



AMERICAN
GAMING
ASSOCIATION

LAW ENFORCEMENT SUMMIT ON ILLEGAL SPORTS BETTING: AFTER-ACTION REPORT

ILLEGAL GAMBLING ADVISORY BOARD

INTRODUCTION

Since the American Gaming Association (AGA) announced its **“Stop Illegal Gambling – Play it Safe”** initiative in April 2015, the gaming industry and law enforcement have united to expose the growing illegal gambling market that preys on consumers, siphons tax revenues and funds violent crime.

As part of this initiative, the AGA established an elite Illegal Gambling Advisory Board comprised of leaders from the federal, state, and local levels, including:



TIM MURPHY

Former Deputy Director, Federal
Bureau of Investigation



BILL YOUNG

Former Sheriff of Clark County,
Nevada



ED DAVIS

Former Boston Police Commissioner



J.B. VAN HOLLEN

Former Attorney General for Wisconsin, President of
the National Association of Attorneys General, and Former
U.S. Attorney



JIM DINKINS

Former Executive Associate Director, Homeland Security
Investigations, U.S. Immigration & Customs Enforcement

ADVISORY BOARD RECOMMENDATIONS

Shortly after forming, the Illegal Gambling Advisory Board identified illegal sports betting as a major threat that undermines law enforcement and finances a range of criminal activity.

The Advisory Board hosted a first-ever Law Enforcement Summit bringing together key stakeholders from the gaming industry, the

regulatory community and law enforcement to examine illegal sports betting. The Summit highlighted how an open, transparent, regulated sports betting market in the U.K. and Nevada is helping to shut down illegal gambling operations, provide law enforcement with critical tools to monitor and investigate sports betting and protect both consumers and the integrity of games.

Based on the information gathered at the Summit, along with additional research into illegal sports betting, AGA's Illegal Gambling Advisory Board draws the following conclusions:



1. The Current U.S. Approach to Sports Betting is Not Working

Under the 1992 Professional and Amateur Sports Protection Act (PASPA), federal law largely prohibits sports betting outside Nevada. Instead of curbing illegal betting, the law has driven sports betting underground, creating a thriving, \$150-\$500 billion black market with no consumer protection, no tax benefits for communities and no safeguards for the integrity of sports.



2. Illegal Sports Betting Fuels Criminal Enterprises

Under PASPA, hundreds of billions in illegal sports betting revenues are being funneled to criminal enterprises and used to finance a range of criminal activity. This illicit cycle drains law enforcement resources, hindering the ability of police and prosecutors to fight crime and protect our nation's citizens.



3. An Open, Transparent, Regulated Sports Betting Market Boosts Law Enforcement Oversight

A regulated sports betting market aids law enforcement efforts and can protect consumers. Experience in the U.K. and other international markets demonstrates how legal, regulated sports betting creates a powerful partnership between the gaming industry and law enforcement and provides new tools to monitor, investigate and shut down illegal activity. Access to data would provide actionable intelligence, greatly enhancing investigative capabilities.



4. States Must Play a Central Role

The federal ban on sports betting interferes with states' traditional role in regulating gambling. And unfortunately, due to the current law, states lack key tools to protect consumers and the integrity of commerce in their states. State and local officials must play a central role in calling for changes to sports betting laws.



5. Time to Repeal PASPA

Many leaders from the worlds of law enforcement and professional sports believe it's time to reconsider the national ban on sports betting and allow states to decide whether to legalize and regulate it, just as they do all other forms of gambling. We agree that the time has come to repeal the current sports betting ban.

INSIDE LOOK: LAW-ENFORCEMENT SUMMIT

On June 16, the Illegal Gambling Advisory Board hosted the first-ever Law Enforcement Summit on illegal sports betting. The goals of the summit were to share critical information, gather perspectives and build consensus from relevant stakeholders and build law enforcement's capacity to address illegal wagering. The event brought together nearly three dozen law enforcement leaders from all levels and from across the U.S. to focus on three critical aspects of illegal sports betting:

- 1. Scale and scope of the massive illegal U.S. sports betting market;**
- 2. How illegal sports betting promotes criminal activity and undermines law enforcement; and**
- 3. Potential solutions for curbing illegal sports betting that protect the integrity of sports.**

The Summit included representatives from a broad range of top law enforcement agencies including:

- Federal Bureau of Investigation (FBI)
- U.S. Immigration & Customs Enforcement (ICE)
- Interpol DC
- Federal Law Enforcement Officers Association (FLEOA)
- Women in Federal Law Enforcement (WIFLE)
- The Fraternal Order of Police (FOP)
- International Association of Chiefs of Police (IACP)
- National Sheriffs' Association
- Major Cities Chiefs Association
- Major County Sheriffs' Association
- National Organization for Black Law Enforcement Executives (NOBLE)
- National Association of Attorneys General Gaming Committee
- National Black Prosecutors Association
- National District Attorneys Association



In addition to federal, state and local officials who enforce the law and prosecute crimes involving illegal gambling, the Summit also included U.S. and international experts in legal betting operations, sports integrity protections, data analytics and the real-time monitoring of betting activity.

This unique gathering provided important insights into the problems with current U.S. law and pointed the way toward a new approach.

KEY TAKEAWAYS

Legal, regulated sports betting can protect the integrity of games and provides robust tools to help law enforcement stop illegal gambling.

In the United Kingdom, open, transparent, legalized betting means “there is simply no demand for a black market,” concluded **Paul Scotney**, Director of UK-based Sports Integrity Services. Scotney, who

has 27 years of experience investigating organized crime and corruption in sports, argued that “the problem with the U.S. system is you don’t know what you don’t know.”

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Paul Scotney

Director of Sports Integrity Services



During his panel discussion, Scotney provided detailed insights into how open, regulated betting markets in the U.K. and Australia work to counter illegal activity:

Legalized Betting Curbs Illegal Gambling

“Our gambling sector is robustly regulated, but its liberal nature (you can bet on almost anything) means no market for illegal gambling operations.”

Match-fixing: low-risk, high-reward

“For organized crime groups and criminals, match-fixing is viewed as a low-risk enterprise with the potential for large rewards, particularly when using illegal betting platforms.”

Prohibition Undermines Sports Integrity and Hinders Law Enforcement

“In my view prohibiting/restricting betting both encourages match-fixing and makes it more difficult to investigate it.”

Law Enforcement Needs Access to Robust Information

“The biggest issue for me is the lack of a permanent audit trail to the person – and their name and address – placing the bet. Success in investigating illegal gambling rests very much on access to data from phone records and other methods of communication between those involved in the fix. For organized crime groups and criminals, match-fixing is viewed as low-risk enterprise with the potential for large rewards particularly when using illegal betting platforms.”



Mark Locke
CEO, Genius Sports

In a subsequent presentation, **Genius Sports**, a world leader in sports integrity and data technology, discussed how access to data and information in a regulated, transparent betting market can provide powerful tools to protect sports integrity and shut down illegal gambling.

The company highlighted case studies of its four-stage process for integrity tracking that leverages data analytics to spot irregular betting patterns and provide law enforcement and regulators with actionable intelligence to detect and mitigate illicit activities.

Nevada provides a clear example in the U.S. of how legalized, regulated sports betting has helped create a strong partnership between the gaming industry and law enforcement that protects consumers and the integrity of sports.



Karl Bennison
Chief of Enforcement,
Nevada Gaming Control Board

Karl Bennison, chief of enforcement for the Nevada Gaming Control Board (NGCB), detailed the state's robust regulatory infrastructure and how regulators collaborate with gaming companies.

With approximately 120 staffers, 90 of whom are law enforcement agents, the NGCB's enforcement division has broad responsibility to oversee sports betting. Its duties include investigating regulatory and criminal matters, conducting background investigations of gaming employees, gathering intelligence and providing analysis to other

appropriate agencies. Nevada, for example, has a Memorandum of Understanding with the International Olympic Committee and participates in its Integrity Betting Intelligence System.

Chief Bennison made a critical point in that licensed gaming operators in Nevada "provide an early warning system and serve as a repository of data for betting and statistical irregularities." The NGCB regularly meets with sports governing bodies and league representatives to discuss the state of sports betting and share potential areas of concern.

Echoing Chief Bennison was the Nevada gaming industry panel, which included Dan Shapiro, director of business development, William Hill U.S.; Larry Whelan, chief compliance officer, Wynn Las Vegas; and Quinton Singleton, vice president of corporate strategy and government affairs, NYX Gaming Group.

The panel highlighted examples of well-known sports integrity corruption incidents, including the Arizona State University point shaving scandal in 1994 and the 2007 National Basketball Association (NBA) referee scandal involving former NBA referee Tim Donaghy and his ties to illegal off-shore online gambling markets. They also discussed

how Nevada's regulated sports books provide information to law enforcement and sports leagues to help identify illegal betting activities. A recent example of the result of such collaboration was the international, mob-connected crime ring busted for running an illegal gambling operation around the FIFA World Cup in 2014.

SUMMIT'S TOWN HALL DISCUSSION YIELDS MORE INSIGHT

Following the panel discussions, AGA's Illegal Gambling Advisory Board led Summit attendees in a robust town hall discussion. The AGA's Director of Strategic Alliances Brian Cohen, who leads the "Stop Illegal Gambling - Play it Safe Initiative," posed a pointed question to all attendees: "Based on what you have heard here today, does anyone think an unregulated environment is better for public safety than a regulated one?" Not one attendee, law enforcement agency or organization supported this notion.

Key points from the discussion include:

Illegal Gambling is Widespread

Gayle Cameron, Massachusetts Gaming commissioner and former deputy superintendent of the New Jersey State Police, credited the Summit with drawing attention to the problem of illegal gambling: "Including law enforcement in these discussions is a very good idea. I saw firsthand that illegal gambling is not a victimless crime. People don't realize how widespread and violent this is." Jay Bartholomew, the unit chief for transnational organized crime at the FBI, agreed that "most people don't understand the ties of organized crime to illegal sports betting. We see it every day at the FBI."

"I saw firsthand that illegal gambling is not a victimless crime. People don't realize how widespread and violent this is."

Gayle Cameron
Massachusetts Gaming Commissioner



Stronger Partnerships Strengthen Regulatory Oversight

David Rebuck, director of New Jersey's Division of Gaming Enforcement, called for tighter partnerships: "It is crucial for regulators to work together with law enforcement, as well as the gaming industry, in order to even further strengthen the regulatory structure."

States Should Regulate Sports Betting

Sheriff Michael Bouchard, sheriff from Oakland County, Michigan and vice president of government affairs for the Executive Committee of the Major County Sheriffs' Association proposed taking illegal sports betting out of the shadows by legalizing it and allowing states to regulate it the way they do other forms of gambling: "We must bring illegal sports betting out of the criminal shadows. I think we need to regulate it. States should be allowed to opt in or out, but nationally it should be legal."

"We must bring illegal sports betting out of the shadows. I think we need to regulate it."

Sheriff Michael Bouchard
Oakland County, Michigan

More Education, Research on Sports Betting Are Needed

Darrel Stephens, executive director for the Major Cities Chiefs Association, admitted this was generally an issue new to him and he underscored the need for more education and research. He said this essential first step was necessary to make the issue a priority for major city police chiefs.

Give States the Power to Tax Sports Betting

Colonel Mike Edmonson, superintendent and head of the Louisiana State Police, and past chair of the International Association of Chiefs of Police Division of State and Provincial Police, said states would be smart to regulate and tax sports betting: "The bottom line is people are going to bet. Allowing states to say, 'let's legalize sports betting in our area so we can regulate it, tax it,' that's the bottom line. It's the smart thing to do."

Colonel Mike Edmonson
Superintendent, Louisiana State Police



“Most people don’t understand the ties of organized crime to illegal sports betting. We see it every day at the FBI.”

Jay Bartholomew

Unit Chief, Transnational Organized Crime, FBI



FBI's **Jay Bartholomew** (right) with Genius Sports' **Mark Locke**

Shut Down the Pipeline Between Illegal Betting and Criminal Activity

Tim Richardson, senior legislative liaison for the Grand Lodge Fraternal Order of Police, suggested open, regulated sports betting would help shut down the flow of funds into other criminal activity: “We know illegal sports betting is not a victimless crime. Without regulation, the illegal funds will continue to help illicit activity.”

“Without regulation, illegal funds will continue to help illicit activity.”

Tim Richardson

Grand Lodge Fraternal Order of Police

Legalized Sports Betting Would Help Law Enforcement

Karen Gwynn, vice president of programs for the National Black Prosecutors Association and senior assistant prosecutor, Bergen County, New Jersey, called illegal sports betting a drain on law enforcement resources, particularly since illegal gambling crimes often only lead to minimal consequences and suggested regulation would help optimize time and resources for law enforcement.

PASPA Not Fulfilling Its Goals

J.B. Van Hollen, former president of the National Association of Attorneys General (NAAG), Wisconsin state attorney general and U.S. attorney, argued “PASPA is not achieving its desired intent. Legalizing and regulating sports betting would help take money out of the black market and instead support legitimate business operations and strengthen game integrity.”

Regulated Sports Betting Protects Consumers

Ed Davis, former Boston police commissioner, addressed the Summit by video: “We need to look at the utility of a regulated, transparent sports betting market. Let’s face it; demand is only rising. Consumers would rather do this in a regulated market that provides consumer protections, safeguards the integrity of the game, and provides certainty and transparency. It’s easier to maintain public safety in that type of environment.” Bill Young, former sheriff of Clark County, Nevada and current casino executive, strongly endorsed the work being done in Nevada to regulate the market.



“Let’s face it; demand is only rising.

Consumers would rather do this in a regulated market that provides consumer protections, safeguards the integrity of the game, and provides certainty and transparency. It’s easier to maintain public safety in that type of environment.”

Ed Davis

Former Boston Police Commissioner

Shutting Down the Black Market Overnight

Mark Locke, CEO of Genius Sports Group, said the U.S. has the opportunity to adopt sensible regulation, which “shuts down 85 percent of the illegal market overnight” in the U.K.

ILLEGAL GAMBLING: WHY IT MATTERS

The American Gaming Association represents the \$240 billion U.S. casino industry, which supports 1.7 million jobs in 40 states. Its members include commercial and tribal casino operators, suppliers, and other entities affiliated with the gaming industry. The gaming industry is heavily regulated and

works closely with law enforcement in monitoring the safety and security of casino operations. The industry is renowned for its culture of compliance, including its robust anti-money laundering practices, and invests significant resources in public safety and community development.



STOP ILLEGAL GAMBLING

In keeping with this history, AGA launched its illegal gambling initiative – **Stop Illegal Gambling – Play it Safe** – at the 2015 meeting of the National Association of Attorneys General in Biloxi, Mississippi. This initiative focused on differentiating the legal, regulated gaming industry from illegal, unregulated gambling operators who prey on the innocent and harm communities. More importantly, the initiative serves as a mechanism for the gaming industry to support law enforcement efforts to identify, investigate and shut down criminal gambling enterprises.

State attorneys general have spent the past year closely examining illegal gambling issues and provided forums and platforms for law enforcement and the private sector to share information and insights. South Dakota Attorney General and National Association of Attorneys General President Marty Jackley held his presidential initiative conference in May 2016 and focused on illegal gambling, showing just how important the issue has become. Attorney General Jackley said:

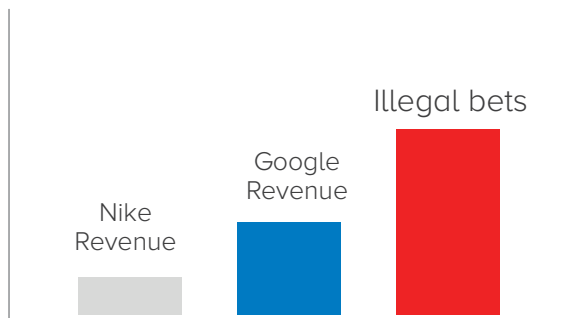
“As President of the National Association of Attorneys General, I chose to focus on 21st century policing for my presidential initiative. We are confronted with many issues in law enforcement, but we must focus also on the proliferation of illegal gambling, the harm it causes to consumers and the billions of dollars of illegal proceeds that stay in the black market and fund horrible activities like human trafficking, drug dealing and terrorism.”

THE STATE OF ILLEGAL SPORTS BETTING TODAY

SIZE AND SCOPE

The size and scope of the illegal gambling market in the U.S. is notoriously difficult to measure. Nevertheless, a series of reports confirm that hundreds of billions of dollars are illegally wagered on sporting events every year.

- In 1999, the National Gambling Impact Study Commission estimated the size of the illegal sports betting market in the U.S. was between \$80 billion and \$380 billion per year.
- In a more recent study, Ernst & Young estimates at least \$149 billion is bet illegally in the U.S. annually.
- Former U.S. Solicitor General Ted Olson, cited a figure closer to \$500 billion in recent litigation before the U.S. Court of Appeals for the Third Circuit.
- AGA has estimated that in the two most prominent U.S. sporting events in 2016, Americans wagered \$4.2 billion on Super Bowl 50 and \$9.2 billion on NCAA Basketball March Madness; 97 percent was bet illegally.



Accepting \$149 billion as a midpoint estimate makes the amount of money bet illegally in the U.S. in 2015 larger than the revenues of 442 of the Fortune 500 companies. That amount is double Google's annual revenue in 2015 and about five times greater than Nike's 2015 revenue.

IMPACT OF ILLEGAL GAMBLING

At the 2015 Global Gaming Expo, Virginia Commonwealth University Professor and criminologist **Jay Albanese** presented the findings from his study demonstrating the strong ties between illegal gambling and organized crime. His study found:

Illegal Gambling is Widespread Across the U.S.

In 2014 alone, Professor Albanese identified federal convictions on illegal gambling charges of 80 operators from 40 distinct criminal enterprises in 23 states.

Illegal Gambling is a Large-Scale Criminal Enterprise

While many have the impression that illegal gambling is a handful of solo, local bookies, illegal gambling operators were typically large-scale, involving between eight and 33 people, often operating online and offshore for many years.

Illegal Gambling is Not a Victimless Crime

Illegal gambling operations financed a range of criminal activities, including money laundering, racketeering, drug trafficking, extortion and human trafficking.

Professor Albanese concluded that the current environment “permits illegal operators to skirt U.S. law without a great deal of effort – which is another reason to believe there are many more illegal gambling businesses out there yet to be detected.” According to Professor Albanese, “as long as the demand for prohibited forms of gambling remains, especially sports betting, it is likely that new illegal operators will emerge to cater to this demand.”

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Jay Albanese

Virginia Commonwealth University

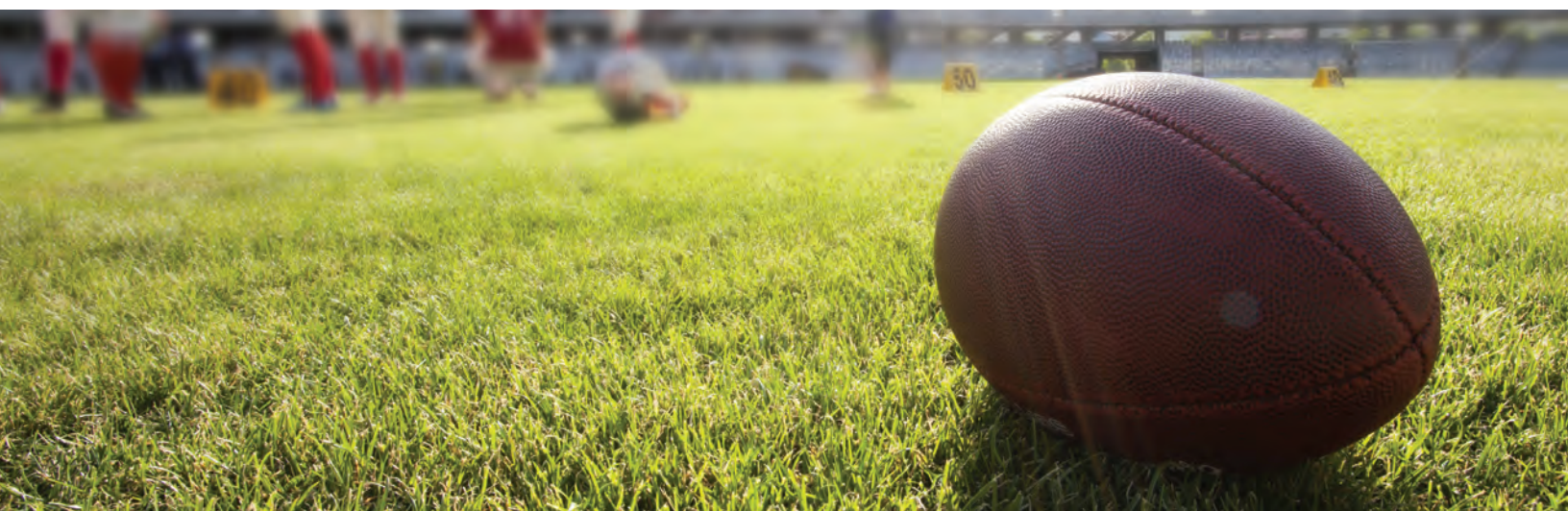
DAILY FANTASY SPORTS RAISES IMPORTANT QUESTIONS

Against the backdrop of widespread illegal sports gambling, the emergence of daily fantasy sports (DFS) has further elevated questions surrounding sports wagering.

Over the past year, state policymakers, state attorneys general and others have grappled with questions surrounding the legal and regulatory status of DFS. Many state attorneys general

have issued legal opinions that DFS is gambling and therefore illegal in their states. Other state lawmakers have moved to expressly permit DFS in their state.

Regardless of where states have landed on such questions, DFS has helped to bring into sharper focus the need to address illegal sports betting.



SPORTS LEAGUE LEADERS LISTENING TO FANS

On June 22, 2016, the National Hockey League (NHL) announced the formation of an expansion team in Las Vegas, the first major league professional sports team to be located in America's gaming capital. This historic announcement is part of a broader shift among sports leagues on sports betting. It signals a recognition that regulated wagering and professional sports can exist side-by-side.

In recent months, the National Football League's (NFL) Oakland Raiders have engaged in discussions with Las Vegas officials to move the team to Southern Nevada. Regardless of when, or if, such a move occurs, one fact is clear: sports wagering has shifted from a deal breaker to a non-issue for a growing number of influential sports leaders.



“It’s all underground; we have no idea what’s going on and there’s no transparency to the league and you have no sense of what’s happening...if all that betting is going on anyway, **I think it should be legal; I think it should be regulated; it should be transparent to the league.**”

Adam Silver

National Basketball Association (NBA) Commissioner

“[T]he country has changed in terms of its approach to legalized gambling. It’s important for baseball to give fresh consideration to the issue.”

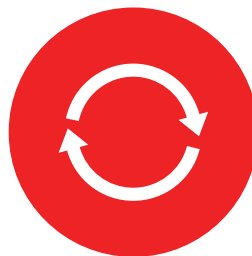
- Major League Baseball (MLB) Commissioner Rob Manfred

“There should be federal legislation that says, ‘Let’s go all the way’ and have betting on sports. It’s OK. It’s going to be properly regulated....I think that gives a way for states to make more money, for leagues to be compensated for their intellectual property, and for the federal government to take [away] illegally bet money and put it through the federal coffers.”

- Former NBA Commissioner David Stern

EVOLVING PUBLIC ATTITUDES INDICATE STRONG SUPPORT FOR SPORTS BETTING

Earlier this year, AGA commissioned **The Mellman Group** to conduct opinion research prior to Super Bowl 50 to gauge public attitudes toward sports betting. The results suggest that American sports fans have a passion for sports betting:



Current Law Should Change

80% of Super Bowl viewers want to change the current sports betting law, which largely prohibits sports betting outside Nevada.



States Should Decide on Sports Betting

Two-thirds (**66%**) believe states should decide whether or not to legalize sports betting, just as they do other forms of gambling.



Transparency Will Strengthen Game Integrity

65% of Super Bowl viewers believe that transparent, regulated wagering will either strengthen the integrity of the game or have no impact on game outcomes.



Regulated Sports Betting Protects Consumers

72% of Super Bowl viewers believe allowing states to regulate sports betting will make it safer for consumers.



Regulated Wagering Can Support Communities

68% believe legal, regulated, sports betting will generate tax funds for much needed local programs such as education and public safety.

ADDITIONAL READING & RESOURCES



SportsBettingInAmerica.com
StopIllegalGambling.org