

**Response from the Administration to the questions raised by
Members at the Bills Committee meeting on 18 May 2006**

Question (a)

Explain the difficulties encountered by the Police in combating illegal bookmaking activities.

Answer (a)

Enforcement actions against illegal bookmaking activities are often met with great challenges and difficulties due to the sophisticated mode of their operations and the extensive use of internet technology to evade police actions. A number of factors affect the outcome of enforcement actions and these include :

(i) High mobility

Bookmakers do not necessarily remain in one fixed location to receive bets. Instead, they move around in order to evade detection. A successful police operation thus requires a huge amount of police efforts in developing a piece of information into tangible results.

(ii) Use of Internet

The use of internet technology by bookmakers enables them to operate away from Hong Kong. Servers holding important betting records are normally located out of the jurisdiction of Hong Kong and in the event of successful raids, betting records seized onsite from computer hard-disks contain only fragments of total bets received.

Despite these challenges, the Police will continue with vigorous enforcement efforts by mounting intelligence-led operations against illegal bookmaking activities. The Police will also work closely with law enforcement agencies in other jurisdictions to establish effective channels for intelligence exchange.

Question (b)

Provide information and figure on the unsuccessful raids mounted by the Police in combating illegal bookmaking activities since 2001.

Answer (b)

Figures on all raids on premises mounted by Police in combating illegal gambling activities since 2001 :

	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>
No. of Raids	283	241	226	265	327
No. of Successful Raids	68	85	74	71	68

Question (c)

Explain how the Administration has come to the conclusion that a certain amount of illegal football bets have been diverted to the authorized channels upon the authorization of football betting in 2003.

Answer (c)

The “Study on Hong Kong People’s Participation in Gambling Activities” conducted by the University of Hong Kong in 2005 provided the Government with a useful and comprehensive set of updated statistics on Hong Kong people’s participation in gambling activities. Comparing the findings with those in an earlier study conducted by the Hong Kong Polytechnic University in 2001, we note that the overall participation rate in gambling remains stable, but there is a decline in the overall participation rate in illegal gambling activities. The decline in the rate of participation in football betting with illegal local and offshore bookmakers, to a certain extent, reflected the fact that significant betting demand had been diverted to authorized channels after authorized football betting was introduced in 2003.

Taking into account the turnover in authorized football betting since its operation in August 2003, inference can thus be drawn that part of the illegal betting must have been diverted to the authorized outlet due possibly to the following reasons :

- (i) Some bettors prefer to bet lawfully with an authorized outlet if one is available; and
- (ii) Guaranteed pay-outs from authorized outlets as opposed to the possibility of illegal bookmakers going bust.

Question (d)

Provide the draft conditions of the licence to be issued to the first horse race betting conductor upon the enactment of the Bill.

Answer (d)

Similar to the current practice, the licence to the first horse race betting conductor would be issued on an annual basis. Whether the licence would be renewed or not will be decided by the Secretary for Home Affairs (SHA). The licence for authorized horse race betting would include a number of mandatory licensing conditions. These conditions seek primarily to prevent underage/excessive gambling and minimize the negative impact of authorized horse race betting. The conditions will cover the following aspects -

- (i) The authorized conductor shall not accept bets from any person under 18 years of age; nor shall it allow admission of persons below 18 years of age to its betting premises.
- (ii) The authorized conductor shall not be allowed to offer any credit for betting or to accept credit cards for settlement of betting transactions.
- (iii) The authorized conductor shall not pay dividends or rebates on bets to juveniles.
- (iv) The authorized conductor shall not advertise horse race betting on television or on the radio from 4:30 p.m. to 10:30 p.m.¹
- (v) The authorized conductor shall not advertise in ways that would exaggerate the likelihood of winning or suggest that betting on

¹ Subject to section 6GB(6) of the Betting Duty (Amendment) Bill 2006.

horse races is a source of income or viable way to overcome financial difficulties; or target those under 18 years of age in their advertisements.

- (vi) The authorized conductor shall be required to display signs and other notices to inform punters about the seriousness of the problem caused by excessive gambling and providing information on services available in Hong Kong for problem and pathological gamblers.

Apart from the mandatory licensing conditions as mentioned above, the other proposed major licensing conditions for horse race betting will cover, inter alia, the areas set out in the following paragraphs. The conditions will be worked out after consulting the Hong Kong Jockey Club and the future Betting and Lotteries Commission -

Types of races and bets

- (i) Betting will be conducted only on local races and simulcast races approved by SHA. There will be a maximum number of race days and simulcast race days, and this number shall be determined by SHA from time to time.
- (ii) The authorized conductor can offer fixed-odds and pari-mutuel betting on approved races in relation to the results, and events or contingencies of such races.
- (iii) The authorized conductor will be allowed to take bets through telephone, on-line medium (including the Internet) and other telecommunication and electronic means.

Betting outlets and locations

- (iv) There will be a maximum number of betting outlets as determined by SHA from time to time and SHA's prior approval would be required for the opening of new outlets.

Consumer protection

- (v) The authorized conductor will be required to disseminate within its betting premises and on its website essential information relating to its betting products, including essential rules of the bet types, percentage of payouts, as appropriate.

- (vi) The authorized conductor will ensure that all dividends and rebates payable or paid on bets are paid in accordance with the relevant betting rules.
- (vii) The authorized conductor will not be allowed to disclose the identity of any person who has won any winnings, except in the event that the disclosure is required by law or with the consent of that person.
- (viii) The authorized conductor will implement a set of procedures for dealing with customers' complaints relating to the conduct of horse race betting and submit a report to SHA on the complaints dealt with on a yearly basis.

Provision of rebates

- (ix) The authorized conductor shall ensure that rebates are paid to high value bettors only.

Provision of information

- (x) The authorized conductor will be required to provide SHA with information relating to the compliance with the licensing conditions.
- (xi) The authorized conductor will be required to provide SHA and the Secretary for Financial Services and Treasury with their annual audited accounts relating to the operation of horse race betting.
- (xii) The authorized conductor will also be required to put in place adequate accounting systems and adequate systems of control for the purposes of ensuring efficient running of horse race betting operations and prudent risk management, minimizing the risk of fraud, as well as enabling compliance with the Gambling Ordinance, Betting Duty Ordinance and the conditions of the licence. The authorized conductor will submit to SHA a report on the systems of control on a yearly basis.

Punitive measures against non-compliance

- (xiii) SHA could issue warning letters to or impose financial penalties on the authorized conductor if he is satisfied that the authorized

conductor has breached any licensing condition.

- (xiv) SHA could revoke the licence of the authorized conductor in the event that it has breached any licensing conditions, or that the authorized conductor has failed to take steps to rectify the situation within a reasonable period of time; or that it has refused without reasonable excuse to pay the financial penalty so imposed.
- (xv) The authorized conductor could surrender the licence after giving a stipulated period of advance notice to SHA.

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