



CORRUPTION IN SPORT:

A GAME CHANGER FOR ENFORCEMENT

www.ethiXbase.com

CONTENTS PAGE

Introduction	3
More than just FIFA	3
▶ When, and how, did sport become so big?	4
▶ A patchy regulatory framework	6
▶ Oversight required	8
▶ It's not just about the game	9
▶ Significant, game changing enforcement	10
▶ Corruption is hurting us	12

► INTRODUCTION

The investigation earlier this year into the Fédération Internationale de Football Association (FIFA) has brought the issue of corruption in sport to the forefront of the international social consciousness. It is probably the most high profile anti bribery and corruption (ABC) investigation in the business of sport given the sums of money involved and the prestige and history of FIFA, an influential organisation over a century old.

That the authorities chose to act against FIFA is significant – the organisation has operated with impunity since its inception in 1904 and has rarely been challenged by an external authority. As the organiser of major global sporting events with the biggest viewing population, it controls concessions worth millions of dollars, and thus is a very powerful player on the global stage. With such large sums of money at stake, it's not surprising that there have been rumours of money laundering, bribery and corruption circulating for many years. Indeed, the current investigation apparently examines activity from as far back as 2004.

The investigation raises many questions about sporting bodies and how they operate. It seems that there is no overarching authority to which they are accountable, so how are they regulated? What guides their decisions around corporate governance? And what does this investigation mean for other sporting bodies?

More than this, what does this case mean for business around the world? For anyone who underestimates the recent enforcement action, by publicly dragging senior executives of a major international organisation from their comfortable 5 star hotel and bundling them into waiting police cars, authorities made an undeniably strong statement – but just who is the message directed at, and what does it mean for the future of global anti-corruption enforcement activity?

This paper will take a look at some of the details of the case, the regulation paradox of sporting bodies, and the broader implication of the FIFA investigation, and why it may be a turning point in the history of global enforcement.

► MORE THAN JUST FIFA

"The problem of match-fixing poses a danger to more than just the reputations and livelihoods of sports professionals and associations involved; with relatively little risk for criminals to be detected match-fixing has now become a global threat with large amounts of money involved used for other illegal activities."

Interpol

Corruption in organised sport is at a crisis level. In the absence of quantifiable facts and figures it's impossible to understand the scale of the issue with any accuracy, however it's safe to say that

with the advent of professionalism in sport, boosted by the fragmentation and growth of media along with advertising budgets, sport as an industry has never been worth as much as it is now, nor have there been so many opportunities to manipulate sporting events. With little oversight of the 'business' of sport, evidence of manipulation and penetration has been found across many regions and games, not just with FIFA.

"With little oversight of the 'business' of sport, evidence of manipulation and penetration has been found across many regions and games, not just with FIFA."

Despite sports growth in scale, there seems to be a tendency to ignore corrupt activities in professional sport, or to view it as a 'softer' crime than other types of corruption. More often seen as merely a game, sport is not always recognised for its commercial value. Players similarly are viewed as modern day heroes, removed from ordinary people and untouchable. Like any crime however, corruption in sport has the power to blight lives and stunt development.

For corruption to occur there are three necessary elements: a 'willing buyer', a 'willing seller', and the opportunity to keep the transaction hidden. With the constant flow of money and little regulation or accountability, it's easy to see why professional sport is a target.

Corruption in sport is known to happen on various levels, and significant activity takes place through:

- The fixing of sports results through the manipulation of players and match officials by betting syndicates
- Kickbacks in player transfers
- Kickbacks in sponsorship and broadcasting deals
- Collusion between construction companies during preparation for sporting events

While there have been efforts from various quarters to address the issue of corrupt activity in sport, there is little coordination between stakeholders, thus allowing the issue to continue relatively unchecked.

▶ **WHEN, AND HOW, DID SPORT BECOME SO BIG?**

In 2015, British soccer players belonging to clubs in the Premier League earn an average of GBP 10,000 (USD 15,500) a week, with the highest paid players earning as much as GBP 250,000 (USD 387,500). Contrast this to the earnings of the victorious English soccer squad which took the World Cup in 1966, the biggest football sporting event on the calendar. Players then were paid GBP 60 (USD 93) for the match and shared a bonus of GBP 1000 (USD 1,550). Even without taking inflation into consideration, that's a substantial hike in salaries.

The amount of money that changes hands in the international football (soccer) industry today is staggering. The combined revenue of the various Premier League clubs, for example, is GBP 3.26 billion (USD 5.05 billion) with pre-tax profits of GBP 187 million¹ (USD 289.85 million). The bulk of that revenue, 54%, comes from broadcasting.

And while these numbers are extraordinary, surprisingly, football is not the highest earning sport in the world. The Premier League's takings are dwarfed by popular US sports baseball and basketball, which in 2014 posted revenues of US 11.2 billion and US 9 billion respectively².

"And while these numbers are extraordinary, surprisingly football is not the highest earning sport in the world."

Over the last 20 years especially, sport as a business has changed dramatically. The commercialisation of sport at an elite level has produced a passionately devoted fan base, which in turn has helped to popularise certain sports at a grass root level.

The substantial financial flow along with a general lack of transparency provides great potential for illicit financial deals, and increasingly we are seeing elite sport making headlines for reasons other than competition results.

"The substantial financial flow along with a general lack of transparency provides great potential for illicit financial deals, and increasingly we are seeing elite sport making headlines for reasons other than competition results."

For many years there have been rumours, investigative reports and accusations of corruption in sport. The lack of accessible information is a major issue. While it is true that club accounts are available for scrutiny, the accounts lack detail. In January 2015, for example, 24 transfer deals were posted on the Premier League website without details of the amounts involved. In situations where the transfer amount is publicly disclosed, it usually fails to inform of the amounts each stakeholder received. So when a player is traded for millions of pounds or dollars, the conventions of the deal provide opportunity for abuse.

It's the perfect environment for those who would wish to move funds without anyone knowing, or potentially collude with others to inflate prices. The lack of transparency is not conducive for neither fairness nor best practice financial management, and there is little incentive for sports clubs to change the system.

"The lack of transparency is not conducive for neither fairness nor best practice financial management, and there is little incentive for sports clubs to change the system."

¹ BBC News, 4 June 2015

² Wikipedia

► A PATCHY REGULATORY FRAMEWORK

Due to a lack of regulatory oversight, there has been very little coordination between stakeholders, no overarching global authority and weak enforcement of any existing rules. Stakeholders, which include government departments, sport betting regulators, sports bodies, legal betting operators and regulatory authorities, have vastly different interests and objectives and there is little common cause or impetus for them to work together. Some of the differences are considered irreconcilable – betting operators seeking high margins of profitability while sporting bodies want to protect the integrity of their discipline for example.

At this point in time, according to the Qatar-based International Centre for Sports Security (ICSS), only a few countries have a coordinated national action plan to combat corruption in sport, including Australia and Norway. There have been very few attempts at an international level to coordinate a clean-up effort in global sport.

The vast sums of money involved in sporting activities mean that there is little appetite to increase transparency in sport – too many agencies and powerful individuals have benefitted for too long, and it may take a while before a critical awareness and a change of attitude is achieved.

"The vast sums of money involved in sporting activities mean that there is little appetite to increase transparency in sport – too many agencies and powerful individuals have benefitted for too long"

It will be interesting to observe if this recent action against FIFA will help to change perceptions, and if it will encourage confidence in people within the sporting industry to speak out.

Talking the talk

According to the ICSS, 2014 was the worst year for the integrity of the international sporting industry, with a significant rise in the number of suspected and established cases of manipulation of competitions. It also seems that sports not usually associated with or tainted by event manipulation are also being affected, such as badminton and basketball.

"According to the ICSS, 2014 was the worst year for the integrity of the international sporting industry"

What action?

These increasing levels of corrupt activity are due to a failure of management, according to Transparency International (TI). Spurred into action by the seemingly blatant bribery and corruption during the awarding of the 2018 and 2022 FIFA World Cup events, TI has begun a process of engagement with European professional sports leagues in a bid to gain their support and to coordinate match-fixing prevention programmes, as well as governance reform processes with FIFA and the International Cricket Council.

Some of the major sporting bodies also have their own anti-corruption initiatives.

The International Olympic Committee (IOC)

In 2014, the Committee signed a Memorandum of Understanding with INTERPOL and established a new intelligence system that links stakeholders in sports betting. The MoU with INTERPOL is designed to protect Olympic competitions from manipulation through illegal and irregular betting along with doping, match-fixing, and related corruption.

Possibly reading the tone of authorities who now appear more than willing to take action, the IOC President, Thomas Bach, addressed the subject of integrity in a speech in July 2015, soon after the launch of the FIFA investigation, and said that his organisation needed to show that it is serious about maintaining ethical credibility and fighting corruption.

International Cricket Council (ICC)

When the story that the South African cricket captain, Hansie Cronje, had been taking money from betting syndicates made it into the mainstream media, it was no longer possible for the ICC to ignore the scale of corruption in the sport. While there had been incidents before as well as rumours and unsubstantiated reports for some years, the revelation that one of the game's most recognisable, admired and upstanding players had not only accepted cash from the syndicates but had encouraged his team mates to participate in the fraud was seen as a turning point for the sport.

The ICC was forced to take swift and decisive action. Cronje, along with the captains of India and Pakistan, was banned from the game for life, and the Anti Corruption and Security Unit (ACSU) was established. The Unit had three objectives: investigation, education and prevention, and it ensures that there are a number of law enforcement professionals onsite during every international series, in every venue.

While these efforts by TI and the various sporting bodies are welcome, their impact is questionable. We see, for example, that despite the best efforts of the ICC, match fixing is still rife in that discipline and the influence of the betting syndicates continues to be pervasive. While any type of action is good, the issue requires an effective response that delivers action.

► OVERSIGHT REQUIRED

While this ABC activity and sentiment are most welcome, a more coordinated effort amongst stakeholders is required if anti-bribery and corruption programmes are to succeed at any level, and the campaign requires some teeth if it is to have any impact.

Given the challenge of regulating on a global level, perhaps a regional approach is more realistic.

The European Commission (EC) has been debating and researching the issue of corruption in sport for some years now and the idea of improving the regulatory oversight of the business of sport is supported by a 2012 report³ on match fixing.

The fight against corruption in sport is a 'major European issue', according to the report, and without a more rigorous pan-European effort to combat the issue, there is a risk that sport will lose its currency with the public.

The report, commissioned by the EC facilitate debate on the subject, calls for:

- The creation and strengthening of preventative tools
- Strict laws that provide for more thorough methods of prevention, detection and punishment
- Cross border cooperation between law enforcement agencies

- Better channels for dialogue
- Increased cooperation between sports bodies

Even though there is recognition of the scale of the issue and the need for a structured and coordinated response, it is not clear when any legislative action will take place.

The lack of coordination between stakeholders is a concern. Without effective punitive sanctions, there is the potential that organised crime can harvest a considerable income from international sport. It is therefore a matter of some urgency to achieve effective legislation that carries some authority, but driving regulatory change can be a time consuming, many times long winded, process. This lack of regulatory oversight does not help sporting codes nor does it protect their professional athletes.

It is time for a concerted effort to create a more unified, effective approach to tackling corruption in sport. Some would argue that we are seeing the start of such an approach in the action against FIFA.

"It is time for a concerted effort to create a more unified, effective approach to tackling corruption in sport. Some would argue that we are seeing the start of such an approach in the action against FIFA."

³ Euractiv.com, 5 October 2012

"Match fixing might seem a minor issue, but is a serious problem in Europe. It is a form of crime with high revenues and excessively low sentences and detection rates, and thus used as a tool by criminal organisations to make and launder money from criminal activities such as human and drug trafficking. A comprehensive approach is needed with the cooperation of sport organisations, betting operators, justice and law enforcement agencies, European institutions, and public authorities. We must act now, before the integrity of sport is ruined."

Match fixing and fraud in sport: putting the pieces together

Emine Bozkurt, MEP, on the occasion of the CRIM hearing, 17 September 2012

► IT'S NOT JUST ABOUT THE GAME

Many people have raised the relevance of the FIFA investigation in the global context and point out that there are so many other global issues deserving of the attention of enforcement agencies, so why should we care about the business of sport? And with a situation that apparently goes back more than two decades, why tackle it now? What difference does it make?

Indeed, well known British business magnate, Bernie Ecclestone, chief executive of the Formula

One Group and himself a subject of a bribery investigation some years ago, believes that corruption in sport should be seen as a tax. In an interview in October 2015, Ecclestone added that this tax is justified because of the work that FIFA does in spreading the sport of football around the globe, reaching countries that would otherwise be isolated.

There is no question that once a country hosts a FIFA World Cup, the profile of the sport is raised in that particular country, as is the profile of the host country. It is also possible to argue that the country's infrastructure benefits from the construction of new roads and sport facilities - although it can be argued that the cost of maintaining giant stadiums can put a large amount of strain on local economies - and some hosts have enjoyed an economic spike as their tourism numbers surge years after the event took place.

So if FIFA has operated in a particular way over the years, delivering public goods while creating enormous wealth for its top executives, and with so many other issues that require attention, why did the US and Swiss authorities decide to act, and why did they act now?

"So if FIFA has operated in a particular way over the years, delivering public goods while creating enormous wealth for its top executives, and with so many other issues that require attention, why did the US and Swiss authorities decide to act, and why did they act now?"

► SIGNIFICANT, GAME CHANGING ENFORCEMENT

"The joint enforcement activity by US and Swiss authorities against FIFA is significant, and sends a very strong, very public statement that corruption will no longer tolerated in any industry, in any region, for any reason."

There is a broader context in which to view the FIFA investigation. This investigation is not about the game of football. The joint enforcement activity by US and Swiss authorities against FIFA is significant, and sends a very strong, very public statement that corruption will no longer tolerated in any industry, in any region, for any reason.

It may be that this investigation signals a turning point in the war against corruption and bribery. Many may miss the symbolism, but there are a number of notable points that may indicate that this action may be a game changer.

The Swiss take a stand

Switzerland, known for its neutrality, has had a banking sector with the reputation for discretion for decades. In 1934 it became a criminal offence for a Swiss bank to reveal a client's identity but this level of secrecy unfortunately provided an opportunity for many to hide certain financial activity. Increasingly, with the rapid growth

in financial regulation around the world, banks are far more constrained than ever before and are expected to hold a greater level of detail about their customers.

The fact that the Swiss authorities actively participated in the action against the FIFA officials seems to signify a change in attitude towards corrupt practice – perhaps enough to disturb those who have hitherto felt protected by their Swiss bank accounts.

Joint action

For the US and Swiss authorities to work in concert signals a change from business as usual. With the increasing regional and global economic interdependence, we'll likely see more of this kind of collaboration by authorities in the future, because it's not only trade that's diversified and globalised - organised crime follows the same routes and has the ability to infiltrate government agencies and institutions, thus fuelling corrupt activity around the world. This growth and transference of illicit wealth across borders has the effect of undermining the rule of law and allow criminal networks to increasingly forge bonds around the world, a dangerous situation that requires a concerted effort from international agencies.

"The threats that we face are no longer restrained by borders or oceans, or limited to one country or region. And the problems impacting one nation can easily affect us all. From corruption and kleptocracy that causes people to lose confidence in institutions of government, to organized criminal enterprises like human trafficking rings that impact our citizens' sense of security, we are faced with global challenges that require a truly global response."

**US Attorney General Loretta E. Lynch
Bogota, Colombia, October 15, 2015**

Untouchable FIFA

The fact that there was a well-planned, carefully executed action to round up a group of FIFA officials one morning before breakfast is significant. The authorities timed their approach so that they could capture the usually geographically dispersed officials as a group, together in one venue, making it difficult for them to escape. These officials appeared to have participated in a corrupt scheme that dates back 24 years, spanning 'at least two generations of soccer officials who, as alleged, have abused their positions of trust to acquire millions of dollars in bribes and kickbacks", according to US Attorney

General Loretta E Lynch. If the Attorney General's accusations are proven to be true, the group of soccer executives had reason to be fairly relaxed about how they did business – before the recent action, and apart from a few questions in the media that occasionally bubbled up, they had simply never been challenged.

Consider, for example, the bizarre case of Chuck Blazer, a high ranking soccer official who was a member of the FIFA Executive Committee for many years, and who was persuaded to work with the FBI against his former colleagues. It appears Mr Blazer felt particularly relaxed about flaunting his considerable wealth, regularly blogging about his travels around the world on FIFA business, which included details of his many visits to top end restaurants. He also famously rented an apartment adjacent to the one he was using as an office in Trump Tower New York just for the use of his cats.

Blazer's cats helps to illustrate that this was a group of people who saw themselves as untouchable. FIFA is a significant organisation with substantial resources, with more members than the United Nations.

It is very likely that there are other groups of people in the world today, operating in different organisations, sectors and regions, who, like the FIFA officials before the launch of the investigation, believe themselves untouchable. It is clear, however, that they are not.

"It is very likely that there are other groups of people in the world today, operating in different organisations, sectors and regions, who, like the FIFA officials before the launch of the investigation, believe themselves untouchable. It is clear, however, that they are not."

► CORRUPTION IS HURTING US

The World Bank states that corruption is "...among the greatest obstacle to economic and social development" because it undermines the rule of law and weakens the institutional foundations on which sustainable development depends.

"Not only does corruption affect economic development in terms of economic efficiency and growth, it also affects equitable distribution of resources across the population, increasing income inequalities, undermining the effectiveness of social welfare programmes and ultimately resulting in lower levels of human development. This, in turn, may undermine long-term sustainable development, economic growth and equality."

Marie Chêne, Transparency International

This visible, decisive action against FIFA by a joint task force shows that global authorities are drawing a line. We will watch developments with interest, as FIFA attempts to rescue its image – will the organisation be able to strengthen its corporate governance codes and comply with the same regulations that impact on organisations around the world? Will it put the right compliance policies in place, and, more importantly, will it maintain them?

Will there be a choice?

We have already seen the withdrawal of some sponsors, and the joint action should encourage all sponsors to make a stand. Once sponsors begin to withdraw as a critical mass then we may see real change.

Systemic corruption is a choice, not an inevitable feature of doing business around the globe. Perhaps the FIFA investigation will help people to realise this.

"This visible, decisive action against FIFA by a joint task force shows that global authorities are drawing a line. We will watch developments with interest, as FIFA attempts to rescue its image – will the organisation be able to strengthen its corporate governance codes and comply with the same regulations that impact on organisations around the world? Will it put the right compliance policies in place, and, more importantly, will it maintain them?"