

## **CHAPTER 3: THE PROLIFERATION OF SOCCER BETTING ACTIVITIES**

3.1 There are two main categories of unauthorized gambling activities which now exist: the first is **local** gambling activities which are **illegal**, but due to their profitable nature and customers' demand, are difficult to eliminate. The second category is **cross-border** gambling activities involving offshore bookmakers and local punters. This is conducted mostly through the use of long-distance calls and the Internet.

3.2 Illegal and unauthorized gambling activities undermine our established gambling policy of restricting gambling opportunities to limited authorized outlets only. They are not in the interest of our society in a number of aspects:

- (a) **unlimited gambling opportunities:** unauthorized gambling operators tend to increase rapidly once they sense an unsatisfied demand through the authorized outlets. They provide a much wider range of gambling products and more frequent gambling opportunities. For example, virtual casinos on the Internet offer round-the-clock gambling opportunities. Punters betting with unauthorized bookmakers are more prone to pathological gambling and financial problems as a result of credit betting and loan sharking. Unauthorized gambling activities give rise to more gambling-related social, economic and behavioural problems than authorized activities do;
- (b) **underage gambling:** unlike authorized gambling, illegal gambling operators are not obliged to verify a punter's age before accepting his bet. There is a much greater possibility that children and youths will take part in gambling if unauthorized gambling opportunities are easily accessible;
- (c) **criminal connections:** illegal gambling activities are often connected with crimes such as frauds and loan sharking as well as related criminal acts such as intimidation, harassment, bribery, money laundering, etc. They provide a lucrative source of income for triad and criminal operations;

- (d) **gambling frauds:** there is a greater possibility of punters being cheated by illegal/offshore gambling operators. Gamblers would have little recourse; and
- (e) **loss of revenue and funding for charity:** unauthorized operators receive betting money from the Hong Kong public without the need to pay tax or contribute to charity. Assuming that the total amount of betting dollars is largely constant in a given period of time, the increase in bet with unauthorized bookmakers would mean a reduction in bets with authorized ones, thus draining our tax revenue and charity donations.

### **Soccer Betting in Hong Kong**

3.3 Betting on soccer, which started to become prevalent during the World Cup in 1998, is a relatively new development in Hong Kong's gambling scene but is gaining popularity rapidly. We believe that the proliferation of soccer betting in Hong Kong is due to the following reasons:

- (a) an increasing interest among Hong Kong people in overseas soccer matches, which is further fuelled by the extensive live broadcast of matches;
- (b) soccer betting is seen as more socially acceptable than other forms of gambling, and more appealing to young adult punters, who have more disposable income;
- (c) the absence of legal avenues for soccer betting gives illegal/offshore bookmakers a ready supply of punters; and
- (d) prospective punters have relatively easy access to illegal bookmakers as a result of their extensive network of "agents" (commonly known as "艇仔"), as well as offshore bookmakers through toll-free IDD service or the Internet.

### *Scale of the Problem*

3.4 The seriousness of the illegal soccer betting problem is revealed by the **enforcement figures** set out in Table 3.1 below, which summarizes the results of the enforcement actions taken against various types of local gambling offences by the Police and the Independent Commission Against Corruption (ICAC) from 1995 to 2000, as well as the money seized during the raids. The year 2000 saw a nearly eight-fold increase in the amount of money and betting slips seized over that in 1999, with a dramatic increase in those on **soccer betting**, from \$1.6 million in 1999 to \$269 million in 2000. Still, the raid figures may represent only the tip of an iceberg given the nature of the offence which does not lead to voluntary complainant and which can be difficult to trace.

3.5 We do not have raid figures on cross-border soccer gambling activities as there are enforcement difficulties under the existing gambling legislation. Nevertheless, we understand that a certain territory in Europe is the base of many major offshore bookmakers. The scale of the cross-border gambling activities may to some extent be revealed by the change in telecommunications traffic between Hong Kong and that territory. Table 3.2 below shows a nearly 10-fold increase in telecommunications traffic from Hong Kong to that territory between 1994 and 2000, compared with an increase of 95% for traffic to all countries during the same period. If we assume that the growth beyond the general increase of 95% is due to betting and that each call takes one minute on average, this would suggest 266,000 betting calls to that territory alone in 2000. With an average bet of HK\$2,000, this yields an estimate of at least HK\$532 million bet in 2000 through this means and this location alone.

3.6 In terms of **participation rate**, a survey commissioned by HAB in May 2001 reveals that about 2.4% of the people aged between 15 and 64 had bet with a local or offshore bookmaker on soccer in the past year, which suggests that there may be around 120,000 soccer gamblers among the Hong Kong population. However, this is likely to be an underestimate as some soccer gamblers might conceal their gambling behaviour due to its illegal nature and the fact that the survey was commissioned by the Government. Moreover, the figure does not include those who claimed to have bet with “friends”, some of whom

**Table 3.1: Gambling Enforcement Statistics: 1995-2000**

|                                   | 1995   | 1996   | 1997         | 1998           | 1999         | 2000           |
|-----------------------------------|--------|--------|--------------|----------------|--------------|----------------|
| <b>Street Level Gambling</b>      |        |        |              |                |              |                |
| Total raids                       | 1,082  | 833    | 847          | 965            | 1,509        | 1,879          |
| No. of Successful Raids           | 805    | 670    | 704          | 710            | 909          | 647            |
| Persons Arrested                  | 4,252  | 3,423  | 3,617        | 3,872          | 4,593        | 3,123          |
| Money Seized                      | 852    | 464    | 1,966        | 839            | 615          | 409            |
| <b>Casino Gambling</b>            |        |        |              |                |              |                |
| Total raids                       | 488    | 430    | 374          | 367            | 309          | 201            |
| No. of Successful Raids           | 351    | 354    | 301          | 317            | 257          | 178            |
| Persons Arrested                  | 4,566  | 4,247  | 3,718        | 3,805          | 3,053        | 1,995          |
| Money/Slips Seized                | 43,320 | 16,204 | 3,401        | 20,470         | 13,002       | 2,905          |
| <b>Bookmaking</b>                 |        |        |              |                |              |                |
| <i>Hong Kong Horse Racing</i>     |        |        |              |                |              |                |
| No. of Successful Raids           | 67     | 71     | 76           | 35             | 28           | 19             |
| Persons Arrested                  | 183    | 187    | 198          | 90             | 78           | 51             |
| Money/Betting Slips Seized        | 27,020 | 31,152 | 30,713       | 10,573         | 21,038       | 9,730          |
| <i>Macau Horse Racing</i>         |        |        |              |                |              |                |
| No. of Successful Raids           |        |        |              |                | 2            | 1              |
| Persons Arrested                  | -      | -      | -            | -              | 6            | 2              |
| Money/Betting Slips Seized        | -      | -      | -            | -              | 75           | 585            |
| <i>Soccer</i>                     |        |        |              |                |              |                |
| <b>No. of Successful Raids</b>    | -      | -      | <b>1</b>     | <b>13</b>      | <b>4</b>     | <b>32</b>      |
| <b>Persons Arrested</b>           | -      | -      | <b>1</b>     | <b>49</b>      | <b>7</b>     | <b>80</b>      |
| <b>Money/Betting Slips Seized</b> | -      | -      | <b>6,100</b> | <b>57,992*</b> | <b>1,624</b> | <b>268,607</b> |
| <b>Total</b>                      |        |        |              |                |              |                |
| No. of Raids                      | 1,570  | 1,263  | 1,221        | 1,332          | 1,818        | 2,080          |
| No. of Successful Raids           | 1,223  | 1,095  | 1,082        | 1,075          | 1,200        | 877            |
| Persons Arrested                  | 9,001  | 7,857  | 7,534        | 7,816          | 7,737        | 5,251          |
| Money/Slips/Betting Slips Seized  | 71,192 | 47,820 | 42,180       | 89,874         | 36,354       | 282,236        |

Remarks: Money/slips/betting slips seized is recorded in **thousands of HK\$**

\* Year of 1998 World Cup

**Table 3.2: Telecommunications Traffic Changes**

| To  | Period | Outgoing from Hong Kong ('000 minutes) |
|---|--------|--|
| <b>The territory referred to in paragraph 3.5</b> | 1993   | 32                                     |
|   | 1994   | 34                                     |
|   | 2000   | 332                                    |
| <b>All countries</b>                              | 1993   | 1,376,858                              |
|   | 1994   | 1,578,422                              |
|   | 2000   | 3,074,885                              |

might be linked to the illegal bookmakers directly or indirectly. For comparison purpose, a separate survey conducted by the Chinese University of Hong Kong (CUHK) in May 2001 reveals that 6.2% of the respondents indicated that they had bet on soccer. This represents about 340,000 of the population aged 18 or above. A conservative estimate puts the **annual turnover** of soccer betting in Hong Kong at approximately \$20 billion at present.

3.7 Hong Kong people's interests in soccer betting are also evidenced and fueled by the **extensive and live coverage of soccer matches** on TV, in bars/entertainment establishments, and in newspapers. A survey by the Police in April and May 2000 of 1,137 **bars/entertainment establishments** in Hong Kong revealed that 103 of them provided cable/satellite coverage of matches using large-screen TVs or projectors. Among them, the majority actively promoted their coverage of soccer matches with advertisements outside the establishments. We believe the number of entertainment establishments equipped with such facilities has been on the rise. In addition, many local newspapers and magazines, when covering soccer matches, **publish betting odds** or **set up telephone hotlines** on soccer results for bettors' reference.

### ***Betting with Local Bookmakers***

3.8 Illegal bookmaking operations have become increasingly mobile with the use of modern telecommunications which have enabled them to change the operating locations frequently within Hong Kong or move the entire operations out of Hong Kong. The bookmakers usually open bank accounts for punters to make deposits and place bets. They also take credits and offer discounts on betting dollars.

3.9 Intelligence also reveals that illegal bookmakers, who are commonly **linked to triads or loan sharks**, are getting increasingly sophisticated. They offer a wide range of betting options to lure punters, from guessing the scores and winning teams to more complicated options such as "doubles" (a bet consisting of two selections, both of which must win for the wager to be successful) and the use of "handicap" (a method used by bookmakers to make a one-sided event a more attractive betting proposition). Larger syndicates may lay off some of the bets received to

other bookmaking syndicates in Hong Kong or nearby regions (e.g. Southeast Asia), or to licensed gambling companies overseas for hedging purposes.

3.10 **Enforcement** is made more difficult by the security measures adopted by bookmakers, the increasing use of mobile phones and the shift of their operation bases to places outside Hong Kong. It is also extremely manpower intensive to carry out enforcement actions in the entertainment establishments where soccer matches are broadcast live in view of the number of establishments involved and the mode of operation of the bookmakers/agents. For example, many bookmakers/agents only accept bets from punters who are known to them so as to minimize the chance of receiving bets from undercover agents.

3.11 It is difficult to gauge the actual size of the underground market of soccer betting. Nonetheless, the raid figures, telecommunications traffic changes and survey results set out in paragraphs 3.4 - 3.7 above are most revealing. If the trend in the past few years is any guide, it is likely that the next World Cup in 2002 will significantly stimulate interest in soccer betting among Hong Kong people. The fact that the World Cup will take place in the same time zone in Asia (Japan and South Korea) will fuel further interest and facilitate betting by Hong Kong punters.

### ***Betting with Offshore Bookmakers***

3.12 With the increasing use of modern telecommunications technology such as IDD and the Internet, the decreasing costs of using them, as well as the increasing use of credit cards and convenience of cross-border transfer of payment, an offshore bookmaker can now take bets from punters in Hong Kong easily. The present legal provisions are not adequate to tackle them (see paragraph 3.16 below).

3.13 In recent years, a number of offshore sports bookmakers have been taking bets from Hong Kong people through IDD and the Internet and promoting their business in Hong Kong. They offer a wide range of gambling opportunities on soccer, horse and dog races, golf, basketball and so on. Among them, it is believed that Hong Kong punters are currently interested mostly in soccer betting. Most of the known

offshore sports bookmakers are licensed in offshore jurisdictions where their operations are legal. Some of them are registered/licensed in tax havens, which enables them to offer better odds than others on the same events and operate under less stringent regulations.

3.14 Internet gambling offers several key attractions. For bettors, it allows 24-hour access to a wide range of operators on a variety of betting options without leaving their homes. For operators, the Internet allows them to operate gambling websites at relatively low cost but with access to the entire world of interested gamblers who surf the net. The development of enhanced Internet bandwidth has further enabled live coverage of races or events on the Internet, thereby enhancing punters' interests.

3.15 We have seen in the past few years many more offshore bookmakers target the Hong Kong market, by adopting the following measures:

- (a) providing betting-related services in Hong Kong such as opening betting accounts, taking betting deposits, providing information on how to place a bet, facilitating betting by opening bank accounts with local banks;
- (b) setting up service centres, promotion booths and service hotlines in Hong Kong;
- (c) advertising extensively in Hong Kong;
- (d) employing Chinese-speaking telephone operators to handle Hong Kong customers and displaying Chinese on their websites;
- (e) setting up on local websites hyperlinks to gambling websites; and
- (f) providing betting information (e.g. odds on overseas soccer matches) in the local media to stimulate betting interest.

### ***Reasons for Proliferation***

3.16 A number of factors may explain why Hong Kong is increasingly being targeted:

- (a) unlike some other jurisdictions such as the US, Hong Kong does not yet have clear laws prohibiting unauthorized cross-border gambling or the related promotional activities. This legal position has become increasingly clear to offshore bookmakers after several successful attempts by some of them to advertise and provide betting-related services in Hong Kong;
- (b) to the offshore bookmakers Hong Kong is a large market, evidenced by the high turnover on authorized gambling activities;
- (c) Hong Kong has very limited authorized gambling outlets. While public interest is developing in new areas such as betting on soccer, there is no authorized outlet available;
- (d) Hong Kong is a compact city where dissemination of information is highly efficient, which is conducive to the promotion of the bookmakers' business; and
- (e) the high penetration rates of the Internet and IDD and the low costs of using them in Hong Kong make cross-border betting easy and cheap. According to a study commissioned by the Census and Statistics Department in 2000, 36.4% of Hong Kong households had Internet access<sup>1</sup>.

3.17 Our gambling regime has served us well for years through strict laws, firm law enforcement and provision of limited gambling outlets to satisfy public demand. However, the proliferation of soccer betting in recent years has demonstrated new and mounting challenges to our regime: the proliferation of offshore soccer bookmakers taking bets from

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<sup>1</sup> Source: Thematic Household Survey Report No. 2: Information Technology Usage and Penetration, Census and Statistics Department, November 2000.



Hong Kong has revealed the inadequacy of the current law in tackling unauthorized cross-border gambling activities; the advances in telecommunications technology have rendered enforcement more difficult than before; it has also raised questions as to whether the existing forms of authorized gambling can satisfy public demand and help contain illegal gambling. The need for Hong Kong to formulate a suitable policy response to these problems and to ensure the sustainability of our gambling policy is pressing. We shall analyze and elaborate the policy options available in the next chapter.