The future of sports betting in the U.S.
GENIUS SPORTS IN THE U.S.

Genius Sports is a global leader in sports data technology, distribution and commercialization services. With more than ten years’ experience at the intersection between sports and regulated wagering, Genius Sports is uniquely positioned to help U.S. sports, regulators and lawmakers create a successful and sustainable market that prioritizes the integrity of sport.

We are the trusted integrity partner to Major League Baseball and the PGA Tour, helping to safeguard the integrity of their competitions from betting-related corruption with a wide range of specialized technology and educational services.

Through our Integrity Services, we have become a close advisor to regulators and governments across a number of territories, demonstrating the dangers posed by illegal markets, the need for cooperation between multiple parties and the benefits a legalized market provides to the integrity of sports.

Genius Sports is recognized as one of the fastest growing sports technology companies in the world with over 1,000 employees globally and a rapidly expanding U.S. presence from offices in Los Angeles, New York and Washington D.C.
On December 4, 2017 the United States Supreme Court will hear oral arguments in the New Jersey sports betting case, where the Garden State will attempt to win the right to legalize wagering within its borders.

New Jersey is arguing that the Professional and Amateur Sports Protection Act (PASPA) – the federal law that bans sports wagering in the United States (with a few exceptions) – is unconstitutional. If it is successful, it could lead to the floodgates opening on a regulated sports wagering market in the U.S. that some estimates value at over $6bn in revenues by 2023*.

Proponents of the ban believe that any relaxation in the current prohibition would lead to a rise in associated illicit activity, increasing the risk of betting-related corruption and putting the integrity of the major leagues under threat.

However, this ignores the threat caused by the existing black market on illegal sports wagering in the U.S.; and fails to recognize that the world of sports betting has changed beyond recognition since the passage of PASPA in 1992.

The proliferation of the internet and growing value of data have transformed the sports wagering industry. While mature,
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regulated sports betting markets such as the United Kingdom have demonstrated that legalization can be successful in creating transparency and accountability.

With a Supreme Court decision expected by early June 2018, there is a unique opportunity for sports and the sports wagering industry to influence how the market is regulated in the United States. This paper sets out some thoughts on how that can be achieved, in the interests of both.

*Eilers & Krejcik Gaming LLC (based on 32 states authorizing sports betting)

**WHAT WOULD SUCCESSFUL WAGERING REGULATION LOOK LIKE FOR U.S. SPORTS?**

Successful regulation has sports integrity at its center, and ensures that sports enjoy fair participation in wagering on their games.

1. **MANDATORY USE OF OFFICIAL SPORTS DATA CONTROLLED BY THE SPORTS**

Data and statistics are some of sports' most valuable assets and their use by the sports wagering industry should be mandatory. This means sports can ensure a sustainable revenue stream from...
regulated wagering and are afforded a greater level of transparency when monitoring for potentially suspicious betting activity.

It also means the sports wagering market can be provided with the fastest, most accurate data available, providing fans and betting customers with the best possible product.

2. COMPLETE TRANSPARENCY OF WAGERING LEVELS AND CUSTOMER ACTIVITY

Vital to a regulated market’s success will be the introduction of stringent Know Your Customer (KYC) measures. In turn, these must be backed up and monitored by increasingly sophisticated online identification tools, anti-money laundering protocols and responsible gambling policies.

As in other regulated markets, wagering operators should be obliged, on demand, to share information on wagering activity and player account details to law enforcement. In an unregulated market, no such protections exist.

3. CENTRAL REPORTING HUB THAT IS INTEGRATED INTO ALL SPORTS, LICENSED OPERATORS AND THE IRS

Information-sharing between operators, regulators and sports authorities is crucial when it comes to identifying betting-related threats.

One suggestion for optimum visibility for sport is to require all officially sanctioned wagers placed with licensed U.S. operators to pass through a centralized technology hub. This would allow all wagers to be time stamped and scrutinized on a second-by-second basis, with any anomalies identified through real-time monitoring of betting patterns.
WHAT WOULD SUCCESSFUL WAGERING REGULATION LOOK LIKE FOR SPORTSBOOK OPERATORS?

Successful regulation must facilitate a sports wagering market in which operators want to participate. Otherwise the unregulated market will continue to flourish.

1. STRINGENT PROBITY PROCESS FOR LICENSE APPLICANTS – BOTH B2C OPERATORS AND B2B SUPPLIERS

By undertaking stringent probity checks on license applications, regulators can ensure sports betting customers are only engaging with fit and proper operators that comply with established licence conditions.

The increased level of trust that this probity brings, in turn, benefits the entire market, in particular, the consumer-facing brands with whom players directly interact.

2. WORKABLE OPERATING FRAMEWORK INCLUDING A BENIGN TAXATION ENVIRONMENT

In order to reduce the size of the black market, the regulated betting product must be of sufficient quality to attract consumers away from unregulated sites.

This is only possible if the operating environment is workable. High taxes or onerous restrictions to sports betting products may lead to sportsbooks shunning the regulated market and remaining offshore.

3. CENTRALIZED LICENSING STANDARDS

In Europe, gambling regulation is a patchwork of regulatory frameworks each with their own requirements, limitations
and taxations levels. This creates a resource-heavy process for operators expanding into new markets and often discourages. A solution would be centralized standards, for example relating to sports integrity, set at a federal level that would ensure consistency across the industry.

$50 - $60bn

Our estimate of the total handle that flows through the illegal market for sports betting in the U.S., not including social bets, March Madness office pools and other “casual” illegal betting.

IN SUMMARY

Successful regulation of sports wagering means a model that works for both sports and the wagering industry. It is only through achieving this balance that sports integrity can be protected, and the unregulated market can be excluded. It is clear that there may soon be an opportunity in the United States to achieve these aims.

Mark Locke CEO, Genius Sports Group