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Editorial: A Case for Regulated Sports Betting in the US

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On Tuesday, National Basketball Association (NBA) commissioner David Stern took the podium in New York to proclaim that betting allegations made against Tim Donaghy suggested that the former referee represented an “isolated case” of misconduct. However, the emergence of yet another sports-betting scandal has forced the public to look at just how isolated men like Donaghy are from established sports books and other less-than-reputable gambling operations. Donaghy, who resigned from the NBA on July 9 and is expected to surrender to federal authorities in the next week, was the subject of an investigation by the FBI following a connection with New York’s Gambino crime family. Although details of the investigation have not been officially released, it is suspected that Donaghy bet on a number of NBA games from 2005 to 2007, including contests that he officiated.

As the investigation into Donaghy’s case progresses, it is practically a guarantee that questions will be asked as to whether the ease and widespread nature of online gambling is leading to greater corruption in America’s four major professional sports. Critics will shout for further restrictions, and the NBA will be continually reminded of why it supported the passage of the Unlawful Internet Gambling Enforcement Act (UIGEA) in October of 2006.

At first glance, it seems that this would be an obvious position for any major sports league to take. More gambling opportunities, particularly those that lie within the relative obscurity of the Internet, seem like they would greatly increase the likelihood of natural competition being compromised by an athlete, official or manager wagering on results that they themselves control. Supporters of this position look at cases like that of Donaghy and former Cincinnati Reds manager Pete Rose, and ask why anyone would want gambling to be more widespread.

This, though, was not a case of an NBA referee dropping by the Wynn and putting \$50,000 on the over for a game he was officiating the next night. Athletes at every level are explicitly forbidden from placing bets on events they participate in. Thus, for someone like Donaghy to place any kind of a bet on an NBA contest, he would have to go through a street-level bookmaker, possibly one with connections to organized crime (which could explain how the FBI picked up on the embattled ref’s name during their surveillance of the Gambino family).

Street-level bookies present the true threat that opponents of Internet sports betting fear. Despite the size and scope of sports books in the state of Nevada, it has been estimated that the bets made throughout the Silver State only make up about two percent of all

sports-related wagers in the United States every year. Bookies make up the vast majority of the market, and their sometimes questionable methods of doing business make up the vast majority of its problems.

However, bookies only control such a large market share because it is nearly impossible for the average American to make it to Las Vegas in order to place a bet on a particular sporting event.

Regulated gambling online solves this problem, pushing business away from bookies by offering greater convenience, lower vigorish, and forcing bettors to pay up front, thus preventing lofty debts that could often lead to problems with the street-corner bookmaker.

In addition, regulated sports betting has a large number of preventative measures designed to spot wagers that result from prior knowledge about the end result of an upcoming event.

MajorWager.com describes this process:

"Once the data is [sic.] in a computer, programs exist that can identify unusual betting patterns and alert the sports book that something untoward may be happening. [Online], the ability to track and identify unusual betting patterns is even greater . . . offshore bookmakers can highlight not only unusual betting patterns but also collusion when it is clear that a group of people are wagering together on the same games."

With more regulation, it would be harder for those betting on sporting events to spread money around a particular fixed event. Plus, even if they did, it is likely that the leagues themselves would quickly be notified.

European bookmaker Betfair signed a contract with the Union of European Football Associations (UEFA) in 2005 to monitor potential match-fixing situations. Betfair chief executive Stephen Lewis has stated that the arrangement "is the best way to ensure that sport is kept free of crime," a position that leads to benefits for both parties involved.

The effort to regulate Internet gambling lends further weight to this argument by addressing the concerns of major sports leagues. Massachusetts Democrat Barney Frank's Internet Gambling Regulation and Enforcement Act (IGREA) contains a clause that would allow any professional sports association to opt-out, leading to a circumstance in which "licensed Internet gambling operators would be prohibited from accepting bets or wagers on sports leagues or associations that have opted-out of allowing bets."

Thus, by embracing the regulation of Internet gambling, professional sports leagues can make it more difficult for fixed or illicit wagers to be made on their contests, while still maintaining the safety net of withdrawal. The accusations against Donaghy represent a breach of trust for both his profession and those who enjoy professional sports in the United States. And while it's not an incident that resulted from unregulated Internet gambling, it's one that could certainly be prevented by better controlling where and how sports bets take place.

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