

For discussion on
10 January 2003

Legislative Council Panel on Home Affairs

Proposed Arrangements for the
Authorization and Regulation of Soccer Betting

Purpose

This paper sets out the proposed arrangements for the authorization and regulation of soccer betting in Hong Kong.

Background

2. The Government's gambling policy is not to encourage gambling, but to restrict gambling opportunities to a limited number of authorized and regulated outlets. The present authorized outlets are horse racing, the Mark Six lottery and licensed mahjong parlours. Social gambling is exempted under the Gambling Ordinance (Cap 148).

3. In recent years, this policy has been challenged by the proliferation of illegal soccer gambling. The problem has become more serious since the 1998 World Cup Finals. Against this background, the Government conducted a review of its gambling policy. One of the main purposes of the review was to examine whether soccer betting should be authorized and regulated in Hong Kong.

4. As indicated in the consultation paper on the review of the gambling policy (which was issued for public comments in June 2001), the Government would consider authorizing soccer betting as a new form of regulated gambling if :

- (a) there is a large and persistent demand for soccer betting;
- (b) the demand for this form of gambling is now being satisfied by illegal means;
- (c) the problem of illegal soccer gambling cannot be tackled by law enforcement alone; and
- (d) the proposal of authorizing this new gambling outlet is supported by the public.

5. Having analyzed recent public opinion and developments on the issue, the Government decided to provide an authorized outlet for soccer betting under an appropriate regulatory framework.

The Proposal

6. The details of the Government's proposal on authorizing and regulating soccer betting are as follows :

- (a) an authorized and regulated channel for soccer betting would be provided as a means of tackling the problem of illegal soccer gambling in Hong Kong;
- (b) the Hong Kong Jockey Club (HKJC) would be licensed to operate soccer betting;
- (c) the licence would be for an initial period of five years and would be renewable subject to a review thereafter;
- (d) an independent Gaming Commission composed mainly of non-officials would be set up for the purpose of regulating and supervising both soccer betting and the Mark Six lottery;
- (e) the Hong Kong Lotteries Board (Lotteries Board) would be dissolved upon the establishment of the Gaming Commission (the Lotteries Board was established under the Betting Duty Ordinance (Cap 108) and licensed to conduct the Mark Six lottery in accordance with conditions specified in its licence);
- (f) the licence for operating the Mark Six lottery now held by the Lotteries Board would be revoked and a new lotteries licence be granted to the HKJC;
- (g) the HKJC as the licence holder for conducting soccer betting would be allowed to operate fixed odds betting and pari-mutuel betting on soccer matches;
- (h) betting duty on fixed odds soccer betting would be levied on the basis of gross profits (total turnover minus payouts to punters); betting duty on pari-mutuel soccer betting

would be levied on the basis on turnover (or gross profits);

- (i) a percentage of the gross profits or turnover of soccer betting should be paid into a dedicated fund for the purpose of conducting research on the impact of gambling, promoting public education on problem and pathological gambling, and providing counselling and treatment services for problem and pathological gamblers;
- (j) the Government would discuss with the HKJC the details of an operational and regulatory framework for soccer betting;
- (k) the rate of betting duty on soccer betting and the rate of contribution to the dedicated fund would be worked out in consultation with the HKJC; and
- (l) the Government would draw up the details of such a framework with a view to introducing a Bill (to amend the Betting Duty Ordinance) into the Legislative Council in early 2003.

Proposed Gaming Commission

7. An independent Gaming Commission composed mainly of non-officials would be set up for the purpose of regulating the conduct of soccer betting and supervising the compliance of licensing conditions. The Commission would be responsible for monitoring the different aspects of authorized soccer betting and the Mark Six lottery in Hong Kong. The Commission would be asked to advise on major proposed changes to the licensing conditions. These arrangements seek to ensure that the operation of authorized soccer betting and the Mark Six lottery is consistent with the Government's gambling policy and is in the overall public interest.

8. The Gaming Commission would also be responsible for handling public complaints relating to soccer betting and the Mark Six lottery. This function would introduce a system of public scrutiny over the conduct of soccer betting and the Mark Six lottery, thereby enhancing the transparency and accountability of the overall regulatory regime.

9. The proposed functions of the Commission are :

- (a) to monitor the conduct and operation of authorized soccer betting in Hong Kong;
- (b) to monitor the conduct and operation of the Mark Six lottery in Hong Kong;
- (c) to supervise the compliance of licensing conditions by the licence holder;
- (d) to advise on whether changes should be made to the licensing conditions upon the application of the licence holder;
- (e) to handle public complaints relating to authorized soccer betting and the Mark Six lottery; and
- (f) to advise on whether a licence should be renewed, and for how long.

10. The proposed structure of the Gaming Commission is similar to that of the Lotteries Board. With the establishment of the Gaming Commission, it would be appropriate to subsume the supervision of the conduct of the Mark Six lottery under this Commission. This would serve to ensure consistency in regulatory and supervisory standards. The Lotteries Board should be abolished and its licence revoked. A new licence for the operation of the Mark Six lottery should then be granted to the HKJC.

Proposed Dedicated Fund

11. A percentage of the proceeds of soccer betting should be paid into a dedicated fund to be set up for the purpose of conducting research on the impact of gambling and public education on problem gambling, as well as providing counselling and treatment services for problem and pathological gamblers. This proposal seeks to address a long-standing social problem relating to gambling and to minimize any negative impact which could arise from the authorization of soccer betting. It is intended that the fund would be established by resolution of the Legislative Council as in the case of the Lotteries Fund.

12. The HKJC has agreed to contribute \$24 million to a 2-year pilot project for: (a) conducting research on the impact of gambling; (b) a public education programme on problem and pathological gambling; (c) a

publicity campaign against compulsive gambling; and (d) counselling and treatment services for problem and pathological gamblers. We are now in the process of drawing up the details for the setting up of counselling and treatment centres on an experimental basis. We will invite proposals from non-governmental organizations and universities shortly for the operation and management of such centres. The other programmes of the pilot project will also be launched soon.

Proposed Licensing Conditions

13. The licence on soccer betting would include the following major terms and conditions :

(a) *Duration of licence*

The licence would be for five years. This is to facilitate regular review of the tenure of the licence holder and the licensing conditions.

(b) *Means of taking bets*

There should be a specified maximum number of betting outlets. Betting through telecommunications means such as the telephone and the Internet would be allowed.

(c) *Types and number of soccer matches on which betting is allowed*

Bets on matches involving two Hong Kong teams would not be allowed. This is to prevent match-fixing in Hong Kong. There is no real need to authorize betting on local soccer matches as there has not been any strong demand for betting on local matches in the illegal soccer gambling market.

The generic match types and game types would be set out in the licence. However, the licence holder should have flexibility in determining the specific types of fixed odds games and pari-mutuel betting, the specific types of matches and the number of soccer matches for betting. This provision is proposed having regard to the extensive and changing types of matches and games on which bets are taken in the illegal gambling market, and the need to

ensure the operator's competitiveness against its illegal counterparts. This is also in line with international practice in regulating soccer betting.

(d) *Protection of minors*

Persons aged below 18 would be prohibited from placing bets, from entering any betting premises and from opening betting accounts. The licence holder should take reasonable and effective measures to avoid taking bets from the underage.

(e) *Prohibition of credit betting*

Credit betting would be prohibited so as to prevent excessive gambling in Hong Kong. The use of credit cards for the purpose of betting on soccer matches would not be allowed. This restriction is consistent with the way in which horse racing betting is operated in Hong Kong.

(f) *Restriction on promotion and advertising*

Suitable restrictions would be imposed on the promotion of and advertising on soccer betting so as not to encourage the public to gamble.

(g) *Preventive measures against pathological gambling*

The licence holder would be required to adopt suitable measures to prevent problem and pathological gambling, such as displaying notices at betting outlets, informing punters of the risks of gambling and disseminating information on how to seek help on problem gambling.

(h) *Punitive measures against non-compliance*

It would be specified in the licence that non-compliance with key licensing conditions could result in punitive measures, such as suspension or revocation of the licence, or a fine for breach of specific licensing conditions, etc.

14. The proposed licensing conditions seek to ensure that authorized soccer betting would be operated in a manner that could generate the desired benefits, while protecting punters' interests and keeping the negative impact of gambling to a minimum.

The Bill

15. A Bill will be introduced into the Legislative Council to provide for the authorization and regulation of soccer betting and for the taxation of soccer betting. It is proposed that the Betting Duty Ordinance be amended to provide a legislative framework for authorized soccer betting.

16. The main objects of the Bill will be :

- (a) to provide for the authorization of fixed odds betting on soccer matches (fixed odds betting is bets on a game where a punter's winnings are determined by the odds prevailing at the time when he places the bet and which are unaffected by any subsequent bets or changes in the odds);
- (b) to provide for the authorization of pari-mutuel betting on soccer matches (pari-mutuel betting is bets on a game where a punter's winnings are determined by the size of the total amount of money staked on the event or events);
- (c) to empower the Secretary for Home Affairs to authorize by licence a body (the HKJC or its wholly owned subsidiary) to conduct fixed odds and pari-mutuel betting on soccer matches;
- (d) to amend the Betting Duty Ordinance to dissolve the Lotteries Board;
- (e) to empower the Secretary for Home Affairs to authorize by licence a body (the HKJC or its wholly owned subsidiary) to conduct lotteries;
- (f) to empower the Secretary for Home Affairs to impose sanctions on the licence holder if it does not comply with the licensing conditions;

- (g) to provide for the allocation of gross profits of fixed odds betting on soccer matches;
- (h) to provide for the allocation of proceeds (or gross profits) of pari-mutuel betting on soccer matches;
- (i) to provide for the establishment of a dedicated fund for financing research on the impact of gambling, public education on problem gambling, and counselling and treatment services for problem and pathological gamblers; and
- (j) to exempt the licence holder from certain provisions of the Gambling Ordinance so as to enable it to hedge or lay off bets with bookmakers outside Hong Kong as a risk management measure.

Tentative Timetable

16. The tentative timetable for the authorization and regulation of soccer betting is as follows :

Preparation of the draft Bill	January - February 2003
Publication of the Bill in the Gazette	mid March 2003
Introduction of the Bill into the Legislative Council	early April 2003
Passage of the Bill	July 2003
Commencement of the conduct of authorized soccer betting in Hong Kong	August 2003

The Way Forward

17. The Government is discussing with the HKJC the following matters :

- (a) the operational aspects of authorized soccer betting;

- (b) the regulatory aspects of authorized soccer betting; and
- (c) the allocation of the proceeds of authorized soccer betting.

18. We are also working on a draft Bill for the introduction of authorized soccer betting.

Home Affairs Bureau
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