – and as illustrated by case study E above – the proper regulation of and financial accountability for, the entry of private equity into sport and particularly on the ownership of individual clubs.

Elite players in well-paid leagues, for example the English Premier League, are unlikely to be targeted in this regard, unless they have a gambling problem or related debts. These players are well paid but players further down the leagues and into the semi-professional leagues may be more susceptible. Further, note that in a league that has salary caps where, although leading players are well paid, the remainder of the roster may not be, the resulting inequality might heighten the vulnerability of the latter to illicit betting approaches.

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<sup>7</sup> Declan Hill, *The Fix*, McClelland & Stewart, 2008 and <http://www.howtofixasoccergame.com/>

### 3. Vulnerable games

Sports that attract high betting volumes, such as football, may be targeted by illicit betting syndicates in an attempt to hide otherwise irregular betting patterns in the general weight of money bet on the particular game or event.

Episodic games, such as tennis or snooker, where an individual player can exert a significant amount of control over whether a set or frame is won or, more likely, lost, have been known to have resulted in betting-related conspiracies.

Similarly, games where there is little at stake, for example, so-called “dead rubbers” or games between teams who are untroubled by the play-offs but safe from relegation, can be vulnerable.

### 4. Referees

As case example A above shows, a referee can control the point spread in a high scoring game and thus aid those who bet on spread-betting or points handicap betting markets. In a relatively low-scoring game, such as football, one decision (the award of a penalty kick) can decide or materially change the outcome of a game – and there have been celebrated examples of this in, for instance, football in Germany in 2005, which led to a large scale review of match-fixing in that sport.

Overall, in games as diverse as cricket, rugby and boxing how the referee “calls” a game can be of the utmost importance and therefore protecting referees who, in professional sport are usually the least paid person on the pitch, is critical.

### 5. Poor regulatory ethos

Where a sport’s central governing authority is weak or sets a poor example, this may lessen the impact that its integrity regulations have on participants and even, in a gambling sense, open that organisation to targeting by criminal syndicates. Writing in the *New York Times* in July 2011, the Secretary General of Interpol, Ronald K Noble, noting that corruption in international football is “widespread”, argued that a central problem in addressing the problem was that “public confidence in FIFA’s ability to police itself is at its lowest.” In August 2011, Transparency International published a document entitled “Safe Hands: Building Integrity and Transparency at FIFA” in which it sets out an “integrity audit” agenda for FIFA.<sup>8</sup> The recommendations include the creation of a multi-stakeholder group, an independent investigation of the past and a zero tolerance policy of bribery.

Similarly, in a recent review of corruption in Britain by Transparency International (UK), a survey ranked sport as the second most corrupt sector in British society – political parties were ranked first; parliament third.<sup>9</sup>

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<sup>8</sup> Transparency International, *Safe Hands: Building Integrity and Transparency at FIFA* (2011); available through [www.transparency.org](http://www.transparency.org).

<sup>9</sup> Transparency International UK, *Corruption in the UK* (2011); available through [www.transparency.org.uk](http://www.transparency.org.uk).

Sports bodies also have to reconcile their integrity anxiety relating to gambling with the heavy amounts of sponsorship accepted by such bodies from online betting companies. In addition, there may be a potential conflict of interest in a betting company sponsoring a club or league on which it takes bets.<sup>10</sup>

### **What can sports bodies do?**

The answer here is that many sports organisations at national and international level are, in light of this integrity threat, already implementing quite sophisticated risk assessment strategies. Many of these strategies are based on those first established in the horse racing industry and typically combine programmes that have three central elements: education, investigation and sanctioning.

Dedicated player education programmes; codes of conduct; moral clauses in player contracts; anti-corruption compliance and investigative units; and lengthy sanctions are essential to the anti-corruption policy of any leading sports governing body. In Australia's highly regulated horse racing industry, requirements that jockeys do not bet, statute-based investigative units and lengthy sanctions, epitomised by the "warning-off" penalty, are well established, as is the fact that administrators within racing's integrity units provided specialised advice, and even personnel experienced in compliance matters, to other sports.

The horse racing industry was also among the first to reach out to the licensed betting operators, entering into memorandums of understanding with them so that both early warning could be provided on a potential race-fix and further investigation facilitated.

The mutual benefits of this relationship remain central to the effective policing of match-fixing in all sports. As was seen to good effect in the Ryan Tandy case study outlined earlier, where substantial bets are taken on unusual, exotic bets, this can alert the receiving operator and that information can be passed onto the rest of the betting community and to the sports authorities in question.

It is in the licensed betting operators' interest that their industry is not taken advantage of by match-fixers, as much as it is in the interest of sport itself.

The twofold approach of education and prevention has been adopted by football's international governing body. This year, FIFA presented Interpol at its Singapore base with Aus\$30 million to establish a training centre for education and preventative programmes for key stakeholders and officials in sport in the region as well as national law enforcement agencies. FIFA also has continued to develop its relationship with the European Sports Security Agency, which is an informational conglomeration of most of the leading online sports betting providers and which presents FIFA with research and early warning on matches that are revealing unusual betting patterns.

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<sup>10</sup> See the comments at Case C-42/07 *Liga Portuguesa de Futebol* [2009] ECR I-7633, para 71.

## **Implications beyond sport**

The problems associated with sports betting have implications beyond the industry.

The transnational criminal law aspects to this issue were summarised by an Australian Crime Commission (ACC) submission to the Australian Parliament's Joint Select Committee into Gambling Reform on 23 June 2011: "Online gambling is an identified money laundering risk and increasingly is also acknowledged as a risk for revenue and taxation fraud."

Although, it appears that the ACC is satisfied that the threat to Australian sport is not yet systemic, nevertheless, individual participants may be at risk. Associating with a local sports star sometimes provides a medium for criminal elements to enhance their social, community and business status and thus engender them with an air of legitimacy. Further, as online betting in Australia grows rapidly – from an industry worth a little over Aus\$100million in the mid-1990s to one that is projected to reach Aus\$3billion by the end of this decade – the systemic risks increase, as aggravated by the online nature of the industry.

As with any financial service offered online, the danger is that at the margins of the industry, it can be difficult to police and regulate effectively, if at all, given the offshore, relatively anonymous nature of such activity and the huge resources needed to trace money flows through various identity theft and customer identification traps.

Furthermore, in a recent review by the Paris-based Financial Action Task Force on money laundering in the football sector, it is also of interest that FATF highlighted that in order to facilitate such activities international crime syndicates were establishing their own online gambling platforms on which to take a wide variety of bets.<sup>11</sup>

Unlicensed betting operators operating online and offshore have caused problems for the proper regulation of the industry in the UK, EU and United States and in Australia breaches of the Interactive Gambling Act (Cth) 2001 have been brought to the attention of the Australian Federal Police with increasing recent frequency.

## **What are governments doing?**

In 2011, the federal Minister for Sport in Australia, and his state and territory counterparts, had various meetings and correspondence with Malcolm Speed, the former chief executive of the ICC and now chairman of the Coalition of major Professional and Participation Sports, a union of chief executives from the AFL, NL, ARU, Cricket Australia, Tennis Australia and Netball. The policy that has emerged from this initiative is based largely on the model that exists in Britain and in the state of Victoria. It is four fold in nature.

- The adoption of codes of conduct by sports;

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<sup>11</sup> Financial Action Task Force, *Money Laundering through the Football Sector* (2009); available through [www.fatf-gafi.org](http://www.fatf-gafi.org)

- The possibility that federal funding of sports would be made contingent on sports bodies implementing appropriate anti-corruption policies and practices;
- That legal and licensing arrangements would be developed between betting companies and sports bodies that include obligations to share information and veto bets, as overseen administratively by a newly established National Integrity of Sport Unit;
- That agreement would be pursued on achieving nationally consistent legislative arrangements and specifically with regard to a criminal offence of cheating at gambling, which would assist in targeting those involved in such conspiracies but who do not come within the regulatory remit of a sports body.
- A commitment on behalf of all parties to continue to pursue an international solution and further international co-operation in the area.

The policy is welcome and correct, though it is a very early stage in its development. Moreover, problems can be envisaged in terms of obtaining, for example, a commonwealth consensus on the legislative framework.<sup>12</sup> Three further points are noteworthy about the proposal.

First, central to the policy will be the operation and funding of the National Integrity of Sport Unit (NISU). A NISU-type body would likely be quite resource intensive, requiring a diverse body of expert personnel from law enforcement agencies (economic crime units) and those with experience in sports administration (compliance units) and the betting industry (integrity units). A long-term, stable funding model would be central to NISU's credibility. One suggestion under consideration is that sports bodies are given the right to exploit betting rights to their sport and part of the revenue raised by sports bodies from the betting companies in this regard would then be siphoned off to underwrite NISU.

The operation of NISU would also have to be premised on full cooperation from betting companies, in terms of supplying information on irregular betting patterns, and it would also have to have certain accountability mechanisms imposed on sports bodies to ensure that the information supplied to them by NISU would always be properly and pursued, irrespective of the consequences that might have for the sport in question. Without full compliance (from the betting industry) and accountability (from the sports industry) it is unlikely that law enforcement agencies such as the Australian Crime Commission would feel comfortable in, or be permitted to, supply any sensitive data or information that they might have, and thus the effectiveness of any putative NISU would be limited.

Second, ultimately the solution to this problem lies in greater international cooperation between sports bodies and law enforcement agencies. Nevertheless, it is

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<sup>12</sup> Each state or territory has its own perspective on the problem and in New South Wales, for instance, see NSW Law Reform Commission, *Consultation Paper on Cheating at Gambling* (CP12, 2011); available through [www.lawlink.nsw.gov.au/lrc](http://www.lawlink.nsw.gov.au/lrc).

only when a country has its own “house in order” can it contribute materially and with due moral weight to the international debate. In this, the above commonwealth proposals are of the utmost importance and can ensure that Australia plays an influential role in the international resolution of this problem, and even in the formation of a World Anti-Corruption Agency.

Moreover, it must be stressed that countries such as Australia and the UK, where sports industries such as horse-racing are deep-rooted, have an important cultural education role to play in this debate. In many jurisdictions, such as in continental Europe, sports administrators do not have an intuitive or cultural understanding of betting and this may be resulting in leading sports bodies underestimating this integrity threat. In contrast, the integrity threat emanating from drugs in sport is clear to all and thus a settled ethical stance on it among all stakeholders was achievable, as manifested in the World Anti-Doping Agency. The ethical stance towards, even the understanding of, gambling is not so clear with the added problem that in many of the jurisdictions where the threat originates (such as in India or South East Asia) betting is largely illegal and unregulated and thus it is harder and politically sensitive to convince authorities that this is a matter that should be pursued or is even a threat in the first place.

In sum, Australia can play a critical advocacy role in this debate on the dangers of unregulated betting in sport.

## **Conclusion**

Finally, a recent review of corruption in UK sport by Transparency International highlighted three common risk factors, also alluded to in this briefing paper – the problem of self-regulation, the difficulty of regulating against international corruption, and links with organised crime. It is of interest that even in the UK where the matter of corruption and crime in sport appears to be well-regulated, and a sports betting integrity unit is already in operation, Transparency International nevertheless recommended “a full independent enquiry into corruption in UK sport commissioned by the UK governing bodies of major sports, with a view to setting up a coordinated response to corruption across all UK sports.”

Building on that, academic researchers would in the medium term be well placed to carry out a similar study in Australia and elsewhere with a view to assessing sport’s vulnerability to gambling-led corruption and informing a coordinated and more effective response by sport and relevant government agencies in an effort both to underpin the integrity of sports events and undermine the illicit, online behaviour of criminal syndicates.