

## **LEGISLATIVE COUNCIL BRIEF**

### **GAMBLING REVIEW – A CONSULTATION PAPER**

#### **INTRODUCTION**

At the meeting of the Executive Council on 19 June 2001, the Council ADVISED and the Chief Executive ORDERED that the consultation paper on the Gambling Review at Annex A should be published for public consultation.

#### **BACKGROUND AND ARGUMENT**

2. The Administration has recently completed a review of the gambling policy and a range of gambling-related issues (the Gambling Review). The review seeks to identify the challenges to the existing gambling regime and recommend possible measures to tackle the problems.

##### **The Gambling Policy**

3. The long-established Government policy is to restrict gambling to a limited number of authorized outlets only. The rationale of this policy is two-fold -

- (a) the conduct of gambling should be **authorized and regulated** because unregulated gambling can give rise to various social problems and provide a lucrative source of income for triad and criminal activities; and

- (b) the number of authorized gambling outlets should be **limited**, to satisfy demand for gambling by certain sectors of the public who would otherwise turn to unauthorized operators.

There are very **few** authorized gambling outlets in Hong Kong, as compared to many other jurisdictions.

4. Our gambling policy is underpinned by the following three principles -

- (a) **strict laws** to render all gambling activities illegal except those authorized or exempted;
- (b) **firm law enforcement actions** to combat illegal gambling activities; and
- (c) provision of **limited authorized outlets** to satisfy punters' demand.

### **The Proliferation of Unauthorized Soccer Betting**

5. Soccer betting has become increasingly widespread in Hong Kong since the 1998 World Cup, as evidenced by the extensive coverage of tips and odds in newspapers and the significant increase in the number of raids and amount of bets seized by the Police in 2000 (see Table 3.1 in Annex). Recent surveys reveal that around 120,000 to 340,000 Hong Kong people have taken part in soccer betting. A conservative estimate puts the annual turnover at about \$20 billion. We believe that the prevalence of soccer betting in Hong Kong is the result of the following mutually reinforcing factors -

- (a) the Gambling Ordinance (Cap. 148), which was first drafted in the 1970s and has no extraterritorial application, is unable to deal with cross-border gambling where offshore bookmakers take bets from punters in Hong Kong. As a result, a growing number of offshore

bookmakers have targeted the Hong Kong market by actively promoting their business in Hong Kong;

- (b) technological advancement has significantly increased not only the ease of betting with offshore bookmakers but also the law enforcement difficulties (e.g. the use of mobile phones by illegal bookmakers to take bets). The shift of operation bases outside Hong Kong and the enhanced security measures adopted by some bookmakers have also made enforcement actions more difficult; and
- (c) it seems that the existing authorized gambling outlets cannot satisfy the substantial and growing demand of Hong Kong punters for soccer betting. This leaves the local and offshore soccer bookmakers a huge market to serve.

## **The Proposal**

6. Having examined the experience of other jurisdictions and assessed the local sentiment, the Administration considers that the current **restricted approach** towards gambling (see paragraph 3 above) is still in the best interest of the community and hence should be upheld. However, in view of the challenges brought about by the changing local and international gambling landscape, we consider that some adjustments within the existing gambling policy framework may be needed.

### ***Tackling Soccer Betting***

7. The problem of soccer betting may be tackled by the following measures.

#### **(a) Updating the Gambling Ordinance**

8. We need to amend the Gambling Ordinance in order to plug the loopholes. On 22 November 2000, the Administration introduced the

Gambling (Amendment) Bill 2000 into the Legislative Council, which is being scrutinized by a Bills Committee. To recapitulate, the Bill seeks to criminalize unauthorized cross-border gambling activities and activities in Hong Kong which promote or facilitate cross-border gambling. We believe that the Bill, when enacted, would significantly reduce cross-border gambling by making it more risky and costly for offshore bookmakers to entice bets from Hong Kong people, and more inconvenient for Hong Kong punters to bet with them.

### **(b) Stepping Up Enforcement**

9. Enforcement against illegal gambling activities, especially syndicated ones, has always been the Police's priorities. Despite the enforcement difficulties, the Police will adopt a more proactive approach against illegal bookmaking, particularly bookmaking on soccer which has become increasingly widespread. Enforcement will be stepped up especially when major overseas matches take place. The Police will also strengthen cooperation with the Mainland and overseas law enforcement agencies in tackling gambling-related crimes with an extraterritorial element.

### **(c) Provision of Authorized Outlets for Soccer Betting**

10. The popularity of soccer betting in recent years has given rise to concerns about the harm that such unregulated activities may cause to the society and whether the problem can be tackled by strict laws and firm enforcement alone. A further suggestion is to provide authorized outlets for soccer betting.

11. In line with the existing gambling policy, authorized outlets should be provided only if there has been a **sufficiently large and persistent demand** for the particular type of gambling, the demand is being **satisfied by illegal means** and the problem **cannot be tackled effectively by law enforcement alone** even with the devotion of substantial resources. The proposal to regulate soccer betting through authorized outlets represents a major expansion in the scope of authorized gambling activities since no new form of gambling has been authorized for decades. We therefore consider it essential that the

proposition must **command public support** before it should be taken forward. We will therefore conduct an extensive public consultation exercise and listen very carefully to the views of the public on this issue.

12. To facilitate the public's consideration of the desirability of providing authorized outlets for soccer betting, we have worked out a **possible operational framework** for authorized soccer betting **if** such is to be provided. The proposed framework seeks to ensure that authorized soccer betting, if introduced, will be properly regulated through the **imposition of clear and firm licensing conditions** to guard against underage gambling and credit gambling, to prevent the provision of excessive gambling opportunities, and to restrict promotional activities.

13. Another key focus of the consultation will be on the **potential operator(s)**. We consider it desirable to follow the existing policy, viz. the provision and the number of authorized outlets should be regulated and that part of the proceeds generated by soccer betting should be directed to public causes including, for example, charity donations, sports and culture development, publicity programmes to enhance public awareness of the impact of gambling, and provision of dedicated services to those who suffer from gambling-related problems. A non-profit-oriented operator will be in a more appropriate position to fulfil these conditions. Accordingly, the proposed operational framework is drawn up on the assumption that only one operator for soccer betting will be licensed. Amendments to the Betting Duty Ordinance (Cap. 108) will be required to authorize legal betting on soccer and to stipulate the distribution of betting proceeds.

### ***Tackling the Negative Impact of Gambling***

14. We acknowledge that gambling has both positive and negative impact. As far as the negative impact is concerned, we are particularly concerned about **pathological gambling**<sup>1</sup> and **underage gambling**. We

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<sup>1</sup> The term is used to characterize punters who have difficulties in controlling their gambling behaviour and, as a result, gamble beyond their means, leading to accumulation of debts and other adverse effects on their life and families.

therefore propose that surveys and researches should be conducted to gauge the nature and scale of the above problems and, in the light of the findings, consider how best to implement preventive measures and treatment services to pathological gamblers.

### **Issues for Consultation**

15. The consultation paper invites public views on the following issues -

- (a) whether the Government should continue to adopt the existing gambling policy in paragraph 3 above;
- (b) whether the Government should regulate soccer betting through authorized outlets, and if yes, whether it should be pursued along the lines of the possible operational framework mentioned in paragraph 12 above; and
- (c) whether the Government should, in the light of the findings of studies and researches, devise suitable measures to address the possible negative impact of gambling (see paragraph 14 above).

### **PUBLIC CONSULTATION**

16. The Gambling Review is an in-house exercise and so far we have not yet conducted any formal consultation. However, we have held informal discussions with interested parties and concern groups and received representations from members of the public on various gambling issues from time to time. We have taken into account their views and those expressed by the public as appropriate in drawing up our proposals.

## **BASIC LAW IMPLICATIONS**

17. The Department of Justice advises that the above proposals do not conflict with those provisions of the Basic Law carrying no human rights implications.

## **HUMAN RIGHTS IMPLICATIONS**

18. The Department of Justice advises that the above proposals are consistent with the human rights provisions in the Basic Law.

## **FINANCIAL AND STAFFING IMPLICATIONS**

19. The propositions made in the consultation paper to tackle illegal and unauthorized gambling will have financial implications. The Home Affairs Bureau will need to be strengthened should a decision be taken to set up a regulatory framework for authorized soccer betting and to implement measures to address the negative impact of gambling. The staffing requirements will be worked out in due course. The Police will absorb any additional workload arising from the implementation of these propositions from within its existing resources.

20. The proposition of providing authorized outlets for soccer betting, if implemented together with any proposal to impose a tax on soccer betting, may generate additional revenue. It is however difficult to estimate the quantum of revenue to be generated as it will depend on, among other things, the betting turnover and the tax rate.

## **ECONOMIC IMPLICATIONS**

21. Illegal bookmaking, as a parallel market to legal bookmaking, is induced by a favourable cost differential due to the betting duty imposed on the latter and the saving in overheads resulting from the externality of betting information provided by the authorized operator. In practice, the financial equivalent of such an incentive is shared between the illegal

gambling operators and the punters. Unless this distinct incentive is substantially offset by imposing sufficient risk and effective cost on both of these parties through, inter alia, strong enforcement actions and adequate penalties, measures to stamp out the illegal operations will not be fully effective. Thus, any proposed operational framework for authorized soccer betting must seek to address the above incentive issue.

## **PUBLICITY**

22. A press conference will be held on 22 June 2001 to launch the public consultation. On the same day, we will -

- (a) issue a press release; and
- (b) release the consultation paper to the public with a leaflet summarizing the contents of the paper (at Annex B) and an Announcement of Public Interest (API). Copies will be available at the District Offices and on the homepage of the HAB.

A spokesman will be available to handle media and public enquiries.

## **ENQUIRY**

23. Enquiries on this Legislative Council brief may be directed to Mr. Francis Lo, Principal Assistant Secretary for Home Affairs at tel. No. 2835 1484.

Home Affairs Bureau  
22 June 2001  
S/F(2) to HAB CR 1/17/93 Pt.2

**Gambling Review:  
A Consultation Paper**

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## CHAPTER 1: INTRODUCTION AND ISSUES FOR CONSULTATION

1.1 The long-established Government policy is to restrict commercial gambling opportunities (other than social gambling) to a **limited** number of authorized outlets only. The rationale is that while limited gambling outlets may be allowed to meet public demand, they should be authorized and regulated so that gambling opportunities would not become excessive as to be detrimental to the community. There are thus relatively few authorized outlets in Hong Kong, as compared to many other jurisdictions. This policy has been well accepted by the public.

1.2 In recent years, however, there have been mounting challenges to our gambling regime. Most notably, **soccer betting** has become increasingly popular and widespread, both in terms of the number of people participating in it and the betting money involved. The problems needs to be addressed through a review of the gambling policy.

1.3 Against this background, the Home Affairs Bureau (HAB) has conducted a review of a range of gambling-related issues, to identify problems in the existing practices and to recommend solutions. Research has been conducted into the relevant practices and developments in other jurisdictions. We have also been closely monitoring public opinions and have from time to time received representations from concern groups and individuals on various gambling issues.

1.4 We recognize that gambling is a contentious subject. We believe that a thorough public consultation exercise will help focus the community on the key issues. Accordingly, this Consultation Paper invites public views on the following issues:

- (a) whether the Government should, as a matter of principle, adhere to its **existing policy** of restricting gambling opportunities to a limited number of authorized outlets only (Chapter 2, paragraphs 2.2 - 2.7);
- (b) whether, as one of the possible ways to tackle the growing problem of illegal soccer betting (Chapter 3), the Government should put soccer betting under control and

supervision by providing **limited authorized outlets for soccer betting** in Hong Kong and, if yes, whether the possible **operational framework** should be further considered (Chapter 4 and Annex); and

- (c) whether the Government should, in the light of the findings of gambling researches, implement preventive measures and provide services to address the negative impact of gambling, including:
  - (i) launching and coordinating **preventive and educational measures** against the negative impact of gambling;
  - (ii) working with the relevant Government and non-Government agencies to strengthen **treatment/services** provided to those affected by pathological gambling; and
  - (iii) conducting and supporting **gambling-related researches** on a regular basis (Chapter 5).

1.5 We are fully aware that gambling is a controversial subject on which the public may have divergent views. We will take full account of the views received during the consultation exercise in finalizing our recommendations on the above issues.

1.6 Please send your comments on this Consultation Paper to HAB by **21 September 2001** by any of the following means:

By Post: Home Affairs Bureau  
(Attn.: Division V)  
31/F, Southorn Centre  
130 Hennessy Road  
Wan Chai

By Fax: 2591 6002 (Attn.: Division V)  
By E-mail: [greview@hab.gcn.gov.hk](mailto:greview@hab.gcn.gov.hk)

1.7 We shall assume that all the submissions made in response to this Consultation Paper is **not** intended to be confidential and may be inspected by the public on request, unless there is a specific request to treat all or part of a response in confidence. For any enquiry related to the Consultation Paper, please contact HAB at 2835 1369.

## 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 <sup>1</sup>	Exotic horse racing bets <sup>2</sup>
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%
<b>Total</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>

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%

<sup>1</sup> 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.

<sup>2</sup> 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.

## 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 " " ), 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
<b>Soccer</b>						
No. of Successful Raids	-	-	1	13	4	32
Persons Arrested	-	-	1	49	7	80
Money/Betting Slips Seized	-	-	6,100	57,992*	1,624	268,607
<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)
The territory referred to in paragraph 3.5	1993	32
	1994	34
	2000	332
All countries	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.

## **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 pools<sup>1</sup> existing for nearly a century. **Fixed odds betting**<sup>2</sup> 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.

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<sup>1</sup> 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.

<sup>2</sup> "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.

## CHAPTER 5: UNDERSTANDING AND ADDRESSING THE IMPACT OF GAMBLING

5.1 A better understanding of the potential impact of gambling, social and economic, may assist the community's consideration of how a balance could be struck. This chapter examines measures that may be adopted in Hong Kong to minimize the negative impact of gambling.

### Understanding the Impact of Gambling

5.2 In order that concrete measures to address the impact of gambling can be devised and implemented, we need to assess the nature and seriousness of the gambling-related problems in Hong Kong. So far there have been few attempts in either the public or private sector to conduct in-depth research into this area. In this respect, **pathological gambling** and **underage gambling** deserve special attention.

#### *Pathological gambling*

5.3 Experience shows that most adults gamble in a controlled manner. However, some punters have difficulties in controlling their gambling desire and behaviour and as a result, they gamble frequently and often beyond their means. This could lead to accumulation of debts, emotional problems and loss of employment. Some of them may even resort to criminal activities or commit suicide as a result.

5.4 The traditional view towards heavy gamblers has been a moral one. In recent decades and particularly in some experienced jurisdictions, gamblers' problems have been studied from a psychological and psychiatric perspective. People encountering such problems are usually characterized as "pathological", "problem" or "compulsive" gamblers. The terms have different definitions but are usually used interchangeably.

5.5 Research suggests that among the various forms of gambling, **Internet gambling**, **convenience gambling** (e.g. slot machines and electronic gambling devices in street shops) and **casino gambling** are most conducive to pathological gambling, largely due to their "non-stop" nature. Those patronizing **illegal or unauthorized bookmakers** are also more

prone to pathological gambling because of the variety of the games offered, the absence of a time limit, the active promotion and the availability of credit betting and easy loans.

5.6 Apart from behavioral and financial problems, pathological gamblers may adversely affect people around them. Their immediate families are more prone to financial difficulties, indebtedness and other family problems. Their friends and relatives may also be affected, often as a result of the gamblers' indebtedness. Pathological gamblers are likely to be less productive at workplace. It is also possible that pathological gamblers and their families may have to rely on welfare support.

5.7 However, one of the difficulties in determining the net costs of pathological gambling is that it often co-exists with other behavioural problems, including substance (e.g. drug, alcohol) abuse and mood disorder such as depression. It is thus difficult to attribute a particular problem (e.g. suicide) solely to pathological gambling, or to determine the net effects of pathological gambling on a particular problem (e.g. divorce, domestic violence).

### ***Underage gambling***

5.8 It is generally accepted that underage persons should not be allowed to take part in gambling activities as they are less capable of controlling their gambling behaviour. Indeed, some overseas studies reveal that adolescent gamblers are more likely to develop pathological gambling behaviour and run into financial difficulties than adults. This may in turn affect their studies and pursuit of other interests. While authorized gambling operators normally prevent participation by underage persons, minors are vulnerable to the attractions offered by unauthorized bookmakers as they are not subject to any control.

5.9 It is generally acknowledged that the negative impact of gambling are usually more serious and prominent where illegal gambling is rampant and where the authorized gambling operations are poorly regulated and controlled. The actual impact vary from jurisdiction to jurisdiction. It is thus necessary to ascertain the prevalence of gambling-related problems in

Hong Kong, their correlation with various forms of gambling and their impact on individuals, families and the society. As a first step in this direction, HAB has recently commissioned a **study of gambling behaviour and pathological gambling in Hong Kong**. Results of the study will enable us to better understand the gambling-related problems in Hong Kong and to devise appropriate measures to address them. Pending the availability of the results, it may be useful to look at the measures that may be adopted to prevent and address gambling-related problems in Hong Kong.

## **Preventive and Educational Measures**

### ***(a) Public Education***

5.10 It may be more effective to foster among the public, in particular the youth, a responsible attitude towards gambling and to explain to them its risks and consequences, than to present it simply as a “social evil” and keep the public away from gambling. A sustained **public education programme** is recommended, aimed at enhancing public understanding about gambling, including the possible financial, psychological and social consequences.

5.11 In view of the vulnerability of young people to the negative impact of gambling, the messages suggested in paragraph 5.10 above, suitably adapted for youth’s consumption, should be disseminated to students through **school education programmes**, following the examples of the anti-drug and anti-corruption education. Indeed, the recent curriculum reform, which places emphasis on the development of positive attitudes such as rationality and self-discipline, provides a useful platform for fostering among students a rational and responsible attitude towards gambling and a better understanding of its impact. In addition, the Education Department (ED) has undertaken to implement the following measures to promote the messages:

- (a) ED has commissioned the Radio Television Hong Kong to produce a series of TV programmes with a view to building positive values amongst students. One of the programmes will focus on understanding the possible consequences of and risks involved in participating in gambling. The programme

is tentatively scheduled for broadcast in early 2002. The programme will later be developed into moral education reference materials for school use;

- (b) a series of moral education workshops will be organized for teachers and students and the issue of gambling will be included in the moral education programmes for the 2001-2002 school year;
- (c) schools applying for the 2001-2002 school year civic education grant will be recommended to include the issue of gambling in designing their civic education programmes; and
- (d) posters on the negative impact of gambling will be produced by ED for all primary and secondary schools in September 2001.

***(b) Information for Gamblers***

5.12 The better informed a gambler is about the nature and possible consequences of gambling, the less likely he would develop problematic gambling behaviour, and vice versa. Hence, in some jurisdictions such as the US and Australia, gambling operators (mainly casinos and electronic gambling devices) are required to display at gambling establishments and machines notices warning gamblers of the risks of gambling and informing them of the odds of winning and the services available (e.g. telephone help line, treatment and counselling services) if they wish to seek help regarding pathological gambling. Although there is a significant difference in the gambling landscape between Hong Kong and the overseas jurisdictions, we feel that consideration should be given on how best the practices mentioned above should be adopted in the authorized gambling outlets in Hong Kong.

***(c) Promotion of the Use of Internet Filtering Tools***

5.13 Filtering tools enable Internet users to screen out undesirable materials including gambling and pornographic websites. Although the use of filtering tools, being a voluntary practice, could not stop determined

punters from taking part in Internet gambling, it would to a large extent help protect casual Internet users and minors from gaining access to gambling information and opportunities on the Internet. We will consult the Internet industry and professional organizations on how best to make this easily accessible, especially in the home environment.

### **Treatment for Pathological Gamblers**

5.14 **Professional counselling** for pathological gamblers is available in some countries although there has not yet been any universally practised approach to treatment and counselling. In Hong Kong, pathological gamblers and their family members may at present seek help from SWD and welfare agencies in the context of family counselling services and from the Hospital Authority in the context of psychological and psychiatric treatment. Social workers in family services centres are equipped with knowledge and skills to deal with problems associated with gambling. Services including counselling and other forms of assistance are offered to individuals and families affected by pathological gambling. For gamblers who require intensive intervention, referral to clinical psychology and psychiatric services will be made. That said, at present no **targeted** treatment or **tailor-made** counselling programmes are provided to pathological gamblers or their relatives and friends. Indeed, there is a limited supply of **professional** gambling counsellors in Hong Kong and the services provided by them are not widely known to the public. We consider that the provision of treatment and counselling services for pathological gambling should be strengthened through collaboration among the Hospital Authority, SWD and NGOs. In developing such services, the Government will get in touch with overseas organizations providing such services (e.g. Gamblers' Anonymous in the US) and study their experience.

### **Further Researches and Studies**

5.15 To monitor the impact of gambling on the society and to ensure that the services provided for pathological gamblers and the preventive and educational measures would meet the changing circumstances of the society, gambling-related researches should be undertaken on a regular basis. Areas for further research include topics such as gambling

behaviour, pathological gambling, socio-economic impact of gambling, its effects on family life and the youth, gambling regulation, cost-effectiveness of law enforcement, etc.

5.16 Through regular monitoring of the trend and detailed analysis of the relevant aspects of gambling, the Government and the community as a whole could attain a better understanding of the subject, which would in turn enable us to formulate more effective measures to tackle gambling-related problems. Such researches and studies will be particularly useful for the purpose of monitoring the impact of new forms of authorized gambling if such is to be introduced.

### **Conclusion**

5.17 It is acknowledged that under certain circumstances gambling may give rise to social and behavioural problems. Assistance should be provided to people who are prone to or suffered from such problems through strengthening the treatment and services provided to pathological gamblers, launching public education and implementing preventive measures. Government should take the lead on this front, involving the non-Government sectors closely in the process.

## **CHAPTER 6: CONCLUSION**

6.1 Like many other jurisdictions, Hong Kong is facing serious challenges to our gambling policy. We need a serious review to decide how we could best face these challenges. But gambling is a subject that invariably attracts a great deal of heated debates. It affects a significant number of people and substantial amount of community resources are involved. It is thus important for the Government to listen to the public very carefully before making any major decisions relating to the gambling policy to ensure that they will be accepted by the society in general and are in the interest of the community. We sincerely invite members of the public to convey to us their considered views on the issues raised in this Consultation Paper.

**Home Affairs Bureau  
June 2001**

**Possible Licensing Conditions for Authorized Soccer Betting**

In the event authorized outlets for soccer betting are provided, the following licensing conditions can be considered:

***(a) Means of Taking Bets***

2. It is important to avoid a proliferation of betting shops as a result of licensing soccer betting. For this reason, the setting up of **new betting shops** for soccer betting should be restricted to a **minimum** number. The operator may also accept bets through telecommunications means such as telephone and/or the Internet.

***(b) Types and Number of Soccer Matches on which Betting are Allowed***

3. To avoid possible match-fixing and corruption, we propose that betting on the matches of the Hong Kong soccer league and those regional/international matches involving Hong Kong teams should preferably be **prohibited** by express licensing conditions, at least in the initial stage of the operation.

4. There are limits to the numbers of local horse races and Mark Six draws.<sup>1</sup> In line with the practice for horse racing and to avoid providing excessive gambling opportunities, it is for consideration whether an **upper limit** on the number of matches on which betting is allowed per annum should be specified in the licence. Alternatively, permission could be given to receiving bets only on the **major international and regional soccer matches** such as the World Cup, European Football Championship, and the premier leagues in the UK and Italy where the biggest interest of Hong Kong punters lie. The exact number or categories of matches/leagues would be subject to further discussion between the regulator and the potential operator taking into account the public views.

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<sup>1</sup> There is current an upper limit of 78 horse racing meetings per season and a summer recess of two months. No such restriction is imposed in respect of the Mark Six but it is normally held twice a week, except during the horse racing recess when one additional draw is held each week.

*(c) Protecting the Minors*

5. Underage persons are currently prohibited from entry into legal betting premises (i.e. racecourses, OCBBs and mahjong parlours). In view of the concerns about the adverse impact of legal soccer betting on the youth and children, and for the purpose of effective control and supervision, the operator would be strictly prohibited from (a) taking bets from those under the age of 18; (b) allowing them to enter any betting premises (including betting shops and service centres); and (c) opening betting accounts for them. Moreover, the licensee would be required to **take all reasonable measures** to avoid taking bets from the underage (e.g. requiring proof of identity where there is suspicion). The above should form the key licensing conditions. If the licensee is found to be repeatedly in breach of these conditions whether deliberately or due to negligence, it may result in revocation of the licence.

*(d) Preventing Credit Betting*

6. To prevent punters from gambling excessively and beyond their means, the operators should be strictly prohibited from offering credits to punters, accepting credit cards or allowing delayed payment. This is in fact the current practice of the HKJC though such restrictions are not expressly written in law or the licence. We propose that this should form one of the key licensing conditions for soccer betting.

*(e) Restricting Promotion and Advertisement*

7. In order not to encourage gambling, it is considered that the authorized operator should be restricted from promoting or advertising betting on soccer, especially where such promotion or advertisements would have the effect of encouraging the public (in particular the underage) to gamble. Such control is particularly necessary in view of the fact that soccer is a popular sport among the youth and many non-gamblers in Hong Kong. That said, reasonable dissemination of information relating to the matches should be allowed. The details would be worked out by the licensing authority in consultation with the operator and be inserted into the licence. This should help limit exposure to the betting operations to those who are genuinely interested

in placing bets without unduly arousing the interest of and causing nuisance to the non-gamblers. We do not think these conditions would unduly restrict the competitiveness of the authorized operator vis-à-vis the unauthorized ones as the latter would also be prohibited to promote their business in Hong Kong when the Gambling (Amendment) Bill 2000 is enacted.

***(f) Preventive Measures Against Pathological Gambling***

8. The licensing authority may impose on the legal operator the requirement to adopt suitable preventive measures against pathological gambling, such as displaying notices at the gambling establishments (e.g. betting shops and service centres) warning punters of the risks of gambling (see Chapter 5 for more details). Such requirements would be written into the licence.

***(g) Punitive Measures Against Non-Compliance***

9. The licensing authority should make it clear to the operator that **non-compliance** with the key licensing conditions could result in the **suspension or revocation** of the licence. Consideration may be given to imposing a fine on the operator for breach of specific licensing conditions.

10. The proposed operational framework seeks to ensure that legal soccer betting, *if introduced*, would be operated in a manner that could generate the desired benefits for Hong Kong while protecting punters' interest and keeping the negative impact to the minimum. A Bill stipulating the legal framework of the soccer betting operation would be introduced in the next legislative session and the details of the licensing framework would be thrashed out at a later stage if it is decided that legal soccer betting should be introduced.

## **Gambling Review : A Consultation Paper**

### **Contents of the Leaflet**

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Soccer betting has become increasingly widespread in Hong Kong in recent years, both in terms of the number of people participating in it and the betting money involved. However, betting with a local soccer bookmaker is illegal and the betting money is in turn used to subsidize other criminal activities. The situation presents serious challenges to our gambling regime, which need to be addressed through a review of the gambling policy.

#### **Gambling Policy**

The long-established Government policy is to **restrict** gambling opportunities (other than social gambling) to a limited number of authorized outlets only. The rationale of this policy is two-fold:

- ‘ ‘ the conduct of gambling should be **authorized and regulated** because unregulated gambling gives rise to social problems and provides a lucrative source of income for triad and criminal activities; and
- ‘ ‘ the number of authorized gambling outlets should be **limited**, to satisfy demand for gambling by certain sectors of the public who would otherwise turn to illegal operators.

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 and the Mark Six Lottery.

#### **The Growing Problem of Unauthorized Soccer Betting**

The proliferation of soccer betting in Hong Kong is evidenced by:

- ‘ ‘ a dramatic increase in the amount of bets seized by the Police in 2000 (five times over those in 1998, a World Cup year, and 165 times over those in 1999);
- ‘ ‘ a 10-fold increase in telecommunications traffic between Hong Kong and a certain territory in Europe, which is the base of many major offshore bookmakers, between 1994 and 2000 (as compared to the 95% increase in the telecommunications traffic between Hong Kong and all countries);
- ‘ ‘ the extensive coverage of tips and odds on soccer betting in local newspapers; and
- ‘ ‘ the large number of bars and restaurants equipped with large TV screens showing overseas soccer matches live.

Recent surveys reveal that around 120,000 to 340,000 Hong Kong people have taken part in soccer betting. A conservative estimate puts the annual turnover at about \$20 billion.

The situation is expected to deteriorate further during the next World Cup Finals, to be held in June 2002 in Japan and South Korea.

### **Possible Ways to Tackle the Problem of Soccer Betting**

The problem of soccer betting may be tackled by:

- (1) ***Updating the Gambling Ordinance*** - a growing number of offshore bookmakers are targeting Hong Kong by actively promoting their businesses here and inducing bets from Hong Kong people. The existing Gambling Ordinance is unable to deal with cross-border gambling and hence a Gambling (Amendment) Bill 2000 has been introduced into and is being scrutinized by the Legislative Council;
- (2) ***Stepping up enforcement actions*** – notwithstanding the law enforcement difficulties caused by the use of advanced technologies by bookmakers and shift of their operation bases outside Hong Kong, the Police will continue to be vigilant and step up enforcement actions, especially when major overseas matches take place; and
- (3) ***Providing regulated outlets for soccer betting*** - it seems that the existing legal gambling outlets cannot satisfy the substantial and growing demand of Hong Kong punters for soccer betting. Nor will enforcement work ever be wholly effective in stamping out soccer betting. This leaves the local and offshore soccer bookmakers a huge market to serve, and the law against gambling to be extensively flouted. While providing regulated outlets can be an effective way to tackle the problem, it is a contentious proposal on which the Government would like to seek public views before taking a decision.

### ***General Principles Governing the Provision of Authorized Gambling Outlets***

Under the existing gambling policy, the Government should authorize a certain type of gambling activities only if:

- ‘ ‘ there has been a **sufficiently large and persistent demand** for that type of gambling (both in terms of number of participants and betting dollars);
- ‘ ‘ the demand is **being satisfied by illegal means** and the problem **cannot practically and fully be tackled by law enforcement alone** even with the devotion of substantial resources; and
- ‘ ‘ the proposition commands **public support**.

### ***Arguments For and Against the Provision of Authorized Outlets for Soccer Betting***

#### **Arguments For Providing Authorized Outlets for Soccer Betting:**

- ‘ ‘ It reduces illegal gambling and removes a major source of income from the triads and criminals.

- ‘ ‘ It serves to satisfy the substantial and persistent demand for soccer betting and enables punters to bet in a regulated environment, thereby reducing the negative impact of illegal gambling.
- ‘ ‘ It helps recoup the tax revenue lost to illegal gambling and raises funds for worthy causes.
- ‘ ‘ It reduces the pressure on the law enforcement resources.

Arguments Against Providing Authorized Outlets for Soccer Betting:

- ‘ ‘ It will widen the scope of legal gambling and will not eliminate illegal gambling.
- ‘ ‘ It undermines social morals and values of the youth.
- ‘ ‘ It creates nuisance to the local communities due to the increase in physical betting facilities.
- ‘ ‘ Allowing betting on local soccer matches would increase the chance of corruption and match fixing.

***A Possible Operational Framework***

The actual benefits and disbenefits of providing authorized outlets for soccer betting would to a large extent depend on how it is operated. To enable more in-depth consideration, a possible operational framework to regulate soccer betting, *if introduced*, may contain the following parameters:

- ‘ ‘ Authorized soccer betting should preferably be operated by a single, non-profit-oriented operator to avoid excessive competition and promotional activities.
- ‘ ‘ Part of the proceeds derived from authorized soccer betting should be devoted to public purposes including, for example, sports and culture development, gambling-related researches and treatment/services for pathological gamblers.
- ‘ ‘ The operator should be required to observe the following main licensing conditions:
  - (a) restriction on the setting up of new betting shops for soccer betting;
  - (b) restriction on the types and number of matches on which betting is allowed;
  - (c) strict prohibition against taking bets from and providing betting services to persons aged below 18;
  - (d) strict prohibition against offering credits to bettors, accepting credit cards in

betting or delayed payment;

- (e) restriction on betting-related promotion and advertisement;
- (f) implementation of preventive measures against pathological gambling; and
- (g) punitive measures against non-compliance with licensing conditions.

The operational framework seeks to ensure that authorized soccer betting, *if introduced*, would be operated in a manner that would achieve the intended objective (combating illegal gambling) and generate the desired benefits, while keeping the negative impacts to the minimum.

### **Issues for Consultation**

We look forward to receiving your views on the following:

- (1) whether the Government should continue to **adopt the existing gambling policy** of restricting gambling opportunities to a limited number of authorized outlets only;
- (2) whether the Government should **regulate soccer betting through the provision of limited authorized outlets**, and if yes, whether it should be pursued along the lines of the **possible operational framework** outlined above; and
- (3) whether the Government should, in the light of the findings of studies and researches, **devise suitable measures to address the possible negative impact** of gambling in Hong Kong.

Please send your comments on the above issues in writing to the Home Affairs Bureau by **21 September 2001** by any of the following means:

By Post: Home Affairs Bureau  
(Attn.: Division V)  
31/F, Southorn Centre  
130 Hennessy Road  
Wan Chai

By Fax: 2591 6002 (Attn.: Division V)

By E-mail: [greview@hab.gcn.gov.hk](mailto:greview@hab.gcn.gov.hk)

Copies of the full Consultation Paper can be obtained from District Offices or downloaded from the homepage of the Home Affairs Bureau (<http://www.info.gov.hk/hab>). For enquiries, please contact us at 2835 1369.

Home Affairs Bureau  
Government Secretariat  
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