



SEMINAR “PRECRIMBET - SPAIN”

Date: 19 April 2017

Place: Madrid (Spain)

Participants: cf. appendix

1. Main issues raised during the seminar

Illegal betting:

- There are no important illegal betting risks in Spain (due to a very attractive online market, with no severe restrictions). As an example, Spain was in 2016 one of the European markets with the highest payout rate. Some experts recently evaluated the illegal online betting market around 20% of the total but public authorities think this percentage is overestimated.

Money laundering:

- In Spain, the 4th EU Directive on money laundering might apply to the betting industry, following the EU recommendations. A decision on this issue should be taken shortly.
- The Financial Intelligence Unit is in charge of the control of money laundering obligations by operators.

Manipulation of sports competitions:

- The manipulation of sports competitions risk in Spain is considered by the participants as average.
- In Spain, the Criminal Code has been adapted to take in account sports issues. It was modified in 2010 (LO 5/2010) and 2015 (LO 1/2015). LO 5/2010 established a new offence on private corruption, which includes a specific modality in relation to sports (article 286 bis) Sanctions are quite important: Imprisonment of up to 5 years, applying to all the sports actors: leaders, coaches, athletes, referees, etc.
- The article 286 bis refers to active corruption and defines it as anyone who, directly or through an intermediary promise, offers or gives to directors, managers, employees or collaborators a benefit or an undue advantage of any kind so that that a person or a third party, acts in breach of professional duties. Punishment includes 6 months to 4 years imprisonment, disqualification from 1 to 6 years and a fine of up to three times the gains obtained by the illicit activity. The same

penalties can be applied to passive corruption that is, in relation to a person that directly or through an intermediary, requests, receives or accepts an undue advantage of any kind.

Article 286 bis in its paragraph 4 specifies that the same will be applicable to executives, managers, employees or contributors of sports entities and also to athletes, referees or judges in respect to those behaviours in order to predetermine or alter in a deliberate and fraudulent manner the result of an event, race, or sports competition with an economic or sports special relevance.

LO 1/2015 introduces a new article (286 quarter) in the Criminal Code which establishes that punishment can be imposed in its half superior up to superior degree when facts are considered of special seriousness. Specifically, concerning article 286 bis paragraph 4, when:

- they have as purpose to affect the development of gambling or betting.
- they are made in a official and professional sport competition at national scope or an international sport competition.

Nevertheless, there are another legal provisions in Spain that are used to combat manipulation on sports competitions, Law 10/1990, 15th October, on Sports, Law 13/2011, 27th May, on gambling regulation, Royal Decree 1591/1992 on Sports Discipline, Professional Football National League Statutes and Disciplinary Code of Football Royal Spanish Federation.

- In Spain there are two Police in charge of investigation (National Police and Guardia Civil). Both are directly involved in the fight against match-fixing.
- National Police has expressed that in online gambling there are more traceability in terms of operations and user data than in landbased activity and this is a risk for landbase operators.
- Organised Crime is involved in some investigations. Representatives from the police admit that they face very difficult and complex investigations (especially due to the difficulties to show evidence in front of a Court of Justice).
- Law enforcement agencies call for a better cooperation with betting operators, including in the transmission of suspicious betting patterns.
- In Spain, La Liga is a good practice, firstly because they set up some training sessions for the professional teams (young players and professionals).

The Guardia Civil presented the outcome of an investigation conducted in 2016 in tennis (FUTURES record). A national criminal organisation (with the head office in La Coruña and possible connections abroad) fixed many tennis matches in “Challenger” and “Future” tournaments. Two types of tennis players were concerned: young players with low revenues (who needed money to train) and older players who knew that they would not succeed at the top level. The amount of money offered to the players for a fix was quite low (up to € 1,000, or 3,000 for several matches – traditionally the criminals asked to lose one or two games of the first or second set). Generally, the corrupter (an intermediary) gave the bribes to the players 2 or 3 days after the competition. Social media (and first of all Twitter) were widely used in this case. Sometimes threats were used by criminals towards athletes. The information on match-fixing was also sold on the Internet. Buyers had to use Paypal (and the payment were processed only after the games, to guarantee the fix).

34 people have been arrested (including players) for 17 different corrupt events.

- Spain set up a dedicated witness protection system, which was not used in the tennis case above-mentioned.

National platform (Sport integrity):

The Spanish national platform is not formally constituted yet. Nevertheless, the different stakeholders (Gambling Authority; Law enforcement agencies; Sports Council and sports organizations) are periodically gathering in order to establish a protocol of action to combat manipulation on sports competitions.. The platform should both be in charge of prevention / education (capacity building, expertise) and investigation (exchange of information mechanisms).

The gambling authority (DGOJ) should play a central role in the platform, with the support of law enforcement agencies (National Police and Guardia Civil), betting operators, the Sports Council (Consejo Superior de Deportes) and sports organisations. A new unit has been created by DGOJ, called “Sigma¹”, in order to make his contribution to the National Platform. This Unit will be described below.

In the future, the national platform should determine a standard procedure of alert (to make sure that betting operators identify suspicious bets on a common basis). DGOJ has already been playing the role of “hub” for sports betting operators and has supported Police in 30 investigation, including the “Futures” case (see above).

Sports betting regulation:

The Law 13/2011, of 27th May, on gambling regulation, has as purpose to regulate gaming activities, in their different forms, developed within the scope of the State in order to guarantee the protection of public order, as well as to fight against fraud, prevent addictive behaviour, protect the rights of minors and safeguard the rights of whoever participates in the games.

In particular, the Law regulates the gaming activities referred to in the previous paragraph when they are carried out via electronic, computerised, telematic and interactive means, in which “land-based” means should have an accessory nature, as well as the games developed by entities assigned by the Law herein to carry out activities considered as reserved, regardless of the channel used for commercializing them.

Anyone interested in commercializing online gambling activities on a State level must have obtained previously a General Licence for each modality of gambling provided in the Law (Bets, Other Games, and Contests) and a Singular License depending the type of game included in the scope of the General License that want to be commercialized.

In June 2012, the first online gambling licenses were granted.

At the moment, concerning sports betting the following type of bets can be commercialized: pari-mutuel bets; fixed odd bets and betting exchange bets.

In March 2017, there are 26 licensed online betting operators in Spain.

¹ SIGMA stands for Servicio de Investigación Global del Mercado de Apuestas.

The Autonomous Regions has exclusive competence regarding gambling that is exclusively developed within their territory. The gambling activity mainly developed in the Autonomous Regions has land-based character. Most of sports betting operators offer betting in shops or places specifically allocated for that in the Autonomous Regions according to their regulation.

Sports betting Supervision:

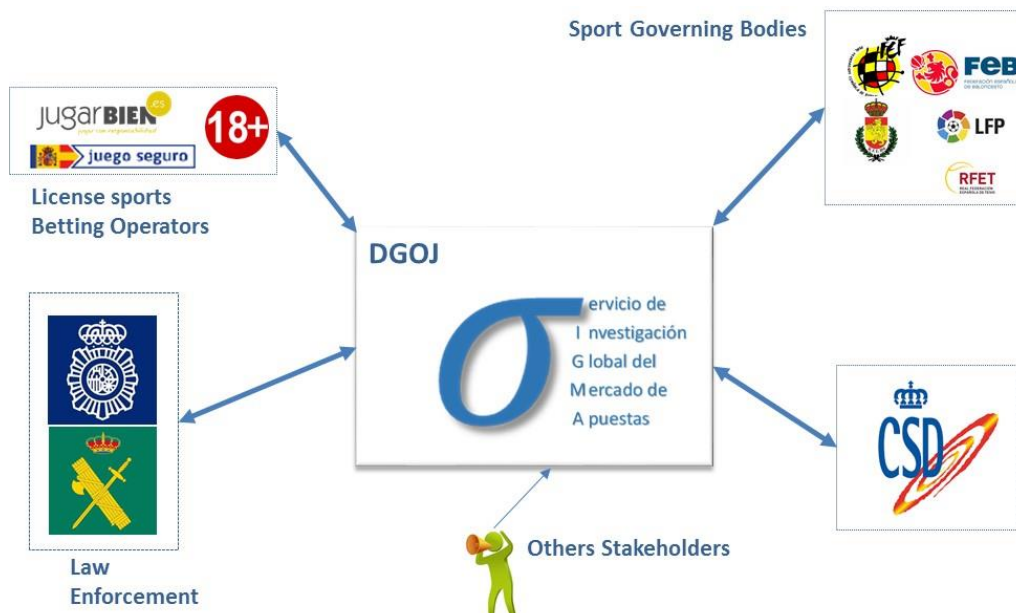
From the control and supervision perspective DGOJ is able to access all the betting data collected by the operators (through a dedicated exchange of information protocol and format), including individual accounts. Operators must report gambling information (User registration, Account movements and Games operations) to a vault on a daily bases. Every day, the DGOJ connects to the operator vault and gathers all the data of the day before.

Information related the games is reported once the event has been settled. They are therefore able to conduct *a posteriori* analysis. At the moment, betting operators sent suspicious betting activities to the DGOJ on a voluntary basis (43 alerts have been received in 2016).

Besides, in April 2017 DGOJ has created a new service call Sigma . It is a technical Unit for assessment and management of the information related with Sports Betting and Integrity. It is assigned to the Subdirectorato General for Gambling Inspection.

This unit will be in charge of:

- Supporting and assisting Law Enforcement in their investigations.
- Gathering and exchanging information and alerts with License Sports Betting Operators.
- Managing the exchange of data with Sport Governing Bodies.
- Enforcement of breaches stated in articule 6.2 d) e) f) of Law 13/2011. People link with sports (athletes, referees, sports club executives..) are banned to bet in their sport activity (their competition)



In addition, a new protocol has been put in place in order facilitate the exchange of information between operators and SIGMA unit. This protocol encompasses the identifica-

tion of the responsible for operators and SIGMA; a flow chart to define how the communication will take place between the stakeholders; templates to standardise the exchange of the information with regard to alerts reporting.

On the other hand, according to the DGOJ, controlling landbased betting would require more resources (more difficulties to control the market because it is regulated as regional level).

2. Summary

NATURE	COMMENTS
Part of illegal betting market	- Quite low (under 20%, possibly under 5%)
Measures against illegal betting	- - Legislation - Advertising - DNS Blocking - Game Providers -
Acceptance of the definition of illegal betting (CoE Convention)	- Yes
Possibility to get an agreement for operators with more than 50% of their global GGR remaining illegal	- Yes
Level of money laundering risks regarding sports betting	- Assessment pending
Measures against money laundering	- Obligations for betting operators to comply with ML procedures: Yes (3 rd EC AML Directive at the moment) - Sanctions to betting operators not compliant with AML procedures: Yes (through the Spanish Financial Intelligence Unit) - Restrictions regarding anonymous means of payment: No
Sports betting operators to implement measures of the 4th EU Directive against ML	- Possibly yes (Still under discussion)
Level of manipulations of sports competitions risks	- Quite high
Measures against manipulations of sports competitions risks	- The Criminal Code includes articles concerning the manipulation of sports competitions - Obligations for betting operators to report any suspicious betting activity: Yes (on a voluntary basis) - Administrative sanctions to athletes, referees, clubs executives that stake in their competitions
Betting Contribution to protect sport integrity	- No
Obligations for sports organizations to set up awareness programmes regarding manipulations	- No
Signature / Ratification (Convention against manipulation)	- Signature: Yes - Ratification: No
Existence of national platform against manipulation of sports competitions	- Yes (in progress) - Stakeholders: DGOJ, law enforcement agencies, Sports Council, , sports organisations
Automatic monitoring (of the	- Not at the moment (but possible through the technical

betting market) system	system)
Standard of alert	- No (alerts are sent by betting operators on a voluntary basis)
Measures against conflicts of interests	<ul style="list-style-type: none"> - Prohibition to bet on their own competitions for sport actors: Yes (Practical difficulties linked to data protection legislation) - Prohibition to bet on their own sport for sport actors: Depending on each federation - Prohibition for sport actors to disclose inside information for betting purposes: No - Prohibition to bet with their own company for betting employees: Yes - Prohibition to bet for betting employees: No - Prohibition for betting operators to control sports organisations and to offer bets on the concerned competitions: Yes - Prohibition to use some inside information for betting purposes for betting employees (including scouts / court siders working for information providers): No
Cooperation with other betting regulatory authorities (illegal betting, manipulations, etc.)	<ul style="list-style-type: none"> - Bilateral: YES (with different betting regulatory authorities: France, Italy, Portugal and United Kingdom. Cooperation starting with Austria) - International groups: Yes (EC Expert Group on Gambling Services – Group of Copenhagen)
Cooperation with other law enforcement authorities	- Case-by-case
Betting restrictions	- No
Due diligence regarding betting operators' shareholders	- Yes (in cooperation with the Financial Intelligence Unit)
Possibility for betting regulatory authority to access individual betting accounts and transactions	- Yes (almost real-time: Every day, betting operators send a pre-formated and secured file with all the individual data)
Limitation of pay out rates	- No
Limitation of betting licenses (justified by public order reasons)	- No

3. Recommendations

NATURE	LEVEL OF RISK (1 = lowest to 5 = highest)
Adopt legal provisions forcing betting operators and service providers to report irregular and suspicious betting patterns <u>with a clear escalation step</u>	4
Adopt legal provisions forcing betting operators to be compliant with the 4 th EU Directive on money laundering	4
Enhance due diligence procedures for betting operators' shareholders and consider awarding some agreements to individual managing Directors. Vet the ownership and leaders of betting operators (including subsidiaries), notably in order to identify potential criminal connections.	3
Limit betting agreements, including for temporary licenses, to operators with at least X% of their Gross Gaming Revenue being legal (We would suggest 70%). Award betting licences only to companies located in « cooperative countries » (in order to avoid operators situated in « offshore financial centres » as defined by the IMF)	3

Consider the development of a “risk matrix” to objective betting restrictions (on competitions and types of bets), possibly in cooperation with other countries and the sport movement	3
Set requirements to sport organisers (establishment of a focal point, conflicts of interest rules and awareness raising) and subject the public funding to the implementation of these requirements	2
Prohibit traders from betting with any betting operator	2
Consider the possibility to make the betting industry contribute to the funding of sport integrity	1

APPENDIX

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