

KHEZRI: Time to reassess legalizing sports betting?



United States' goalkeeper Tim Howard watches as Belgium's Kevin De Bruyne (7) dribbles the ball before scoring his side's first goal in extra time during the World Cup round of 16 soccer match between Belgium and the USA in Brazil, Tuesday, July 1, 2014. (AP Photo/Natacha Pisarenko)

By Bijan Khezri - - Wednesday, July 2, 2014

The 2014 World Soccer Cup has caught Americans in soccer fever, setting all-time TV records. In excess of 25 million U.S.-based viewers watched the last USA game, substantially outpacing the total TV audience for Major League Baseball's World Series.

Indeed, this World Cup may mark a passionate rebirth of soccer's relevance in U.S. sports, despite the team's premature exit after Tuesday's heartbreaking loss to Belgium. U.S. policymakers and sports leagues should see this as an opportunity to take a fresh look at the merits of legalizing U.S. sports betting and amend a now outdated 1992 federal ban. Europe's experience may provide insightful lessons.

Few team sports have been globally as exposed to allegations of match-fixing as soccer. The highly publicized 2013 investigation by Europol, Europe's united police body, found 380, predominantly second-league, soccer matches across Europe being fixed and netting organized crime significant betting wind-falls.

Match-fixing is a regrettable reality across most sports, independently of whether betting is outlawed or not. What the Europol investigation highlights is that regulated markets' accessibility to real-time betting data and price movements is well established for soccer matches, and consequently provides pricing transparency and insights empowering sports leagues and law enforcement agencies with the required intelligence to detect match-fixing and fight it.

Until the emergence of Internet gambling in the late 1990s and the U.S. Unlawful Internet Gambling Enforcement Act of 2006, sports wagering has hardly been a mainstream topic. This has changed. Sport teams have evolved into media assets. Sports sponsoring, digitalization and smartphones have reinforced the trend. Across all continents, betting is increasingly becoming an integral part of mainstream consumers' sports entertainment experience, within and without regulated markets.

Betting has evolved, too. In soccer, for example, more than 70 percent of bets are live, i.e. placed during the game on a marginal event rather than the outcome of the game.

Fueled by these forces, sports betting has grown into a global industry exceeding \$800 billion in gross revenues and growing at 6-8 percent annually. While Asia represents a significant part of the overall size, it is estimated that Americans spend in excess of \$300 billion annually on sports betting. However, only a small fraction of bets are cleared through regulated channels. For the U.S., that number is roughly 1 percent. More importantly, a very significant portion of Asia's "dark pool" wagers are placed on U.S. sports contents. In essence, sports betting is a global phenomenon and its continued growth, within as well as outside regulated markets, is a certainty and cannot be ignored.

Regulation rather than a categorical ban is the right policy. A clear regulatory divide between Europe and the US is now emerging. While the U.K. has been one of the world's first regulated sports betting markets, certain Continental European countries such as France and Italy went further recently. They have pro-actively made the interests of sports leagues an integral part of the regulatory framework by partially dedicating betting-related tax income to the advancement of sports.

U.S. college and major sports leagues, however, remain adamantly opposed to a legalized betting regime. But a ban on sports betting may be falsely reassuring and possibly counterproductive. Sports-betting as well as match-fixing are transnational in nature and 'the buck does not stop' at any border, including that of the United States.

Crisis-stricken public finances on both sides of the Atlantic clearly recognize betting as a welcome source of tax revenues. The number of regulated and liberalized markets has significantly risen over the past five years, in particular in Europe. The stakes are high, and there is no shortage of controversy. New Jersey's attempt to legalize sports betting, for example, has been ill-fated, not least because it could not get the support of the U.S. sports leagues to amend federal law.

The U.S. federal and state governments should initiate a bipartisan dialogue with the sports leagues to work hand-in-hand toward establishing a federal regulatory framework that protects consumers, promotes integrity in sports, regulates and taxes the betting operators and redistributes a certain portion of that tax income back to the leagues to advance the sports. Unless they do, wagering on U.S. sports will continue its uncontrolled "home-run" on U.S. soil and beyond, at a loss to the leagues, the state and potentially the game.

Considering the intertwined dynamics of sports entertainment and smartphone disintermediation, banning is equivalent to ignoring. In the absence of regulated U.S. betting markets empowering law enforcement with transparent pricing data and intelligence to fight fraudulent activity, a beautiful game may, indeed, generate ugly business, too.

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