

## **APPENDIX 2: Factors that lead people to use illegal offshore wagering operators**

Although there are numerous legal avenues for Australian based punters to bet on Australian racing and sporting events, it has been shown that betting with illegal off-shore operators remains prevalent. The principal reason being that most illegal operators base their operations in jurisdictions with little or no regulatory oversight and with very limited taxation obligations. Even if a limited form of regulation is imposed, the endemic corruption which is widespread in those jurisdictions limits the effectiveness of any regulatory action.

Accordingly, the principle reasons Australian punters transact with these operators could be:

- The illegal operators are able to offer better odds and other incentives because their operating margins are much higher given that they are not required to pay product fees to Australian Racing Authorities or taxation to the Governments in the jurisdictions in which they are based;
- The illegal operators are able to offer betting options or products which might not be available to Australian wagering operators, such as “*in the run*” betting. They are also able to introduce new products immediately without seeking regulatory approval;
- Punters who are not able to secure credit with legal operators in Australia because of regulatory prohibitions or bad credit records may be able to obtain credit from overseas operators;
- Punters who have had their accounts closed by Australian based operators or punters who are unable to get set for the required amount of their bets might be able to be accommodated by overseas bookmakers;
- Large punters or punting syndicates may be attracted to the larger critical mass in overseas betting exchanges where they will be able to back and lay horses/sporting teams for much larger amounts;
- Large betting syndicates will always look to access all available betting pools/exchanges irrespective of their location or legality;
- The betting records of Illegal overseas bookmakers and betting exchanges are not accessible by Australian regulators or racing and sporting authorities. Therefore:
  - persons who would otherwise be prohibited from betting on racing and sporting events (jockeys, football players, etc.) are able to place bets without fear of detection,
  - Persons who might be involved in race fixing or match fixing are more readily able to avoid detection from policing authorities and industry regulators

- Other persons who may wish to retain secrecy over their betting activities because of their employment and business associations are also able to place bets without their betting activities becoming public or known to their employers and business associates.
- Persons may find it convenient to utilise the lay and bet sides of an unregulated betting exchange to launder money.