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Professor Dr. Stefano Caneppele, Vice-Director, School of Criminal Justice, University of Lausanne, Switzerland; Member, IFHA Council on Anti-Illegal Betting and Related Crime

Introduction

Public debate on illegal markets often gravitates toward repressive policy responses, typically framed as urgent actions to suppress criminal activity. Yet these measures rarely operate in isolation.[1] They interact with — and are sometimes undermined by — gaps and ambiguities in the regulatory framework that shape how legal and illegal markets coexist and evolve over time. In this perspective, the challenge is not only to understand why repression alone seldom produces lasting effects, but also to examine how certain regulatory configurations may unintentionally create incentives for illegal market expansion.

Less attention is given in public debate to the concept of dual markets, namely the coexistence of legal and illegal markets that expand or contract depending on supply and demand conditions.[2] From a policy perspective, viewing legal and illegal exchanges as part of a single market ecosystem helps explain why repressive interventions tend to produce only short-lived effects and why illegal markets often adapt or reconfigure rather than disappear.

A key feature of dual markets is that the goods or services offered in legal and illegal circuits are often similar — at least from the consumer's perspective — but the illegal versions are perceived as more advantageous, primarily due to lower regulatory or fiscal costs. Contraband cigarettes or fuel, for instance, are cheaper because they evade excise duties, while hazardous-waste disposal services are offered at reduced costs because environmental regulations are bypassed. Price differentials are therefore not only economic, but also regulatory in nature: public regulation shapes the relative attractiveness of legal and illegal supply.

What crime proofing is, and the role it plays in regulatory design

Several criminologists have highlighted how regulatory frameworks can unintentionally generate criminal opportunities.[3] In this regard, the concept of crime proofing has been proposed as a preventive approach to assess legislation/regulation ex-ante and reduce its potential to create criminogenic incentives.[4][5]

The concept of crime proofing of legislation/regulation has been developed within the field of environmental and opportunity-based criminology.[6][7] Its theoretical foundation lies in the idea that — consistent with the saying "opportunity makes the thief" — opportunities for crime are not merely the result of individual motivation, but are often unintentionally generated by regulatory, institutional or organisational arrangements.

Within this perspective, regulation may inadvertently produce criminogenic conditions by altering incentives, redistributing costs, or creating loopholes exploitable by offenders.

Crime proofing refers to an ex-ante assessment methodology aimed at identifying, within a proposed piece of legislation or regulatory framework, potential vulnerabilities, opportunity structures or displacement effects that may facilitate criminal activity. In particular, Morgan and Clarke (2006)[8] identify seven situations in which new or revised regulation is especially likely to generate unintended criminogenic effects, and should therefore be subjected to crime-proofing assessment (Table 1). Once these potential risks are identified, the methodology entails a more detailed examination of the likely indirect effects of the regulation on offender decision-making and situational opportunities. The ultimate goal is not to impede regulation, but rather to support policy-makers in making better-informed decisions and, where appropriate, in designing mitigation or safeguards to prevent the unintended creation of criminal opportunities.

No.	Category of regulation	Reformulated description
1	Introduction of new disposal requirements, fees, or other burdensome obligations	May incentivise avoidance or minimisation of the obligation (e.g., non-compliance, concealment, illicit outsourcing, bribery of officials), including the involvement of third parties or organised actors offering circumvention services.
2	Introduction of concessions, exemptions, or reductions in taxes, fees, or obligations	May generate deceptive or strategic behaviour aimed at qualifying for the concession (e.g., provision of false information, artificial eligibility arrangements, bribery).
3	Introduction of grant, subsidy, or compensation schemes	May create incentives for opportunistic or fraudulent claims (e.g., forged documentation, misrepresentation of eligibility, collusion or bribery), as well as intentional misuse or diversion of benefits.
4	Introduction or increase of taxes or costs on legal goods	May encourage smuggling, grey-market trade, or cross-border supply from lower-tax jurisdictions, including the involvement of organised networks specialising in contraband distribution.
5	Prohibition, restriction, or reduced availability of a demanded good or service	May stimulate the emergence or expansion of illegal or parallel supply channels, including black-market provision coordinated by informal or organised actors.

6	Expansion, reduction, or reconfiguration of law-enforcement capacity	When enforcement intensity increases, behaviour may be displaced across places, channels, or modalities; when it decreases, the same behaviour may expand due to reduced deterrence or oversight.
7	Delegation or extension of regulatory powers to public officials	May create opportunities for discretion, rent-seeking, or corruption (e.g., in licensing, inspection, allocation of benefits, or imposition of burdens), particularly in contexts lacking transparency and accountability mechanisms.

Table 1:Risk indicators of unintended crime consequences for a crime proofing preliminary exercise by categories of regulation (Source: Author elaboration on Morgan and Clarke, 2006)

Gambling markets as dual markets

Except in contexts where an absolute prohibition on gambling is enforced across the entire national territory, the gambling sector can, in most cases, be understood as a dual market, in which legal and illegal providers coexist and interact. Historically, gambling has been subject to varying degrees of regulatory control, which has contributed to the emergence of parallel supply structures offering services that are, from the consumer's perspective, often functionally similar.

In certain segments — such as lotteries or card games that are not directly operated or guaranteed by the state — consumers may be less inclined to engage with illegal operators, as these are perceived to entail a higher risk of fraud or manipulation. By contrast, betting services, and in particular online sports betting, constitute a paradigmatic case in which the characteristics of the service provided in legal and illegal markets are largely equivalent. In these markets, illegal operators are able to compete effectively — and in some cases more aggressively — by offering more favourable odds, a wider range of betting options, or wagers that are not authorised in the regulated market (for example, bets on specific match events or competitions that fall outside the legal framework).

This competitive advantage is not derived from innovation in service provision, but rather from regulatory non-compliance. Illegal operators do not bear the fiscal, licensing or compliance costs required of licensed providers, and typically do not contribute to public funds earmarked for gambling-related harm prevention and treatment. As a consequence, the illegal sector may undercut regulated operators while externalising social and economic costs onto the broader system.

From a policy perspective, recognising gambling as a dual market shifts the analytical focus from repression alone to the interaction between regulation, market incentives and consumer demand. This highlights the importance of assessing how regulatory design — particularly taxation levels, licensing barriers and product restrictions — may unintentionally influence the relative attractiveness of illegal providers and shape the dynamics of coexistence between legal and illegal gambling markets.

The Brazilian case and the regulation of the gambling market

In this regard, Brazil represents an interesting case study. Historically, Brazil, a federal state, has maintained a highly restrictive stance toward the legalisation of gambling, which has been viewed as extremely harmful due to its social costs, especially those associated with indebtedness and addiction among lower-income groups.[9] Despite the prohibitions introduced in the 1940s, the illegal gambling market has continued to exist in clandestine forms and has remained strongly embedded in local culture through the well-known Jogo do Bicho, created at the end of the nineteenth century and still widely present today (Table 2). Overall, the prohibitionist framework consolidated in the 1940s largely remained in place — with limited exceptions (the federal lottery in 1967 and horse racing in 1984) — until 1993, when a first significant change was introduced.[10]

Period	Gambling type	Description	Current status
1892 → present	Jogo do Bicho	Created as fundraising scheme for Rio zoo in 1892	Illegal
Early 20th century	Clandestine gaming / betting houses	Private games of chance	Illegal
1930s–1946	Casinos	Legalized under Vargas for tourism & culture	Banned since 1946
1941	General ban on games of chance (DL 3.688/1941)	Criminal offence to exploit games of chance	In force
1967	Federal Lottery (DL 204/1967)**	Union monopoly; operated via Caixa Econômica	Legal
1984 →	Horse racing / turf betting	Legalized as sporting activity (Law 7.291/1984)	Legal
1993–2007	Bingo halls (Lei Zico → Lei Pelé → STF)	Temporarily legalized to fund sports; later re-restricted & banned	Illegal since 2007 ruling

2018–2023	Fixed-odds sports betting (legalized but unregulated)	Legal in principle (Law 13.756/2018)	Operated in offshore / grey market
2023 →	Fixed-odds betting regulated & licensed	MP 1182/2023 + Law 14.790/2023 + 2024 ordinances	Legal, regulated federal market

Table 2: Historical Evolution of Gambling Regulation in Brazil (Source: Author elaboration on Dias, 2024)

The legalization of Bingo halls and its unintended criminogenic impact (1993-2007)

The evolution of bingo regulation in Brazil illustrates how successive policy changes — although motivated by legitimate governance and public-interest objectives — unintentionally generated criminogenic opportunities that could have been anticipated through a crime-proofing assessment (Table 3). This case was extensively analysed through the interesting study "The Bingo Project" conducted by University of Kent.[11]

In 1993, the Lei Zico (Brazilian Sport Law) legalised bingo as a revenue-raising instrument for sport. However, the introduction of preferential licensing regimes and earmarked funding channels created conditions conducive to rent-seeking, benefit diversion and regulatory capture. Discretionary authorisations at sub-national levels further increased opportunities for extra-legal brokerage and collusion in licensing and supervision, while criminal groups exploited bingo operations for corruption and money laundering.[12]

The subsequent Lei Pelé (1998) sought to correct these distortions by centralising competence at the federal level. Yet the reconfiguration of enforcement powers was not matched by equivalent institutional capacity, producing enforcement gaps and jurisdictional ambiguity that facilitated regulatory displacement and compliance arbitrage. The simultaneous restriction of legal supply contributed to the migration of activity into grey and informal channels, reinforcing hybrid and clandestine markets rather than consolidating compliant ones.

Finally, the Brazilian Constitution Supreme Court (STF) ruling (2007) re-established prohibition as a response to regulatory crisis and corruption concerns. While politically effective in signalling control, the elimination of legal supply displaced demand into illegal markets, reduced transactional traceability and increased reliance on costly punitive enforcement. As a result, clandestine networks persisted beyond the reach of formal regulation.[13] [14]

Taken together, the trajectory illustrates a regulatory process in which several crime risks were present ex-ante but not systematically evaluated. The observed outcomes have been extensively documented through the work of the Brazilian Parliamentary commission of Inquiry (the CPI dos Bingos).[15]

Regulatory phase	Crime Risks	Mechanism created by regulation	Criminogenic risk (ex-ante predictable)	Reported outcomes*
Law 8.672/1993 (Lei Zico) — Legalisation to fund sport	(2) Concessions / exemptions	Preferential licensing & fiscal advantages for operators	Rent-seeking, strategic manipulation, regulatory capture	Yes
	(3) Earmarked subsidy / revenue schemes	Bingo proceeds allocated to sport	False reporting, benefit diversion, opaque fund flows	Yes
	(7) Expansion of discretionary powers	Local / sub-national authorisations	Discretion, collusion, informal brokerage	Yes
Law 9.615/1998 (Lei Pelé) — Federal centralisation	(6) Reconfiguration of enforcement capacity	Shift from state to federal competence without capacity scaling	Enforcement gaps, jurisdictional ambiguity, evasion	Yes
	(5) Restriction of legal supply	Fewer valid concessions, tighter access	Migration to grey / informal supply channels	Yes
	(7) Concentration of discretion at federal level	Centralised decision-making without transparency safeguards	Lobbying pressure, policy capture	Yes
Brazilian Constitution Supreme Court (2007) — Re-prohibition	(5) Prohibition of a demanded service	Elimination of legal supply	Displacement to illegal markets, loss of traceability	Yes
	(6) Enforcement restructuring	Closure regime reliant on punitive control	Costly enforcement + spatial displacement	Yes

*Table 3: Regulatory evolution and criminogenic effects in the Brazilian bingo sector (1993–2007) * Evidence based on parliamentary report, research report and media accounts, rather than systematic empirical study*

Fixed-Odds Sports Betting (2018–2023): Legalised but Operationally Unregulated

Some years later, Law 13.756/2018 formally legalised fixed-odds sports betting in Brazil with the intention of modernising the gambling sector and creating a regulated market capable of generating tax revenue. However, the law did not immediately establish the licensing, supervisory and compliance mechanisms required for the practical implementation of the activity. The absence of secondary regulation and institutional enforcement capacity over the years that followed produced a prolonged regulatory limbo.[16]

During this period, the market evolved in ways that closely match what crime-proofing analysis would predict when legality is introduced without operational oversight (Table 4). Because operators could not obtain domestic licences, many chose to base themselves in foreign jurisdictions and operate in Brazil from abroad, benefiting from lighter obligations and the absence of local taxation. This resulted in a de facto offshore-dominated grey market with massive migration of operators to foreign licences (e.g., Curaçao, Malta), (see e.g. Play the Game, 2024).

At the same time, the lack of an active supervisory authority meant that compliance was largely voluntary. Without clear sanctioning mechanisms or reporting requirements, regulators had limited leverage to monitor or discipline operators. This enforcement vacuum did not eliminate activity — rather, it shifted it outside effective state control.

From the consumer side, the paradox of a sector that was legal in principle but not yet available through authorised domestic channels led users to migrate towards foreign betting platforms. Demand therefore concentrated in unregulated or externally regulated supply channels, reinforcing dual-market dynamics.

In the absence of a fully functional regulatory framework, market coordination was increasingly mediated by intermediaries such as sponsorship networks, affiliates, payment processors and media partnerships. These actors operated in an environment of informal governance, filling the space left by delayed state regulation and contributing to opacity in financial and contractual relationships.

Only with the subsequent reforms adopted from 2023 onward — and the progressive introduction of licensing, taxation, monitoring and AML obligations — did the regulatory architecture begin to realign incentives and re-internalise market activity under domestic oversight.[17] [18] [19]

Regulatory phase	Crime Risks	Mechanism created by regulation	Ex-ante criminogenic risk	Reported outcomes (2018–2023)*
Law 13.756/2018 — Legalisation without operational regulation	**(2) Concessions / exemptions**	Legalised sector without licensing, fiscal or supervisory obligations	Competitive advantage for offshore operators; regulatory arbitrage	Yes
	(3) Indirect subsidy effects	Revenue flows not taxed or earmarked nationally	Loss of public revenue & unequal competition	Yes
	(5) Partial restriction of legal supply	"Legal but not yet authorisable" domestic market	Demand shifts to unregulated suppliers	Yes
	(6) Reconfiguration / absence of enforcement capacity	Legal status created without institutional enforcement infrastructure	Minimal compliance leverage; inability to sanction or monitor	Yes
Transition period (2023–2025) — Move toward regulation	**(6) Enforcement restructuring**	Progressive introduction of oversight & fiscalisation	Transitional instability; short-term displacement	Yes

*Table 4: Regulatory evolution and criminogenic effects in Brazil's 2018 fixed-odds betting reform. * Evidence based on media accounts rather than systematic empirical study*

Conclusion

The Brazilian experience illustrates that legalisation without timely and coherent regulation can create criminogenic incentives — particularly in digital gambling markets, where demand remains high and cross-border participation is technically easy. While systematic and in-depth analyses of the unintended criminogenic effects of Brazilian gambling legislation remain limited, a considerable amount of anecdotal and documentary evidence points to the presence of such unintended effects. The decision to legalise gambling fully or partially is ultimately a political one, and policy-makers must balance multiple, often competing, interests. In most cases, concerns around gambling regulation are framed primarily in terms of public health risks (addiction, problem and pathological gambling) financial risks (over-indebtedness) and fiscal impacts (loss of tax revenues or leakage). However, the Brazilian case suggests that ex-ante impact assessment should also systematically consider the criminogenic consequences of regulatory choices. Integrating crime-proofing into the policy design process can help to anticipate unintended opportunities for illegal activities and reduce incentives for regulatory evasion. More broadly, it can support the development of more effective, resilient and evidence-based gambling regulation.

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Bet monitoring in a fast-changing wagering landscape: a New Zealand case study

By Dr Eliot Forbes, Chief Executive, Racing Integrity Board, New Zealand; Member, IFHA Council on Anti-Illegal Betting and Related Crime

The global wagering environment is undergoing a profound shift. The current landscape requires us to extend our integrity focus beyond domestic borders to an environment that is international, multi-jurisdictional and increasingly crypto-denominated. Legal, domestic operators now compete with a rising tide of illegal online operators, including crypto racebooks, illegal exchanges and prediction markets. Such operators free-ride on racing's product and present a corrosive threat to the sport's integrity and its commercial foundations.

For regulators and sporting bodies this is not an abstract concern. Bet monitoring has long been a core integrity tool, but we have had to strengthen this capability and broaden its lens to match a market that is evolving faster than legacy systems were designed for. This article uses New Zealand as a case study in how a small jurisdiction is challenging itself to respond to these challenges, while recognising that no single organisation has all of the answers.

A changing domestic landscape

New Zealand's racing and sports betting market is structured around a single licensed wagering operator. TAB NZ holds the exclusive right to offer betting to New Zealand residents. The Racing Integrity Board (RIB) was established to deliver integrity services, providing independent oversight of all three racing codes (thoroughbred, harness and greyhound), including responsibility for bet monitoring.

An important feature of our position is geography. While domestic wagering is TAB NZ's primary focus, we sit on the doorstep of Australia, one of the most vibrant, competitive and innovative wagering markets in the world. New Zealand-based wagering accounts for only around one-third of the combined Australasian betting on New Zealand races. We have therefore always needed to keep one eye on the Australian market to understand how cross-border activity affects the integrity of our own racing.

Over the last three years the domestic framework has evolved. Through a 25-year strategic partnership, TAB NZ appointed Entain to deliver wagering to the New Zealand market. Entain has modernised the product offerings and upgraded the technology systems. For the RIB this has been an opportunity to work with a partner that operates across different global markets and to deepen our understanding of how New Zealand-facing activity sits within a wider regional picture.

In July 2025 the New Zealand Government introduced legislation to establish a domestic online wagering monopoly, consolidating all licensed online wagering within a single onshore operator and creating a clearer environment for monitoring domestic

activity. The scale of Australia-based wagering on New Zealand racing, however, means it remains essential to maintain visibility of activity with Australian operators.

Our philosophy: Five core elements of wagering integrity

Our philosophy begins with five core elements:

1. **Intent and the regulatory framework**

   Bet monitoring is a specific statutory responsibility and we approach it with deliberate intent. This includes developing a deep understanding of the operating environment, recognising the tight correlation between wagering and racing integrity and ensuring that regulatory frameworks and associated arrangements are effective.

2. **Capability and expertise**

   Effective integrity oversight relies on skilled people. Betting analysts, stewards and investigators bring complementary expertise enabling us to interpret market signals in the context of how races are run, how participants behave and how wagering markets respond.

3. **Data as a strategic asset**

   We treat data and the systems that support it as strategic assets. How information is accessed, structured and managed directly affects the quality of insight we can draw. Modern analytical tools, including emerging AI-enabled technologies, are also broadening and automating the ways in which data can be examined for anomalies and unusual patterns.

4. **Systems-thinking**

   Integrity risk can emerge across ownership structures, training environments, stable and jockey behaviour, betting markets and information channels. Understanding how these elements interact, including how behaviour in one part of the ecosystem can influence another, is essential to assessing risk coherently and proportionately.

5. **Feedback and learning**

   Our approach is anchored in continuous improvement. Each alert, review and investigation provides insight that sharpens our focus, strengthens our monitoring capability and enhances overall organisational performance. We adopt an intentional learning philosophy so that, as far as practicable, our integrity effectiveness evolves in step with the dynamic nature of the wagering environment.

Integrated Wagering Integrity Operations

Our bet monitoring activities are built around coordinated internal workflows involving betting analysts, stewards and investigators. Working in partnership with Entain and guided by clear operational protocols, our approach is proactive and combines early preparation, real-time surveillance and routine post-race review across all three codes.

Before each meeting, the betting analyst distributes an initial assessment to relevant stewarding teams highlighting key market movements, high-risk races, notable bets placed in early markets and emerging patterns. The responsible steward reviews this information, adds relevant racing context such as stable knowledge and participant connections and ensures all integrity teams begin the day with a shared understanding of the key risks.

During the race meeting, analysts monitor the markets continuously and issue alerts when certain bets (a $50 bet from one person may be highly significant, whereas as a $10,000 bet on the same runner from another person may be no cause for concern), wagering liabilities, timing or market behaviour warrant closer attention. Alerts are acknowledged by the stewards immediately and they assess the race with specific reference to the information provided. Their observations focus on racing patterns, opportunities afforded to runners and whether any further inquiry is necessary.

Where a matter requires deeper scrutiny, it is escalated to the betting analyst and principal investigator. This ensures that concerns arising from either the race or the market can progress seamlessly into formal casework as needed. Post-race findings also feed back into our risk indicators, sharpening both stewarding practice and analytical settings.

Illegal offshore betting on New Zealand racing

Alongside our domestic work, we are extending our attention to offshore activity involving New Zealand racing. Recent analysis from Responsible Wagering Australia (RWA)[1] estimates that despite legislation and regulatory controls that aim to prohibit offshore gaming and wagering, illegal or 'grey market' offshore operators now account for about 36 per cent of Australia's total online gambling market, a share that has doubled since 2019. It would be optimistic to assume that New Zealand is insulated from similar forces.

Our analysis of crypto deposits into major sportsbooks provides some sobering insights. Blockchain transparency allows aggregated crypto-deposit data to be extracted from the largest offshore crypto casinos and sportsbooks. Over the past twelve months, the top operators globally recorded more than US$187 billion in identifiable crypto deposits and seven of the ten largest platforms now offer racebook functionality (Figure 1 - Crypto Deposits).

As this dataset excludes all fiat-currency deposits, these totals represent only a portion of total deposits. Even if only one per cent of wagering on these platforms relates to horse racing, this would imply at least USD 1.87 billion in crypto betting activity takes place on racing across this cohort of operators alone.

Crypto Sportsbook Ranking	12 Month Aggregated Crypto Deposits	Total New Depositors
Top 5 Crypto Sportsbook	$177,000,000,000	3,500,000
Top 5 Crypto Sportsbook	$3,800,000,000	114,900
Top 5 Crypto Sportsbook	$2,100,000,000	310,200
Top 5 Crypto Sportsbook	$1,300,000,000	124,400
Top 10 Crypto Sportsbook	$1,100,000,000	21,000
Top 10 Crypto Sportsbook	$1,000,000,000	20,500
Top 10 Crypto Sportsbook	$677,000,000	224,200
Top 20 Crypto Sportsbook	$197,600,000	27,700
Top 20 Crypto Sportsbook	$151,400,000	23,600
Top 20 Crypto Sportsbook	$109,200,000	22,800
Top 20 Crypto Sportsbook	$26,200,000	5,300
Top 20 Crypto Sportsbook	$15,500,000	6,400
	$187,476,900,000	4,401,000

Source: Tanzanite Analytics

Figure 1:Crypto Deposits[2]

The RIB has analysed the crypto racebook market over the past year. More than fifty leading crypto-enabled brands, licensed in pseudo-regulatory environments, now accept bets on New Zealand racing, alongside offerings of racing content from other major international jurisdictions (Figure 2). They do not pay product fees, do not share integrity data, offer limited or no consumer protections and are unlikely to adhere to anti-money-laundering obligations.

Many jurisdictions may be unaware their product is being wagered on through these channels, receiving neither product fees nor integrity data. These operators rely on 'grey market' licensing regimes such as Curaçao, Anjouan and Costa Rica, where licensing confers the appearance of legitimacy while imposing minimal integrity or reporting obligations.

Offshore operators offer fixed-odds and derivative products on New Zealand races that do not exist domestically. These operators also advertise sign-up inducements such as deposit matches and bonuses with rollover requirements no longer legal in regulated domestic markets.[3] Alongside the large crypto-enabled sportsbooks, New Zealand races are also offered on illegal betting exchanges, crypto casinos and sport prediction markets, alongside political events and esports.

It is a fundamentally parasitic model: they extract value from New Zealand and other jurisdictions' racing product while contributing nothing to the integrity systems or financial framework that sustain the sport.

#	Crypto Sportsbook Ranking	Pseudo-Regulator	BETS ACCEPTED ON THE FOLLOWING THOROUGHBRED RACING JURISDICTIONS											
			NZ	HK	AUST	UK	IRE	FRA	SA	JAP	USA	CAN	ITA	BRA
1	Top 5 Operator	Curacao	✓	✓	✓	✓	✓	✗	✓	✓	✓	✗	✓	✗
2	Top 5 Operator	Curacao	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
3	Top 5 Operator	Anjouan	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
4	Top 5 Operator	Anjouan	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✗	✗
5	Top 10 Operator	Estonia	✓	✓	✓	✗	✓	✗	✓	✓	✓	✗	✗	✗
6	Top 10 Operator	Curacao	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
7	Top 10 Operator	Anjouan	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
8	Top 20 Operator	Curacao	✓	✗	✓	✓	✓	✓	✓	✓	✓	✗	✗	✗
9	Top 20 Operator	Anjouan	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
10	Top 20 Operator	Curacao	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✗	✗
11	Top 20 Operator	Anjouan	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
12	Top 20 Operator	Anjouan	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
13	Top 100 Operator	Curacao	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✗	✗
14	Top 100 Operator	Costa Rica	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✗	✗
15	Top 100 Operator	Curacao	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✗	✗
16	Top 100 Operator	Costa Rica	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
17	Top 100 Operator	Costa Rica	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
18	Top 100 Operator	Curacao	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
19	Top 100 Operator	Costa Rica	✓	✗	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
20	Top 100 Operator	Curacao	✓	✗	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
21	Top 100 Operator	Curacao	✓	✗	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
22	Top 100 Operator	Curacao	✓	✗	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
23	Top 100 Operator	Curacao	✓	✗	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
24	Top 100 Operator	Curacao	✓	✗	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
25	Top 100 Operator	British Virgin Isl.	✓	✗	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
26	Top 100 Operator	Costa Rica	✓	✗	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
27	Top 100 Operator	Curacao	✓	✗	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
28	Top 100 Operator	Curacao	✓	✗	✓	✓	✓	✓	✓	✓	✓	✗	✓	✗
29	Top 100 Operator	Curacao	✓	✗	✓	✓	✓	✓	✓	✓	✓	✗	✓	✗
30	Top 100 Operator	Curacao	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
31	Top 100 Operator	Curacao	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
32	Top 100 Operator	Curacao	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
33	Top 100 Operator	Anjouan	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
34	Top 100 Operator	Anjouan	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
35	Top 100 Operator	Curacao	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
36	Top 100 Operator	Curacao	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
37	Top 100 Operator	Anjouan	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
38	Top 100 Operator	Curacao	✓	✗	✓	✓	✓	✓	✓	✓	✓	✓	✗	✗
39	Top 100 Operator	Curacao	✓	✗	✓	✓	✓	✓	✓	✓	✓	✓	✓	✗
40	Top 100 Operator	Curacao	✓	✗	✓	✓	✓	✓	✓	✓	✓	✓	✓	✗
41	Top 100 Operator	Curacao	✓	✗	✓	✓	✓	✓	✓	✓	✓	✓	✓	✗
42	Top 100 Operator	Curacao	✓	✗	✓	✓	✓	✓	✓	✓	✓	✓	✓	✗
43	Top 100 Operator	Curacao	✓	✗	✓	✓	✓	✓	✓	✓	✓	✓	✓	✗
44	Top 100 Operator	Curacao	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✗	✗
45	Top 100 Operator	Anjouan	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✗	✗
46	Top 100 Operator	Anjouan	✓	✓	✓	✓	✓	✗	✓	✓	✓	✓	✓	✗
47	Top 100 Operator	Anjouan	✓	✓	✓	✓	✓	✗	✓	✓	✓	✓	✓	✗
48	Top 100 Operator	Anjouan	✓	✓	✓	✓	✓	✗	✓	✓	✓	✓	✓	✗
49	Top 100 Operator	Anjouan	✓	✓	✓	✓	✓	✗	✓	✓	✓	✓	✓	✗
50	Top 100 Operator	Anjouan	✓	✓	✓	✓	✓	✗	✓	✓	✓	✓	✓	✗
51	Top 100 Operator	Anjouan	✓	✓	✓	✓	✓	✗	✓	✓	✓	✓	✓	✗
52	Top 100 Operator	St Vincent	✓	✓	✓	✓	✓	✗	✓	✓	✓	✓	✓	✗

Figure 2: Racing markets offered by offshore operators, as at November 2025

Integrity risks in an evolving global environment

Offshore environments often amplify harm-related risks, as highlighted in the IFHA Council's August 2025 Responsible Gambling-themed bulletin[4], and these conditions shape the broader context in which the offshore wagering market operates. We are mindful that the lack of safeguards, along with the incentives used in these markets, can influence online consumer behaviour.

New Zealanders wagering offshore, even when it is not linked to criminal activity, still undermine the integrity of the system and the industry's funding mechanisms and they also expose themselves to greater consumer risks. When a significant share of wagering occurs offshore, the RIB sees far less of the market signal, weakening the situational awareness needed for effective oversight.

Offshore operators target younger customers through social media, streaming platforms and influencer channels. When initial engagement with racing occurs in unregulated environments that operate without integrity expectations, it becomes more difficult for legitimate channels—or the sport itself—to build long-term, trusted relationships. Concerningly, consumers report difficulty in determining whether an online operator is legitimate or not.

For bad actors, the opportunities are considerable. Crypto-based racebooks and exchanges, with anonymous wallets, rapid settlement and opaque ownership structures, are attractive to individuals seeking to move or disguise illicit activity. When betting takes place in environments with no reporting obligations, the risk of corrupted outcomes being used for money laundering increases significantly.

The road ahead

In response to these challenges, our ongoing work includes:

1. Mapping offshore coverage

   We are building a clearer view of where New Zealand racing appears offshore, monitoring key markets and mapping the crypto-deposit activity of major operators to ensure we are properly informed about the scale and profile of this activity.

2. Seeking greater transparency

   We are pursuing opportunities to secure greater transparency with operators that are lawful in their home jurisdictions. Where integrity agreements are possible, our position is clear: operators who profit from New Zealand racing should contribute to the sport by protecting the product they use. Where broadcast or wagering rights are granted to third-party agencies, we expect full visibility of downstream distribution chains, including clarity around the beneficial entity and the jurisdiction which the operator is licensed.

3. Supporting policy development

   We provide informed support to broader domestic policy work including consideration of tools such as payment interdiction and the targeted disruption of illegal marketing. Recognising the close relationship between online gaming and racebook offerings, the New Zealand Government's intention to grant online gaming licences reinforces the need for officials, regulators and policy-makers to be well informed about the crossover between these products and the integrity risks that can arise across both.

4. Enhancing cooperation

   Meaningful progress requires coordination across agencies. Domestically, this includes policy bodies, financial intelligence units, law enforcement agencies, racing and sporting codes and licensed wagering operators. For the RIB, this means investing in relationships and systems that enable effective information sharing and ensuring our local partners and stakeholders understand the evolving threat landscape.

5. Strengthening information-sharing

   We are deepening our pathways with international partners, including the IFHA and its Council on Anti-Illegal Betting and Related Crime, to share knowledge, exchange intelligence and raise specific concerns about suspicious activity or operators.

Conclusion

We recognise that New Zealand is one small jurisdiction within a vast and rapidly evolving wagering environment. Wagering and technology are advancing quickly and artificial intelligence will accelerate that trend. AI is already helping analysts synthesise data and identify anomalies but it will also be used by sophisticated bettors and inevitably by those who test boundaries. As betting activity moves across borders and platforms including crypto-based channels, traditional monitoring approaches must adapt and evolve. The task ahead requires more sophisticated automated online monitoring, sharper intelligence, deeper cooperation and fresh strategies.

From a New Zealand perspective we intend to strengthen our domestic oversight, build a clearer picture of offshore activity, advocate for coherent policy settings and contribute meaningfully to international cooperation. We will continue working with policy-makers, sporting bodies, regulators and government agencies to ensure our collective capability keeps pace with the environment.

In a wagering landscape that is more complex and fast-moving than at any point in recent memory, that foundation is essential to protecting the integrity and financial sustainability of New Zealand racing.

[1] *Responsible Wagering Australia. "Illegal Offshore Gambling: A Growing Threat". Australia Offshore Market Analysis November 2025*

[2] *Tanzanite Analytics (https://tanzanite.xyz/analytics)*

[3] For example, under Australia's National Consumer Protection Framework for Online Wagering (NCPF), wagering service providers are prohibited from offering or advertising inducements intended to encourage individuals to open a betting account. This includes sign-up bonuses, free bets, matched deposits, bonus codes, and similar offers. These restrictions apply across all forms of public advertising and digital marketing.

[4] Purbrick, Martin. "From Regulation to Risk: Illegal Markets and the Inadvertent Growth of Gambling Harm by Over Regulation of Legal Markets." *IFHA Council on Anti-illegal Betting and Related Crime Quarterly Bulletin*, August 2025.

Regulating the Gambling Ecosystem - Lessons from the Growth of Illegal Betting

By Martin Purbrick, Chair, IFHA Council on Anti-Illegal Betting & Related Crime

Introduction

The regulation of gambling at a national level has been undermined by multiple challenges that have developed rapidly in the past decade, and which has created a crisis of unbalanced legal gambling ecosystems. Three major factors have contributed to this crisis.

Firstly, illegal betting (and other forms of gambling) has surged due to the expansion of mobile Internet-based commerce, and the widespread migration of consumers to those online services during, and after, the Covid-19 pandemic.

Secondly, alongside this surge, illegal betting operators have also multiplied as they are not constrained by regulation, do not pay tax in jurisdictions where their customers are located, and are able to leverage the easy availability of sports and betting data provided by commercial data companies, some of which also provide integrity services to sports through the monitoring of the very offshore illegal betting operator to whom they sell data to.

Thirdly, illegal betting has been facilitated by the growing number of offshore "pseudo-licensing" jurisdictions that claim to confer legal legitimacy on what are otherwise considered illegal betting operators.

Taken together, these factors have led to the undermining of the regulation of betting and other gambling at a national level. This situation has become a crisis of regulation that ultimately raises questions regarding the role of national gambling regulators.

Regulators should accept that the existence of large-scale illegal betting markets that attract consumers outside of the national, regulated gambling system is permanent. As Professor Stefano Caneppele points out "the gambling sector can, in most cases, be understood as a dual market, in which legal and illegal providers coexist and interact."[1]

National gambling regulators are increasingly aware of the threat from growing illegal betting markets, but more work and collaboration is needed at both national and international levels to ensure that gambling regulators do not become redundant.

Gambling regulators should focus on the illegal, as well as legal, market, and 'bake in' four key policy considerations; firstly, they should ensure that government policy-makers have a clear understanding of illegal betting markets so that regulators and policy-makers are aligned on the scale and nature of the problem in question. Secondly, gambling taxation systems must contribute to a healthy gambling ecosystem where consumers widely accept legal product pricing. Thirdly, consumers must be protected by the highest-quality responsible gambling measures from licensed operators and be also effectively educated about the absence of these protections in the illegal market. And lastly, gambling regulation must align with the protection of integrity in racing and other sports.

National Gambling Policy

To regulate a gambling ecosystem to minimise illegal betting, there must be a clear understanding of the purpose of regulation. In any jurisdiction where gambling is allowed by law (and not prohibited entirely because of, for example, religious reasons), there should be a commitment to facilitating a healthy legal gambling system, which is the only effective means of countering the illegal market, by enabling an appropriate legal market that also protects consumers from harm. The stated purpose of regulation of legal betting and gambling markets differs across jurisdictions.

In Denmark, the Gambling Authority is "responsible for ensuring a well-regulated gambling market in Denmark where players are protected against unfair and illegal gambling."[2] It is notable that the Authority is clear about its role to protect consumers from "illegal gambling".

In Hong Kong the Home and Youth Affairs Bureau is the gambling regulator and recognises that "while there is always a demand for gambling, the conduct of gambling activities should be authorised and regulated." The Hong Kong Government recognises that "since it is impossible to reconcile the different views in the community on the extent to which authorised gambling outlets should be allowed to exist, a compromise approach is to allow only a limited number of authorised gambling outlets, the purpose of which is to satisfy substantial and persistent public demand for gambling which would otherwise turn to illegal operators."[3] Allowing a limited legal betting and gambling market includes strict enforcement against the illegal market.

In the Netherlands, "The Dutch authorities seek to protect people who gamble, whether in casinos, lotteries, sports betting or online, against addiction and other problems" and "The authorities also seek to prevent crimes such as money laundering through illegal gambling operations."[4] The purpose of the regulator includes preventing illegal gambling.

In Singapore, "Gambling is regulated tightly through strict laws to maintain law and order as well as to minimise potential harm to the society" and "Gambling activities are prohibited unless they are exempted or licensed."[5] The prohibition against unlicensed betting and gambling operators is strictly enforced in Singapore, which has enabled a clearly-distinguishable illegal market that consumers can recognise after decades of consistent enforcement of gambling laws.

In Sweden, the government gambling policy "is about preventing gambling addiction and creating a sound and secure gambling market in which social protection interests are safeguarded by the demand for gambling being satisfied in a controlled fashion."[6]

In the UK, the Gambling Commission states that under its regulatory remit "We are responsible for issuing personal gambling licences for individuals and gambling operating licences for businesses."[7] The Gambling Commission sets requirements for all licensees, carries out assessments to make sure that licensees are following their requirements, and takes enforcement action if they find individuals or businesses failing to follow rules and regulations.

A clear statement of purpose from gambling regulators committing their role to include the prevention of illegal betting and other gambling is essential for the illegal market to be identified, quantified, and combatted.

Gambling Tax

Although an increasing number of gambling regulators are recognising that their role includes combatting illegal, and regulating legal, markets, there are contradictions from within other areas of government policy that should be realigned with gambling regulation. Gambling tax is such an area, which should be a policy lever to contribute to a healthy national gambling ecosystem but is often treated by many governments only as a fiscal tool for revenue raising.

In a report on 'Excessive Gambling Tax and the Laffer Curve intersection with Illegal Betting'[8], the IFHA Council explained why using the Laffer Curve in relation to gambling tax is a useful means of assessing where the point of optimal taxation lies so that consumers gamble legally, they are protected, and the price point of gambling does not cause them to migrate to illegal markets.

Tax is a key issue for balanced legal sports betting and other gambling markets across all jurisdictions, and governments should display a greater understanding of why tax should be aligned with other policy levers related to the regulation of gambling markets and not treated simply as a revenue raising issue.

There is a fundamental contradiction when governments claim that they seek to protect consumers by raising gambling taxes, but at the same time have an unstated aim of raising greater revenue, and consumers are inevitably driven to the illegal market by resultant higher prices from legal operators.

Gambling regulators should make clear recommendations to government policy-makers to treat gambling tax as a policy lever that is used to influence the creation of a balanced gambling ecosystem, which means facilitating an effective legal betting market, and not as a revenue raising tool or for unrealistic ambitions to stop consumers from engaging in any gambling at all.

Consumer Protection and Gambling Harm

Illegal betting markets present greater risk of gambling harm to consumers than legal markets. This is self-evident given that legal licensed betting operators in well-regulated jurisdictions are required to implement measures to prevent and reduce gambling harm, but offshore online illegal betting operators provide zero protections for consumers (i.e. no self-exclusion options, no age checks, and no spending limits). Gambling regulators should therefore partner with licensed betting operators to create safer but commercially-functional betting markets.

The greater negative impact of illegal markets (than legal regulated markets) was summarised by Professor Sally Gainsbury writing for the IFHA Council as she stated that "Unlicensed offshore operators, by circumventing national regulations, offer gambling products that lack critical consumer protections such as deposit limits, self-exclusion tools, age verification, and any requirement to identify customers potentially engaging in problematic gambling."[9]

Many gambling regulators have for too long been fixated on tightening regulations for legal licensed operators with a view to improving consumer protection, whilst ignoring the parallel growth of illegal markets which bring higher risk of gambling harm for the reasons outlined by Professor Gainsbury.

A balanced national gambling ecosystem should ensure that there are strong consumer protections in place with licensed operators, but that there is also a parallel enforcement program to combat illegal betting and other gambling. Academics involved in the study of the social impact of gambling must also recognise that, as Professor Caneppele has pointed out, the gambling ecosystem is a "dual-market" of both legal and illegal operators existing and competing for customers.

Over-regulation of legal licensed operators simply drives consumers to the illegal market. There is a balance to be struck by gambling regulators to avoid over-regulation and allow licensed operators to compete effectively. For this to occur, licensed betting and gambling operators must become leaders in the development of responsible gambling so that they are stakeholders in consumer protection and can work as trusted partners with gambling regulators.

Sports Integrity and Match Fixing

Illegal betting continues to be a greater threat to sports integrity than legal market operators. Licensed operators are part of a transparent market and are compelled to, or in many cases, voluntarily, report suspicious betting to sports authorities, gambling regulators as well as law enforcement agencies. Illegal betting operators have no such stake in the maintenance of sports integrity. The problem is compounded as sports data companies continue to sell sports data to illegal betting operators that claim to have a license with a "pseudo-gambling regulator". This is irresponsible and data companies must move away from supplying their services to the illegal market and make a fundamental shift to only supply clients appropriately licensed in nationally-regulated markets.

The Council of Europe has recognised the threat to sports integrity from illegal betting in the Convention on the Manipulation of Sports Competitions (known as the 'Macolin Convention') which came into force in September 2019. The Macolin Convention states in Article 3 that "illegal sports betting" is defined as any sports betting activity where the type or operator is not allowed under the applicable law of the jurisdiction where the consumer is located. As the Council of Europe has noted, "Unfortunately, the phenomenon of illegal betting evolved significantly in recent years" and "Once marginal, these activities have attracted organised crime for over 15 years, moving beyond traditional crimes, such as drug or human trafficking, and laundering money across all continents."[10]

The work of the Council of Europe has demonstrated that a critical layer of protection for sports integrity is the prevention of illegal betting, which is a major channel for sports corruption and if left unchecked can fundamentally undermine public confidence in sports.

Gambling must recognise the important role of sports in society and align with sports governing bodies to protect sports from corruption linked to, or driven by, illegal betting. The most practical solution is 'national platforms', which "are responsible for the co-ordination of the fight against the manipulation of sports competitions at national level and must co-operate with all organisations and relevant authorities."[11]

Where they exist, gambling regulators must be core members of national platforms and whenever possible, take a leadership role to ensure that national gambling policy aligns with the protection of sports from the threat of illegal betting.

Conclusions

Illegal betting is clearly a multi-dimensional challenge for governments, regulators, racing and other sports, and for wider civil society. If concerted action is not taken to combat illegal betting and, at the same time, nurture healthy national legal gambling markets, then the problem will only grow. The outcome has been evident in Asia, where rampant online illegal betting has become a huge revenue stream for organised crime groups that then moved into online fraud as an additional business line.

Illegal betting is not a peripheral nuisance to otherwise well-regulated gambling markets but is a systemic threat that exploits regulatory blind spots and policy contradictions, and enables international fragmentation to flourish. Where legal markets are weakened by excessive taxation, misaligned regulation, or the absence of credible enforcement, the illegal market expands to fill the void, increasing gambling harm and exposing sports to greater corruption risk.

Effective gambling regulation cannot be confined to the supervision of licensed operators alone. It must be rooted in a coherent national policy framework that explicitly recognises the permanent coexistence of legal and illegal markets and is designed to ensure that the legal ecosystem remains sufficiently attractive, competitive, and trusted to draw consumers away from illicit alternatives. This requires regulators to engage more assertively with government on taxation policy, to work in partnership with licensed operators on consumer protection, and to integrate gambling regulation with broader efforts to combat organised crime and protect sports integrity.

Gambling regulators must take ownership of the illegal market as part of their core mandate. This means understanding its operational methods, measuring its scale, disrupting its infrastructure, challenging the legitimacy conferred by offshore "pseudo-licensing" regimes, and holding commercial intermediaries, including data suppliers, to account for their role in sustaining illegal betting operations.

A balanced, well-regulated gambling ecosystem that aligns taxation, consumer protection, enforcement, and integrity objectives offers a realistic and sustainable path to reducing illegal betting and protecting consumers.

The choice facing regulators and policy-makers is therefore not whether illegal betting can be eliminated entirely, but whether it is allowed to dominate, or be constrained through intelligent, coordinated, and purposeful regulation.

[1] Professor Dr. Stefano Caneppele, Cracks in the Framework: How Gaps in Gambling Regulation May Fuel Illegal Market Growth — Lessons from Brazil, IFHA Council on Anti-Illegal Betting & Related Crime, Quarterly Bulletin, February 2026 (https://www.ifhaonline.org)

[2] Danish Gambling Authority (https://www.spillemyndigheden.dk)

[3] Home and Youth Affairs Bureau, Hong Kong Government, Gambling Policy (https://www.hyab.gov)

[4] Government of the Netherlands, Games of Chance: rules and supervision (https://www.government.nl)

[5] Singapore Government, Regulating Casino and Gambling Industry (https://www.mha.gov.sg)

[6] Government Offices of Sweden, Gambling Policy (https://www.government.se)

[7] Gambling Commission, What we Regulate (https://www.gamblingcommission.gov.uk)

[8] IFHA Council on Anti-Illegal Betting & Related Crime, Excessive Gambling Tax and the Laffer Curve intersection with Illegal Betting, January 2026 (https://www.ifhaonline.org)

[9] Professor Sally Gainsbury, Safeguarding Wagering Integrity and Public Health: A Psychological Perspective on Safer Gambling and Offshore Betting Harms, Quarterly Bulletin, IFHA Council on Anti-Illegal Betting & Related Crime, August 2025 (https://www.ifhaonline.org)

[10] Council of Europe, Macolin Conference - Preserving the integrity of sport by combatting illegal betting (https://www.coe.int)

[11] Council of Europe, National Platforms (https://rm.coe.int)