

CHAPTER 2: GAMBLING POLICY

2.1 This chapter outlines and discusses the current gambling policy and its rationale, the existing gambling laws and authorized forms of gambling activities in Hong Kong.

The Gambling Policy and its Rationale

2.2 Hitherto, the Government policy is to **restrict gambling opportunities to a limited number of controlled authorized gambling outlets only**. The rationale of this policy is two-fold:

(a) The conduct of gambling should be authorized and regulated

2.3 Demand for gambling always exists. It would not be practicable to prohibit gambling altogether; doing so would only result in widespread illegal gambling, hence taxing our law enforcement resources and reducing respect for the law. Neither is it desirable to decriminalize all forms of gambling. Allowing gambling, particularly commercial bookmaking activities, to be conducted in an uncontrolled and unregulated manner will give rise to a host of social problems and provide a lucrative source of income for triad and criminal activities. Thus, a balanced approach is to allow only **authorized** and **regulated** gambling to take place. This approach is adopted by most other jurisdictions, with varying degrees of application in terms of the types and number of authorized outlets.

(b) The number of authorized gambling outlets should be limited

2.4 It is impossible to reconcile the differences in the community's perception towards gambling which is affected by a number of factors including social, cultural, religious and economic considerations. While some people take a more relaxed view towards gambling, there are legitimate concerns about the negative impact of gambling and its proliferation. Thus, a compromise approach is to allow a **limited** number of authorized outlets to exist in Hong Kong. The main purpose of these outlets is to satisfy **substantial and persistent public demand** for gambling which would otherwise turn to unauthorized/illegal operators and give rise to serious social and law and order problems.

2.5 The result of this policy is that there are relatively **few** authorized gambling outlets in Hong Kong, notably horse racing run by the Hong Kong Jockey Club (HKJC) and the Mark Six Lottery by the Hong Kong Lotteries Board (HKLB), as compared with many other jurisdictions.

2.6 The policy has been well accepted by the community. It strikes a balance between the demand for gambling and the concerns about the negative impact of gambling. In addition, authorized gambling outlets serve the important function of combating illegal gambling activities, thereby removing a lucrative source of income of the criminals. Notable examples include the successful eradication of illegal lotteries like Tse Fa by the introduction of the Mark Six in 1975, and the significant reduction in illegal off-course bookmaking on horse racing with the opening of the HKJC off-course betting branches (OCBB) in the mid 1970s.

2.7 The Government's view is that while there may be room for expanding the scope of authorized gambling activities, we believe that the public interest would be best served if the Government stands by its **restricted approach** in considering whether new forms of gambling outlets should be authorized and whether direct or indirect competition should be introduced into Hong Kong's gambling arena. The policy question is whether and under what circumstances new forms of gambling outlets should be authorized.

The Gambling Laws

2.8 Our policy to limit the number of authorized gambling outlets will be successful only if it is underpinned by strict laws prohibiting all unauthorized gambling activities in Hong Kong. The two main pieces of gambling-related legislation in Hong Kong are the Gambling Ordinance (Cap. 148) and Betting Duty Ordinance (BDO) (Cap. 108).

2.9 First drafted in the 1970s, the Gambling Ordinance is the primary legislation setting out what is legal and illegal as far as gambling is concerned. Basically, it stipulates that **all gambling and lotteries are illegal** unless expressly exempted under the Ordinance (mainly gambling on social occasions not promoted by way of trade or business), licensed by the Commissioner of Television and Entertainment Licensing, or authorized by the BDO.

2.10 The BDO, also a product of the 1970s, is the primary vehicle for Government to authorize betting on horse racing and lotteries and tax their turnovers. It also specifies how the betting turnovers on these authorized activities should be distributed. The distribution of the proceeds from Mark Six Lottery and horse racing are set out in Table 2.1 below.

Table 2.1: Distribution of Proceeds from Lottery and Betting on Horse Racing under the BDO

Type of Bet	Lottery	Standard horse racing bets ¹	Exotic horse racing bets ²
Duty	25%	12%	19%
Dividends to winners	54%	>=82.5%	>=76%
Lotteries Fund	15%	Not applicable	Not applicable
HKJC's commission	6%	<=5.5%	<=5%
Total	100%	100%	100%

2.11 All proceeds derived from authorized gambling activities are to cater for public purpose. Betting duty now accounts for about 5% of Government's total revenue (see Table 2.2 below), representing a major source of income to reduce the tax burden on the public.

Table 2.2: Betting Duty Derived from the Mark Six and Horse Racing

Financial Year	Total betting duty derived from the Mark Six Lottery and horse racing	Percentage of betting duty over Government's total revenue
1995/1996	\$11,051 million	7.21%
1996/1997	\$12,191 million	7.01%
1997/1998	\$13,453 million	4.89%
1998/1999	\$12,228 million	5.66%
1999/2000	\$11,938 million	5.12%

¹ Standard bets are those bets referred to under Section 6(1)(a) of the Betting Duty Ordinance: win, place, double, quinella, forecast and quinella place.

² Exotic bets are those bets referred to under Section 6(1)(b) of the Betting Duty Ordinance: tierce, trio, double trio, six-up, treble and triple trio.

2.12 Both the HKJC and HKLB are non-profit oriented organisations. The HKJC transfers part of its operating surplus to the Hong Kong Jockey Club Charities Trust which donates to charity causes in Hong Kong (see Table 2.3 below). 15% of the HKLB's turnover is allocated to the Lotteries Fund which finances the provision of welfare services (see Table 2.4 below).

Table 2.3: HKJC Charities Trust Disbursements (in HK\$ Million)

Year	Community Services	Medical and Health	Education and Training	Sports, Recreation and Culture	Total
95/96	261	274	126	434	1,095
96/97	491	26	467	56	1,040
97/98	475	61	392	98	1,026
98/99	333	207	445	84	1,069
99/00	330	638	130	48	1,146

Table 2.4: Lotteries Fund Disbursements (in HK\$ Million)

Year	Elderly & Medical Social Services	Service For Offenders	Community Development	Social Welfare Support	Young People	Rehabilitation	Family & Child Welfare	Total
95/96	390	1	2	4	28	216	260	901
96/97	405	1	4	2	25	116	68	621
97/98	300	1	6	30	58	184	223	801
98/99	398	2	2	30	74	57	71	634
99/00	623	0.1	9	49	24	122	86	913.1

2.13 The turnover for both forms of authorized gambling has been on the decline in recent years (see Table 2.5 below).

Table 2.5: Horse Racing and Mark Six Turnover

Season	Turnover in HK\$ billion	
	Horse Racing	Mark Six
95/96	80.7	4.5
96/97	92.4	4.6
97/98	91.5	5.3
98/99	81.3	5.3
99/00	83.4	4.4
00/01	81.5	Not yet available

2.14 While the recession may have affected the turnover, there are strong evidence that the proliferation of unauthorized gambling, including soccer betting, could have been a major factor as well.

2.15 We consider that the current gambling policy serves the best interest of our society and should continue to be adopted. However, the successful implementation of this policy hinges upon the presence of strict laws, firm law enforcement and availability of legal gambling outlets. These three “pillars” have come under considerable challenges in recent years. As a result, unauthorized gambling, in particular betting on soccer, is on the rise. This will be discussed in Chapter 3.