

CHAPTER 4: POSSIBLE WAYS TO TACKLE THE PROBLEM OF SOCCER BETTING

4.1 The proliferation of unauthorized soccer betting activities in Hong Kong is the combined result of (a) the deficiency of the existing laws in relation to cross-border gambling; (b) the measures adopted by bookmakers to evade law enforcement; and (c) the lack of authorized channels for soccer betting. These forces work together and reinforce one another, and give rise to concerns about the harm that large-scale illegal gambling activities may bring to the society. This chapter examines possible ways to strengthen our gambling regime with a view to tackling the problem. In line with our long-established gambling policy, three policy options, which can be complementary to each other, could be considered. They are: (a) **updating and tightening the gambling legislation**; (b) **stepping up law enforcement** against illegal gambling; and (c) **authorizing limited legal outlets with suitable government control**.

A. Updating the Gambling Ordinance

4.2 The deficiencies of the current gambling legislation have given rise to a legal anomaly where unauthorized gambling is not illegal if the bookmaker is outside Hong Kong, even if the bettor is in Hong Kong. Exploiting such legislative loopholes, more and more unauthorized offshore bookmakers have started to target Hong Kong customers and promote their business in Hong Kong. If the problem is left unchecked, it would gradually erode our gambling regime at the cost of the society.

4.3 In view of the above-mentioned deficiencies, the Government introduced a **Gambling (Amendment) Bill 2000** into the Legislative Council in November 2000. Briefly, the Bill seeks to:

- (a) criminalize **cross-border gambling** (including cross-border gambling via the Internet);
- (b) outlaw **“promoting or facilitating bookmaking”** in Hong Kong. This covers promotional activities and betting-related services provided by offshore bookmakers in

Hong Kong; and

- (c) prohibit the **broadcast of odds and tip** in relation to unauthorized horse and dog racing events via TV or radio within the 12-hour period preceding the conduct of a particular event.

The Bill is being examined by a Bills Committee set up by the Legislative Council.

4.4 While there would inevitably be difficulties in eradicating cross-border and Internet crimes altogether, we believe that by clearly criminalizing cross-border gambling and its related promotional activities in Hong Kong, the Bill would create a much less “business-friendly” and more risky environment in Hong Kong for offshore bookmakers (including Internet gambling operators), and make it less convenient and more risky for local punters to bet with them. If the Bill is not enacted, we would effectively be allowing a “free-for-all” situation for offshore bookmakers to operate in Hong Kong.

B. Stepping Up Enforcement

4.5 Enforcement against illegal gambling activities, especially syndicated ones, has always been one of the Police’s priorities. It is acknowledged that the increasing use of advanced telecommunications technology by bookmakers, the shift of their operation bases to places outside Hong Kong and the enhanced security measures adopted by them have created challenges for law enforcement. As a result, the Police have to devote substantially more time and resources to combat illegal bookmaking on the one hand and encounter greater difficulties in intelligence gathering, investigation and evidence collection on the other. Notwithstanding this, the Police have succeeded in cracking down on several major horse racing and soccer bookmaking syndicates in Hong Kong in recent years. The seizure of cash/betting slips totalling \$282 million in the year 2000, which far exceeds the \$36 million seized in 1999, to a certain extent reflects the effectiveness of the Police’s strategy of targeting large syndicates. Looking ahead, the Police will adopt a more proactive approach in enforcing against illegal bookmaking, in

particular soccer bookmaking which has become increasingly widespread in Hong Kong. Monitoring and enforcement actions will be stepped up especially when major overseas soccer matches take place. It will also strengthen cooperation with the Mainland and overseas law enforcement agencies in tackling gambling-related crimes with an extraterritorial element.

C. Putting Soccer Betting under Government Control and Supervision

4.6 As discussed in Chapter 3, there is strong evidence showing that betting on soccer is fast gaining popularity. The Government is seriously concerned about the growing scale of illegal gambling activities and the huge sum of betting money on soccer which is used to finance other criminal and triad activities, particularly as the 2002 World Cup is drawing near. As a result, there have been suggestions that the Government should put soccer betting under its control and supervision through the provision of authorized outlets, as in the case of horse racing and Mark Six. On the other hand, certain quarters are strongly opposed to the suggestion, mainly out of social and moral concerns. We believe that it would be sensible and beneficial to have an informed debate on the proposition having regard to the general principles governing the provision of authorized gambling outlets in Hong Kong, the experience of other jurisdictions and the arguments for and against this proposition.

Principles Governing the Provision of Authorized Gambling Outlets

4.7 Hitherto, the Government has been very cautious in authorizing new gambling opportunities. No new form of gambling has been authorized since the introduction of the Mark Six.

4.8 Government's policy has been to provide new authorized gambling outlets only if:

- (a) there has been a **sufficiently large and persistent demand** for that type of gambling (both in terms of estimated number of participants and betting dollar);

- (b) the demand is being **satisfied by illegal means** (which in turn are linked to other criminal activities) and the problem **cannot practically and fully be tackled by law enforcement alone** even with the devotion of substantial resources; and
- (c) the proposition commands **public support**.

4.9 We consider that this **restricted approach** to approving new forms of gambling is in the best interest of our society. In some jurisdictions, authorized gambling is often provided for economic or fiscal reasons, for instance, setting up casinos to boost local economy and introducing lotteries to finance a particular public cause (e.g. education). While we acknowledge that revenue and charity donations are benefits that can be derived from gambling, they have not been, and should not be, the primary considerations in authorizing more gambling outlets in Hong Kong.

Experience of Other Jurisdictions on Authorized Soccer/Sports Betting

(a) United Kingdom (UK)

4.10 The UK has a very long history of sports betting, with legalized pools¹ existing for nearly a century. **Fixed odds betting**² on soccer has been legal for some 40 years. A wide variety of betting options on soccer matches and other sporting events are available to UK punters. While many of the largest bookmakers in the world have their origin in the UK, over the past few years they have rapidly moved their operations offshore (e.g. to Gibraltar) to avoid paying betting duty. This has prompted the UK Government to reform the tax system by replacing the general betting duty (6.75% of turnover) by a gross profits tax at a rate of 15% (approximately equivalent to 2-3% of turnover). The change will come into effect before 1 January 2002 and is likely to attract some of the leading bookmakers back to the UK.

¹ In "pools betting", punters' winnings are determined by the size of the pool, i.e. the total amount of money that has been staked on the event(s), and thus the game resembles a lottery.

² "Fixed-odds" betting is betting where the punter's winnings are determined by the odds prevailing at the time when he/she places the bet, unaffected by any subsequent bets or changes in odds.

(b) Singapore

4.11 Singapore became the first Asian country to allow betting on soccer in March 1999. Soccer betting is run by the official lottery operator. Betting is confined to **fixed odds betting** on about 140 **local soccer matches** per season. Tax rate is set at 20% of gross profit. The tax revenue is used to finance the expenses of local soccer clubs, charitable causes and community infrastructure.

(c) Japan

4.12 **Pools betting** on soccer has recently been introduced in Japan. The Japan's Diet passed a bill in May 1998 to provide for the introduction of the Sports Advancement Lottery (SAL), which was formally launched in March 2001. The main objectives are to raise funds to improve the training environment for top athletes through providing better sports facilities and to support the organization of international sports events, e.g. the World Cup and Olympics. Players of SAL have to guess the results of 13 selected **local soccer matches** and the top prize will be awarded to players who predict the correct results of all 13 matches. Apart from operating costs and prize money, part of the revenue is paid to the government as tax and used to subsidize sports development.

(d) Macau

4.13 Macau has authorized one licensed operator to conduct soccer and other sports betting. Counter betting, telebetting and Internet betting are provided. It is believed that most of the betting accounts with the licensed operator are held by Hong Kong people.

4.14 While it is always useful to study the approaches adopted by other jurisdictions, their experience may not be entirely relevant to Hong Kong. We have got to consider our own circumstances to decide whether authorized outlets should be provided for soccer betting.

Arguments for and Against the Provision of Authorized Outlets for Soccer Betting in Hong Kong

ARGUMENTS FOR:

(a) Provision of authorized outlets helps reduce illegal gambling and the related criminal activities

4.15 Proliferation of unregulated soccer betting activities provides a ready and lucrative source of income for criminal elements. The establishment of authorized outlets would divert most punters away from illegal operators and criminal elements, as in the case of the introduction of the Mark Six and the opening of OCBBS in the 1970s. Furthermore, the ICAC expects that provision of authorized outlets would make policing and enforcement against illegal gambling less susceptible to bribery and corruption.

(b) Provision of authorized outlets enables punters to bet in a regulated environment, thereby reducing the negative impact of gambling

4.16 With the imposition of suitable restrictions, say, on the number of matches to bet on and on credit betting, punters are less likely to gamble excessively than with unauthorized bookmakers. Restrictions could also be imposed on the authorized operator(s) to guard against underage gambling.

(c) Authorized outlets can satisfy the persistent and substantial local demand for soccer betting

4.17 Hundreds of thousands of Hong Kong people are betting on soccer on a regular basis, albeit illegally. It is envisaged that the number of people betting on soccer and the money involved will increase substantially in the run-up to and during the next World Cup Finals to be held in June 2002. These people are breaking the law, but many of them do not seem to consider it objectionable to engage in such activities. The nature of the problem is akin to those of Tse Fa and illegal bookmaking on horse racing in the 1970s. While it is not the

Government's policy to proactively provide new forms of gambling to stimulate demand, it is arguable that the Government should allow authorized outlets to exist to satisfy a substantial and persistent demand when a certain form of gambling becomes so popular.

(d) Provision of authorized outlets can recoup revenue loss and increase tax income for the Government

4.18 A conservative estimate puts the total amount of betting dollar on soccer in Hong Kong at approximately \$20 billion per year. The betting money now goes freely into the hands of the illegal and unauthorized bookmakers. We envisage that the introduction of authorized betting on soccer would enable the Government to recoup a major part of the revenue loss. However, it has to be emphasized that the revenue factor, though relevant, should not be overriding in considering whether authorized outlets for soccer betting should be provided.

(e) Provision of authorized outlets can provide funding for worthy causes

4.19 If the authorized soccer betting operator(s) follows the examples of HKJC and HKLB and donates part of its profits/turnover to charity, it could generate additional funds for worthy causes. Possible beneficiaries include sports and culture development, community use, public education on the impact of gambling services for pathological gamblers and gambling-related researches (see Chapter 5 for more information).

(f) Provision of authorized outlets can reduce the pressure on law enforcement resources

4.20 Notwithstanding the Police's strengthened efforts to combat illegal soccer betting, enforcement against such activities is very manpower intensive and not always cost-effective. Provision of authorized outlets would help reduce or contain the scale of illegal soccer betting and enable the law enforcement agencies to tackle other more pressing priorities.

ARGUMENTS AGAINST:

(a) Provision of authorized outlets would encourage gambling and incur significant social costs

4.21 Introduction of authorized outlets for a certain form of gambling would send a wrong message that the Government is encouraging gambling. The provision of authorized outlets, coupled with the associated publicity and promotional activities, would induce people who are not used to gamble to start betting. This would create more gambling-related problems and have adverse effects on the gamblers themselves, their families and the society as a whole. The social costs incurred might outweigh the benefits to be generated from the authorized outlets.

(b) Provision of authorized outlets would have adverse impact on social morals and values of the youth

4.22 Introduction of new gambling outlets would reinforce the concept of “gaining without efforts”. Allowing betting on soccer would also distort the public perception of soccer and sports in general, with adverse impact on the youth in particular given the popularity of soccer among young people.

(c) Provision of authorized outlets would not eliminate illegal gambling

4.23 Even with authorized outlets, unauthorized soccer betting would continue to exist with their unique advantages, including the absence of age restriction and tax obligation, the availability of credit betting, discounts and loans, and the wider choice of betting options. The existence of illegal bookmaking on local horse racing alongside HKJC’s operation is a valid proof. Unauthorized operations may also benefit from the wide coverage of soccer betting information (e.g. odds and game results), as well as a large legal pool for laying off bets and hedging after authorized outlets are provided.

(d) Provision of authorized outlets would create nuisance to local communities due to the increase in physical betting facilities

4.24 Authorized soccer betting operators may have to establish new betting facilities such as betting shops to take bets, resulting in a proliferation of such facilities. These outlets may be a source of nuisance to some members of the community.

(e) Allowing betting on local soccer matches would increase the chance of corruption and match fixing

4.25 It is suggested that if betting on local matches is allowed, there would be great temptation for the parties involved to fix the games. It would tarnish the image of local soccer and in turn affect the credibility of the authorized soccer betting operations.

(f) Provision of authorized outlets amounts to imposing an additional tax burden on the public

4.26 Authorizing soccer betting will enhance public interest in betting substantially. Much more bets will be placed than at present, thus imposing an additional tax burden which is unnecessary given the strength of government's fiscal reserves. For the same reason, there is no need for Government to tap on punters to pay for welfare and other services.

4.27 It should be accepted that the actual benefits and disbenefits of the proposition could not be fully tested and revealed unless and until the proposal is implemented. Nonetheless, we believe it may facilitate the public's consideration of the **desirability** of providing authorized outlets for soccer betting by outlining below the broad parameters of a possible **operational framework** for authorized soccer betting in Hong Kong. The framework seeks to ensure that, *if authorized outlets for soccer betting are to be provided*, the operation will protect the interest of the community at large and minimize the disbenefits.

Operational Framework

The Operator(s)

4.28 There are three possible options for selecting the operator(s) if soccer betting is to be provided through authorized outlets:

- (a) to license the HKJC to run soccer betting;
- (b) to license another non-profit oriented entity to run the operation; and
- (c) to license one or more commercial entities (including some existing offshore bookmakers) to run the business.

4.29 Authorized gambling activities in Hong Kong have long been operated by non-commercial entities (except for mahjong parlours), with a considerable portion of the betting proceeds directed to charitable causes. The introduction of commercial, profit-oriented operators will change the hitherto non-commercial and charitable nature of Hong Kong's legal gambling regime which has been well accepted by the community in general. It is doubtful whether bringing in competition among the commercial operators or between them and the existing non-profit oriented operator would be beneficial to community at large. In addition, keen competition among the commercial operator(s) and between them and the HKJC/HKLB may lead to excessive marketing and promotional activities which not only undermine Government's policy of not encouraging gambling but also bring about more problems than it would resolve. For these reasons, we are not inclined to recommend option (c).

4.30 Under option (a), the HKJC could use its existing resources and facilities, including its professional staff, computer system and OCBBs to offer the new services. Given HKJC's reputation and extensive experience in managing gambling operations and its international connections, there should be sufficient confidence in the standard of services and the integrity of the soccer betting operations.

4.31 Option (b) would maintain the non-commercial nature of Hong Kong's gambling regime on the one hand and inject new momentum into it on the other. A new operator may bring new ideas and innovative practices. On the other hand, a new operator is less likely to enjoy the same level of public confidence as that of the HKJC in terms of ability and credibility in providing high-quality betting services. Moreover, the presence of two authorized (though non-profit making) operators for horse racing and soccer may still lead to keen competition and active promotion/solicitation of business which would stimulate demand and encourage gambling.

4.32 Instead of going for either one of the options at this initial stage, we would like to listen to the public views on this issue. To facilitate in-depth consideration, we shall set out below a possible legal and licensing framework for authorized soccer betting if this is to be introduced, based on the assumption that the operation would be run by a **single operator**. Licensing a single operator for a particular type of gambling is in line with our policy to limit the number of authorized gambling outlets.

The Legal Framework

4.33 Authorized gambling on horse racing and lotteries are currently provided for under the **Betting Duty Ordinance (BDO)**. If an authorized outlet for betting on soccer is to be provided, the BDO would be the most suitable vehicle for introducing the enabling legislative provisions.

4.34 We consider that in line with our present policy, proceeds generated by soccer betting should be directed to public causes. These could, for example, include sports and culture development, gambling-related researches, publicity programmes to enhance public awareness of the impact of gambling, and provision of dedicated services to those suffering from gambling-related problems. Provisions stipulating the allocation of the proceeds to these causes should be set out in the BDO.

The Licensing Framework

4.35 Apart from the above-mentioned statutory requirements to be stipulated in the BDO, it is proposed that other terms and conditions governing the operation of authorized soccer betting should be set out in a **licence** to be issued under the BDO so as to provide certain flexibility to both the regulator and the operator. This is in line with the practice for betting on horse racing and the Mark Six. The licensing framework should cover conditions such as length of licence, means of taking bets, types and maximum number of matches on which betting is allowed, betting products and options, protection of minors, prohibition of credit betting, restriction on promotion and advertising, preventive measures against pathological gambling, and punitive measures against non-compliance. Possible licensing conditions are set out at **Annex** for reference.

Epilogue

4.36 It is clear that a number of factors have contributed to the problem of the growing unauthorized gambling activities in Hong Kong as it is today. A **multi-pronged strategy** is therefore necessary to tackle the problem. We have proposed **legislative amendments** to the Gambling Ordinance to tackle unauthorized cross-border gambling activities. Meanwhile, we will **step up enforcement** actions against the increasingly widespread illegal gambling activities, though acknowledging the difficulties involved partly as a result of the use of advanced technologies and security measures by the bookmakers, and partly due to the sheer number of people engaged in soccer betting. Even so, it is unlikely that the problem can be fully resolved so long as there is a substantial and persistent demand for a form of gambling for which no authorized outlet is available and there is lucrative business for the illegal operators.

4.37 As a responsible government, we cannot turn a blind eye to the fact that illegal soccer betting is a growing problem. We have put forward the arguments for and against putting soccer betting under government supervision and we will listen to the views of the public very carefully before formulating a firm policy.