



European & Mediterranean Horseracing Federation

18 October 2023

Gambling Commission
4th Floor
Victoria Square House
Birmingham
B2 4BP

Dear Sirs,

Gambling Commission Consultation - Additional Information from EMHF on Financial Vulnerability Checks and Financial Risk Assessment

Introduction

The European & Mediterranean Horseracing Federation (“**EMHF**”) is a not-for-profit federation of horseracing authorities in Europe and the Mediterranean. The EMHF member organisations include 16 from EU countries, five from non-EU countries, three from the Mediterranean, as well as two Associate members (a full list of members is available [here](#)).

The founding meeting of the European and Mediterranean Horseracing Federation was held in Stockholm in June 2010. Its remit was broadened and enshrined in its By-Laws. The main objectives of the EMHF are to develop relations among European and Mediterranean Horseracing Authorities, to coordinate promotion of horseracing in Europe and in Mediterranean countries, to defend its integrity and prestige throughout the world and to represent Europe and Mediterranean countries before the global International Federation of Horseracing Authorities.

The sustainability of horse racing as a sport is a core part of the values of the EMHF. The EMHF and its members recognise that sustaining horse racing requires a reliable and consistent funding mechanism, which has historically involved income from the betting industry through varied mechanisms. In addition, betting on racing is a key part of sustainability of the racing fan base as the sport has evolved over hundreds of years as a popular activity for betting on the fair outcomes of races. Horse racing fans bet, and betting sustains horse racing. This is a symbiotic relationship.

The Gambling Commission public consultation relates to the UK government white paper, ‘*High stakes: gambling reform for the digital age*’, which was published in April 2023 and set out a plan for reform of gambling regulation following the review of the Gambling Act 2005.

The EMHF has comments regarding areas of the consultation that will impact the sport of horse racing in GB, and in turn also have an impact on horse racing in Europe and around the world. This is because horse racing is a global sport which continually seeks, through the racing federations that represent the racing authorities around the world, to harmonise rules and promote best practice in its administration. In addition, betting on horse racing and other sports is a global business that is increasingly connected and cannot be considered only on the basis of national borders.

The EMHF has comments on the financial vulnerability and financial risk area of the consultation and has serious concerns regarding the negative impact of the proposed changes on racing betting consumers which we believe are likely to lead to a major migration of consumers away from legal licensed betting channels in the UK to illegal unlicensed online offshore betting operators. Our detailed comments are as follows.

Account Protections

The UK government white paper outlines “Account level protections” that the Gambling Commission will consult on, as follows:

The Gambling Commission will consult on new obligations on operators to conduct checks to understand if a customer’s gambling is likely to be harmful in the context of their financial circumstances. This will target three key risks identified by the Gambling Commission in its casework: binge gambling, significant unaffordable losses over time and financially vulnerable customers.

In general, this government agrees with the principle that people should be free to spend their money how they see fit, so we propose a targeted system of financial risk checks that is proportionate to the risk of harm occurring. Assessments should start with unintrusive checks at moderate levels of spend (we propose £125 net loss within a month or £500 within a year), and if necessary escalate to checks which are more detailed but still frictionless at higher loss levels where the risks are greater (we propose £1,000 loss within a day or £2,000 within 90 days). We also propose that the triggers for enhanced checks should be lower for those aged 18 to 24. Once a suitably effective and secure platform is in place, the Gambling Commission will consult on making data sharing on high risk customers mandatory for all remote operators. Individual operators can take steps to prevent harm on their own platform, but people suffering gambling harms often hold multiple accounts. Where there are serious concerns, operators must work together.

While account verification is on the whole effective, there are difficulties in matching payment details to the account holder. This creates compliance risks and potential harms for those experiencing problem gambling and affected others. With new technologies and payment regulations now in place, the Commission will work with others to consider what more can be done to reduce this risk.¹

The EMHF and also all stakeholders in the sport of horseracing seek to ensure that betting on our sport does not involve harm to consumers. However, we are greatly concerned that the proposals from the Gambling Commission regarding financial checks are already having the effect of driving consumers away from legal licensed betting operators and to illegal unlicensed online betting.

Research by the ARF Council, a think tank under the Asian Racing Federation (the sister federation to the EMHF, covering Asia, Oceania, and the Middle East), has found that in 2020 during the Covid-19 pandemic there was a major increase in betting via online illegal betting websites on horse racing, e-sports, alternative leagues, and sports. Legal online betting also grew with traffic to websites increasing by 36%, but the growth of illegal betting was far higher at 64% growth of website traffic. It is clear from this research that betting around the world by consumers is growing faster on illegal online operators than it is with legal licensed operators.²

The impact and penetration of illegal betting operators to customers in the UK is not yet clear as there is insufficient research into this area, but the facts regarding the growth of illegal betting markets are compelling. There are clear factual circumstances that are negatively impacting betting on horse racing and other sports. Illegal betting is by its nature a black-market illicit activity and hence investigation is required to understand it. Studies of consumer behaviour are difficult because people

¹ UK Government, Department for Media, Culture & Sport, [High stakes: gambling reform for the digital age](#)

² ARF Council, Asian Racing Federation, [The State of Illegal Betting. May 2022](#)

tend not to reply honestly when asked if they engage in a behaviour that is essentially illegal or where the legality is unclear. In surveys people do not like to talk about what is called their “illegal” or “black market” activity and hence surveys will not reflect the true total of consumers who are active in illegal betting markets. Surveys have to be far more nuanced in the use of language to elicit accurate responses about consumer behaviour in illegal markets.

Consumers in the UK are not bound by national borders. Internet based betting is a business with customers who are everywhere and not confined to a single jurisdiction. Only legal licensed operators engage in geo-location and geo-blocking to determine if their customers are coming to them from a location where the operator is not licensed, but illegal betting operators have no interest and no compulsion to do so.

The use of VPNs by consumers betting online (and using any Internet based services) is ubiquitous and hence consumers have far greater ease to bet with online illegal betting operators without any clear notice that such activity is illegal or outside of the regulated consumer protections in the UK.

Online betting consumers are highly mobile and move between betting operators frequently. Not only do consumers move between licensed legal betting operators, but they also move easily to online illegal betting operators because (a) it is easy to do so with new account opening and (b) illegal betting operators offer better odds (prices) than the legal market.

The introduction of checks on customers that impact their access to the legal betting market will inevitably drive many to the illegal betting markets. Illegal betting operators do not conduct background checks on customers, do not care about financial vulnerability, and do not care about harm. **The imposition of such checks on legal racing and sports betting will inevitably drive customers to the illegal market but will not protect consumers from gambling harm.**

This situation indicates that the Gambling Commission should at the very least delay the introduction of any new measures that are certain to lead to more consumers migrating from the legal to the illegal betting market.

Most importantly, whilst the EMFH recognises the necessity to reduce gambling harm across all products, we strongly believe that this should be appropriately targeted and proportionate with the most severe measures aimed at online casino games, which are completely different from betting on racing and other sports. Betting on racing and other sports is a game of skill involving the analysis of data to achieve success, and that online casino gambling is a game of chance that involves nothing more than luck. The customers in these activities should be distinguished so that they can be appropriately regulated to ensure that regulation does not drive customers to the illegal market.

We understand that online casino gambling is a driver of worse levels of problem gambling amongst consumers than for consumers betting on racing and other sports. This situation has been worsened as major legal and illegal betting operators have provided a single payment wallet to customers to move between online casino gambling and also betting on racing and other sports. These two distinct activities, which we believe involve very differing rates of harm, are hence conflated and confused. It is essential that the Gambling Commission separate the assessment betting on racing and other sports from online casino gambling and more strongly regulate the harm done from online casino gambling.

Changing Landscape

The UK government white paper also outlines the “Changing Landscape” that the Gambling Commission will consult on, as follows:

‘White label’ describes a commercial arrangement whereby a licensee offers remote gambling under a brand provided by a third party which does not itself hold a remote gambling licence. While the risks are not fundamental to such arrangements and licensees are rightly held to account, there have been examples of non-compliance associated with

these arrangements. The Gambling Commission will consolidate and reinforce expectations for operators on contracting with third parties, including white labels. Prize draws and competitions have been able to grow significantly and advertise widely in the digital age. These competitions, unlike lotteries, are not regulated. This is because they offer a free entry route (for instance via ordinary post) or have a skill-based element. We propose to explore the potential for regulating the largest competitions of this type to introduce appropriate controls around player protection and, where applicable, returns to good causes, and to improve transparency.

The EMHF also has serious concerns regarding the continuation by the UK Gambling Commission of licensing betting by “white label” operators. The licensing by the Gambling Commission of “white label” operators is in fact facilitating illegal betting around the world and in doing so facilitating organised crime.

For background, a “white label” is when a whole sports betting and/or gambling website and licence is provided by a third-party B2B company. The supplier provides all of the technology, while the operator’s role is limited to branding and marketing and recruiting bettors. “White label” websites are somewhat analogous to franchises, with minimal capital outlay required by the operator, but a large proportion of turnover funnelled upstream to the supplier/franchiser.

The white-labeller’s website content, including odds and trading management, is thus provided to tens or more other betting operators, allowing them to display their markets – and also in the case of white-label betting exchanges, to channel bets from customers in unregulated betting markets into the wider ‘regulated’ markets.

White-label providers enable would-be betting operators to set up a betting website in weeks with almost zero technical or bookmaking expertise. But the high fees mean that a constant stream of new losing bettors must be found. This low-outlay, high-overhead cost structure is thus one reason for the proliferation of online betting websites which rapidly come and go, and for the aggressive marketing of such websites via social media and other platforms.

In 2020, the Gambling Commission reported that there were at that time more than 700 white-label partners within the industry and stated that this model was “increasingly popular ... [to] bring global exposure to an operator’s products”.³ The Gambling Commission added, “there is a concern that unlicensed operators who would potentially not pass the Commission’s initial licensing suitability checks are looking to use the white label model to provide gambling services in Great Britain”. The Gambling Commission thus recognises two key points: firstly, the primary intention of many white-labels is not to market to or attract UK bettors, but to ‘piggy-back’ on the credibility of the Gambling Commission licence to market globally; and secondly such operators may not pass the Gambling Commission’s own suitability criteria.

The EMHF has serious concerns regarding the approach taken by the Gambling Commission to allow “white label” licenses that enable illegal betting operators around the world to bet on horse racing in the UK as well as other jurisdictions.

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The EMHF believes that insufficient consideration and research has been undertaken by the UK Gambling Commission into the impact of “account protections” that cause legal licensed betting operators to implement financial ability checks on customers that in turn is highly likely to lead to large numbers of consumers turning to illegal online betting operators.

³ UK Gambling Commission, [Raising Standards for consumers - Compliance and Enforcement report 2019 to 2020](#), 6 November 2020

The EMHF urges the Gambling Commission, and the UK government, to pause the introduction of any new account protection and financial checking measures and to undertake further research in collaboration with the horseracing federations and stakeholders into the impact on the sport.

Yours faithfully,

A handwritten signature in black ink, appearing to read 'Dr. Paull Khan', is centered on a light gray rectangular background.

Dr. Paull Khan
EMHF Secretary-General