

Betting and Lotteries Commission

The Hong Kong Jockey Club's Proposals of Additional Horse Race Betting Activities

Background

The Betting and Lotteries Commission (“BLC”) is a statutory advisory body set up under the Betting Duty Ordinance (Cap.108) to advise the Secretary for Home and Youth Affairs on the regulation of the conduct of horse race betting, football betting and lotteries.

For horse race betting, the Hong Kong Jockey Club (“HKJC”) is currently allowed to conduct betting on no more than 88 local race days, 10 non-local races falling on local race days (“simulcast races”) and 37 simulcast occasions on non-local race days (known as “simulcast days”) every year from 1 September to 31 August (of the next calendar year). No betting on local races is allowed during the summer break from 17 July to 31 August. As far as simulcast day is concerned, the number of non-local races per one simulcast day should not be more than nine.

HKJC's Proposals

HKJC has proposed to

- (i) increase the maximum number of simulcast races per year from 10 to 25; and
- (ii) increase the maximum number of non-local races per one simulcast day from nine to 12;

starting from racing season 2023/24. For details, please refer to the proposals at **Annex I**.

Submission of Views

BLC now invites members of the public to submit views on HKJC's proposals (submission form at **Annex II**). The deadline for submission is **28 August 2023 (Monday)**. Please send the submissions by post, fax or e-mail to:

Address: 13/F, West Wing,
Central Government Offices,
2 Tim Mei Avenue, Tamar, Hong Kong
(Attention: Secretariat to the Betting and Lotteries Commission)

Fax No.: 2591 6002
E-mail: ha2@hyab.gov.hk

Please note that the submissions received may be made available to the media and the public unless parties concerned have advised otherwise.

Secretariat to the Betting and Lotteries Commission
28 July 2023

Proposals of Increasing the Maximum Number of Simulcast Races per year and Increasing the Maximum Number of Non-local Horse Races per Simulcast Day Submitted by The Hong Kong Jockey Club to the HKSAR Government

A. PROPOSALS

1. The Hong Kong Jockey Club (“HKJC”) has submitted the following proposals on betting services in respect of non-local horse races (“Proposals”) for implementation from the 2023/24 Racing Season –
 - a. to increase the maximum number of simulcast races (同步聯播賽事)¹ from 10 to 25 races per year; and
 - b. to increase the maximum number of non-local horse races per one simulcast day (同步聯播賽事日)² from nine to 12 races.
2. The Proposals will –
 - a. help tackle illegal betting by channeling betting demand to the legal channel;
 - b. help foster global and local racing business development and sustain HKJC’s contributions to social betterment; and
 - c. have minimal impact on the youth.

B. KEY MILESTONES OF SIMULCAST DEVELOPMENT

3. The current quota system for simulcast races was introduced in 1989. The quota (i.e. only 10 simulcast races per Racing Season) has been unchanged in the past 33 years. For simulcast days which were introduced in 2009, the current quota is at 37 simulcast days per year which has taken effect since 2021.
4. In 2013, HKJC introduced Commingling on Hong Kong local races (匯入彩池), allowing customers of international partners to wager into one pool. Currently, with over 72 partners in 26 countries and racing jurisdictions, HKJC is operating as one of the leading and most influential Commingling (匯合彩池) hubs in the world.

¹ According to the Licence for Horse Race Betting, HKJC shall offer not more than 10 non-local horse races on a local race day (known as simulcast races) per year for betting.

² According to the Licence for Horse Race Betting, HKJC shall offer not more than 37 simulcast occasions on non-local race days (known as simulcast days) per year for betting. Meanwhile, the number of non-local horse races on a simulcast day shall not be more than nine.

5. In 2019, HKJC pioneered the World Pool (全球匯合彩池) by combining Simulcast and Commingling. World Pool allows HKJC's Commingling partners to join their pools on non-local horse races into HKJC's common pool, thereby creating higher turnover.

C. PROBLEMS OF CURRENT RESTRICTIONS

Betting Demand for More Non-local Races Turning to Illegal Channels

6. While it is impossible for any Government or organisation to have a complete picture of the illegal market due to its clandestine and transnational nature, all sources and researches agree that the market has been growing significantly. According to the latest illegal betting data collected by HKJC, the number of Hong Kong people betting illegally on non-local horse racing in 2022 has increased by 347% from 2015.
7. The current restrictions (i.e. only 10 simulcast races per year and nine non-local horse races per one simulcast day) have stopped HKJC from simulcasting more prestigious and popular non-local horse races to narrow the growing gap with the illegal and offshore operators. Some racing fans interested in these races could only choose the illegal channels, with the chance of attaching to them and their full range of highly addictive bet types and products permanently and resulting in serious personal, family and social problems.
8. On the other hand, illegal betting operators offer a vast range of non-local horse racing products through their main and mirror websites to Hong Kong racing fans, which are also available to the underage and youth. Some of these websites offer 24x7 round-the-clock betting on all Hong Kong race meetings and thousands of non-local ones.

Restricting HKJC's Sustainable Development

9. Although HKJC's achievements have been highly recognized by its global partners, there is growing pressure as HKJC is unable to honour reciprocity. Due to the restrictive simulcast quotas, HKJC was forced to make trade-off decisions between prestigious and popular non-local horse races.
10. In particular, based on operational experience in the past three years, the cap of nine non-local horse races per one simulcast day has become a major hurdle for HKJC to enter into necessary Simulcast, Commingling and World Pool agreements with overseas racing jurisdictions, since it is unable to simulcast the full programme of certain high quality race days which normally consist of 10 races or more.
11. The cap has also stopped HKJC from simulcasting some major non-local races with Hong Kong horses and/or jockeys competing. For example, the Australia Lightning Stakes and Doha Amir Trophy were both held on 18 February this year. While HKJC could simulcast all nine races of the Lightning Stakes, it was unable to cover The Amir Trophy which had two Hong Kong horses. This problem will occur more often with Hong Kong horses and jockeys resuming their international participation in the post-COVID period.

12. With HKJC not covering or only partially covering prestigious and popular non-local races, some racing fans might therefore turn to the illegal channel for betting.

D. JUSTIFICATIONS

Help Tackling Illegal Betting

Diverting Illegal Betting Demand to Legal Channel

13. To assess how illegal betting demand could be diverted to the legal channel, HKJC conducted a tracking study of some of the illegal betting websites most popular among Hong Kong racing fans from March to April 2023. The study found that –
 - a. illegal betting websites’ average daily traffic related to the proposed 15 additional simulcast races was 39% higher than that of non-local horse races simulcast by HKJC. This shows that HKJC had successfully channeled demand for betting on non-local horse races to the legal market, but some racing fans would have to bet with illegal betting operators where there was no legal option; and
 - b. 75% of respondents who bet on non-local horse races with illegal betting operators would choose the legal channel if it was available.
14. Indeed, HKJC’s recent experience also suggested the same – with the launch of 14 simulcast days during summer in 2021, there were 43% (2021) and 37% (2022) year-on-year decline in Hong Kong horse racing illegal betting traffic during the concerned period, showing its effectiveness of keeping betting demand away from illegal betting channels. The Proposals shall further complement these efforts.

Help Sustaining World-Class Racing Development

Improving Reciprocal Arrangements

15. For Hong Kong to maintain its status as a world leader in horse racing industry, it is important to strengthen its key positions as a global hub for Commingling and the leading host of World Pool. The Proposals are therefore necessary as simulcast races and simulcast days are fundamental to provide reciprocity to and partnership with overseas jurisdictions on Commingling and World Pool.

Enhancing Quality of Racing Calendar

16. By the concerted efforts of global racing jurisdictions, the standard of horse racing has been improving over the past three decades. The internationalisation of horse racing has also been growing significantly, with horses competing overseas more than ever. To meet greater customer interest in betting on prestigious and popular non-local races, it is necessary to enable HKJC to simulcast more non-local races and provide it with the flexibility of simulcast a non-local race but not the entire race meeting (hence no need to use up a simulcast day quota).

Creating More World Pool and Revenue to Hong Kong

17. In 2019, HKJC commenced World Pool covering just 30 non-local horse races. For the first World Pool (i.e. the five-day Royal Ascot race meetings), its global turnover of HK\$1.09B was 75% higher than the previous year, and the figure further grew to HK\$1.76B in 2022 (or 61.5% increase). Now covering 176 overseas horse races, Commingling and World Pool have become HKJC's major new revenue streams, accounting for 19.8% of its total horse race betting income in 2022/23 (as of May 2023). By simulcasting more full programmes, HKJC will be able to expand its partnerships and establish more World Pools.

E. IMPLICATIONS

Social Implications

18. With the much improved standard of horse racing internationally, coupled with advancement of information flow, Hong Kong racing fans have become increasingly interested in prestigious non-local races. However, in the absence of a legal betting option for many of these races (which are being excluded due to the restrictive simulcast quotas), racing fans are prone to be attracted by illegal betting channels, which are always associated with credit betting, loan shark activities, junket operations and other major crimes. The Proposals will be an effective tool to divert betting demand to the legal channel and help tackle illegal gambling.
19. HKJC considers that the Proposals will unlikely give rise to any significant increase in public participation in betting. On youth betting in particular, in 2022/23, customers aged 18 to 21 only represented an insignificant 0.5% of HKJC's total simulcast betting population, while over 80% of simulcast customers were aged 40 or above. Also, with comprehensive responsible gambling measures in place and horse race betting being a game of skills which requires racing fans having a certain level of knowledges, HKJC considers that the Proposals will not increase the risk of excessive betting.

Financial and Economic Implications

20. HKJC operates a unique Integrated Business Model, which generates economic and social values through racing, racecourse entertainment, sports wagering and lottery. Its Charities Trust ("Trust") is one of the world's top ten charity donors. In 2021/22, it returned \$33.6B generated by betting and lottery (or some 80% of its total betting revenue of \$41.8B) to the community through –
 - a. betting duties and profits tax to the HKSAR Government of \$26.1B;
 - b. approved donations to the community of \$6.6B (approved donations to the Trust of \$5.0B);

- c. contribution to the HKSAR Government's Lotteries Fund of \$0.9B; and
 - d. employment opportunities of about 19,000 jobs.
21. It is important for HKJC to maintain its competitiveness for channeling betting revenue from the illegal market to the betterment of society in term of tax and charitable donations. It is estimated that the Proposals will generate a total of about \$2.2B in turnover, while betting duty will further increase by about \$279M per Racing Season. They will have no adverse impact on the turnover of local race days, which will still remain the most popular entertainment among local racing fans.

The Hong Kong Jockey Club
July 2023

Personal Data Collection Statement

It is voluntary for any members of the public to provide his/her personal data as requested in this submission form. Any personal data provided will only be used by BLC for the purpose of understanding the views of members of the public on HKJC's proposals. If necessary, the submission and personal data collected may be transferred to the relevant Government bureaux or departments for the purpose of handling HKJC's proposals.

The written submissions received may be published to the media and the public. **If you do not wish your name / your representing organisation's name and / or your views to be disclosed, please specify in your submission.**

For access to or correction of personal data contained in your submission, please contact the secretariat in writing.

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