

Referral response 18Li12693, suggested provisions and general advice regarding certain forms of betting to counter manipulation of sports results and reporting of suspected manipulation

To begin with, BOS would like to express its gratitude to the Swedish Gambling Authority for an inclusive process. Letting actors from the gambling industry be heard in the production of provisions is crucial, and we have very much appreciated taking part in the reference group meetings along the way.

However, the four weeks given for a referral response were not enough to properly analyse and respond to the suggested provisions. These provisions affect an international gambling market. Before any conclusions can be drawn, all actors need enough time to translate and consider the implications carefully. We were not given that opportunity.

BOS' general position concerning restrictions on betting

BOS' general position on betting restrictions is that all restrictions strengthen match fixing. Limiting the offers of licensed actors hampers the ability to counter match fixing for several reasons.

That does not mean BOS is opposed to all kinds of restrictions. We do not believe betting on minors should be allowed. Nor do we believe in allowing betting on events or games that can be perceived as offensive or imprudent should be allowed. However, that these kinds of bets should not be allowed has little to do with the combat against match fixing.

For instance, let's take the example of the far-reaching provision of prohibiting betting on sports events where the majority of the participants are under the age of 18. Such regulation puts the gambling operators in a situation where betting far beyond the 18-year-old limit will be jeopardized. Bets are normally placed long before the game starts, and long before the team has even been decided. Not to mention been

announced to the public or the gambling operators. To demand that the gambling operators never offer bets on events where a majority of participants are under 18, means they will need to ensure a significant margin.

The very regulation meant to protect minors from becoming objects of gambling will instead leave them exposed to betting on the black/grey market. We fear that this could have severe consequences for the upholding of integrity in sports.

The monitoring by licensed operators

Operators with a Swedish license monitor the bets made on their platforms. When an account is created, a proper identity check follows. Thereafter, controls of log-ins, depositions, withdrawals and placed bets are carried out continuously. No cash is allowed, nor is anonymous gambling. Everything is logged. The maximum stakes for betting on individual moments and in lower divisions are strictly limited. Deviating gambling patterns are detected and investigated. Competitors collaborate via the international anti-match fixing cooperation organisation IBIA (International Betting Integrity Association). If there is suspicion of a crime, authorities are notified immediately.

Since licensed operators are victims of match fixing, they have every reason to want to prevent and counter it.

Licensed operators possess unique data of great importance for the authorities in the fight against match fixing. To shut them out is tantamount to blinding oneself.

GDPR and the sharing of data

A single operator cannot have an overview of match fixing as a whole. That is why umbrella organisations like IBIA fills an important function. A gambling operator with a Swedish license that is not connected to the IBIA or other similar organisations is not assuming responsibility in the combat against match fixing. We therefore believe that the SGA and the authorities should consider making the joining of such organisation a mandatory criteria for receiving a license. Another alternative would be to propose a stricter regulatory framework for licensees lacking such membership.

Besides the membership in an international organisation charged with monitoring gambling, we believe that the SGA should create an operative match fixing department. The new department should have the mandate to stop events that are suspected of manipulation. Today there is a match fixing council led by the SGA, involving external actors. However, it lacks an executive mandate. This council is

important but for other reasons. We therefore believe that the authority should create its own department.

Swedish authorities need to act jointly when it comes to the sharing of data to combat crime. The authorities should act together with the gambling industry and sports so that GDPR obstacles can be overcome. Today there is great insecurity regarding which data can be shared between gambling operators, sports actors and the authorities. This only benefits the match fixers.

Channelisation

Prohibiting requested gambling products on the licensed market does not mean they magically disappear. It means the bets move elsewhere. There are plenty of unlicensed operators who are thrilled to accept new customers and bets.

Today, approximately 70 percent of the turnover of one Superettan game comes from Asia.* It is reasonable to assume that a major share of the turnover from football games in higher and lower divisions also originates from countries outside of Sweden.

BOS does not see the point in purposefully moving more of the turnover outside of the license system. Because that will indeed be the effect of prohibiting betting objects within it. We struggle to see how such tactics would counter match fixing. Furthermore, this would lead to a loss in tax revenue as well as lost revenues for licensed operators. If the Swedish license system does not manage to attract gambling customers, the foundation of the regulation will be threatened at its core. Few gambling operators will apply for a license in a market where there are no customers.

Already today the channelisation, i.e. the share of Swedish gamblers who use the services of licensed operators, is under pressure. The latest SGA estimate has the channelisation at 85-87 percent. The Government's target for a sustainable gambling market is 90 percent.

Through the two channelisation estimates from 2019, it is possible to discern a worrisome trend. Any conclusion should however be drawn with caution due to the scant number of estimates. The worry comes from the fact that the first estimate showed a channelisation of 91 percent. It is bad enough that every tenth gambling krona escapes the system, but even worse is that the channelisation appears to keep on diminishing. Not least with regards to match fixing.

Also worth pointing out is that the 85-87 percent figure works as an estimate of the entire competitive gambling market. The market for bets on horse trotting makes up a significant share of the total market. Since gambling on horse trotting is a de facto

* <https://www.dn.se/sport/fofboll/snittspelet-pa-en-superettanmatch-35-miljoner-70-procent-satsas-i-asien/>

monopoly via ATG, one would reasonably assume that that channelisation rate is very high. Probably close to a hundred percent.

Consequently, the channelisation rate for other kinds of gambling (including sports betting) is likely to be much lower than the recent 85-87 percent estimate. Suggesting restrictions that would further limit licensed operators to attract and keep customers is highly inappropriate in this context.

The proposals are not fact based

The SGA wants the suggested provisions to support the fight against match fixing but the evidence backing up their claim is weak. Generally speaking, it is troubling that the arguments made by the authority are not reinforced by facts or evidence. The guiding principle appears to be more of an overall belief in prohibitive measures.

The question that needs to be asked is: why stop here? If the SGA really believes that the prohibitions will counter match fixing, with that being the ultimate motive, then it would be logically difficult to find any arguments against further restrictions.

Gambling on particular match events

Gambling on particular match events (how many goals will X score, will X cause a penalty etc.) makes up a growing share of sports betting. Customers appreciate the versatility of such betting. BOS recognises that the SGA is not suggesting prohibitions on betting on all kinds of match events. However, we are yet to be presented with evidence for the efficiency of these prohibitions. Or, in lack thereof, ethical arguments in favour of the prohibitions.

From an ethical point of view, BOS would like to underline that there is no basis for prohibiting bets on yellow/red cards or which players will cause penalties. Such events are a natural part of the sport.

Effects on popular gambling products

It should be noted that the suggested provisions do not apply to the lion's share of the Swedish betting market. Betting on end results is still the main product. It can appear tempting to restrict products who seemingly have a small effect on the overall channelisation. Such reasoning evades two important circumstances.

First of all, every lost channelisation percentage point is a loss that the license system cannot afford. Niche products like yellow/red cards, penalties and corners contribute positively to the channelisation.

Secondly, the prohibitive measures would steer many customers away from the licensed market and into the unlicensed one. This would have other negative consequences. Gamblers who seek out unlicensed operators to gamble on niche products will find that unlicensed operators offer a complete portfolio, including betting products that are still allowed in Sweden. Since these companies do not pay Swedish taxes they are able to offer highly competitive prices on their gambling products, i.e. pay out higher winnings. They are also free to offer the popular loyalty bonuses that Swedish gambling operators cannot, due to the reregulation. Obviously, unlicensed operators are not bound by these laws and rules concerning consumer protection that apply to licensed operators.

Giving unlicensed operators a monopoly on offering popular niche products equals inviting them into take over major shares of the gambling market at large.

Gambling operators without a Swedish license

Some believe that unlicensed operators cannot compete due to not being trustworthy. However, they are just as eager to offer good customer service as licensed operators. For example, easy and fast payouts of winnings. The argument that unlicensed operators do not stand a chance on a regulated gambling market (because of the lack of customer trust) is simply not true. Especially since unlicensed operators who do not use the Swedish language or currency still accept Swedish customers and are considered to be within the boundaries of the law.

As BOS has already pointed out, the majority of bets placed on the average Superettan game originates in Asia, often through gambling operators uninterested in consumer protection and cooperating with authorities to prevent match fixing.

There are plenty of reasons to question the potential efficacy (with regards to the effort of counter match fixing) of the suggested prohibitive measures. Not least because they target only a small share of betting made on a certain gambling object.

Gambling customers outside of Sweden, including those from other EU countries, are still able to gamble on yellow and red cards in Swedish sports events via their locally licensed gambling companies. The interest shown in Swedish sports events is normally high. One reason being that these are considered relatively uncorrupted. Another reason is that Swedish sporting seasons are somewhat different due to weather.

Betting on Swedish sports events outside of Sweden means that gambling operators have no responsibility whatsoever to cooperate with Swedish authorities regarding suspected match fixing.

Violations of the Gambling Act

With the reregulation of the gambling market, sports manipulation became a crime in Sweden. The reform was very much welcome.

The way the law was formulated, it only applies to bets made within the licensing system. Therefore, the implication made is that manipulating those kinds of events the SGA is prohibiting will be decriminalised. That would be a major blow in the effort against match fixing and organised crime.

Guiding and information

If the SGA chooses to move forward with the suggested provisions, in spite of BOS' recommendations, the need for guidance in interpreting the provisions will be major. History shows that operators are often left in the dark by the SGA regarding interpreting rules of the license system. This has led to significant fees being levied on some operators. International gambling operators are showing doubt in continuing to operate in Sweden long term. The regulatory insecurity is too high. One licensed company has already decided to shut down its Swedish sports portfolio. Guidance cannot be offered in the form of heavy fines. Sanctions should be used and discussed cautiously. And on the note of sanctions, we prefer these levied on profits, not the gross turnover, since the former is money the operator actually has made.

EU notification

If the SGA intends to implement the provisions, we assume that these will be notified to the EU.

Deepened analysis by H2 Gambling Capital

The British analysis firm H2 Gambling Capital was tasked by BOS to study and analyse the effect of the suggested provisions. We hope their study can be used in fact-based discussions on how to counter match fixing. Please find the report attached to this referral response.

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