

In-running (In-play) betting: Issues paper

Consultation responses form

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If you are responding on behalf of an organisation, please indicate which type of organisation:

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Instructions

Anyone responding to the In-running (In-play) betting: Issues paper consultation document should use this response template. The closing date for receipt of responses by the Commission is Wednesday 6 August 2008.

Below are the questions we are seeking responses to, please add your comments in the spaces provided below each question. There is space at the end of the list for any other comments.

Responses should be sent to consultation@gamblingcommission.gov.uk or posted to

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Gambling Commission May 2008

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In-running betting

Q1. Do you have any evidence that in-running betting puts the licensing objectives at risk (eg lack of fairness or openness inherent in in-running betting, or a risk of causing harm to vulnerable people)?

In order to provide evidence-based responses to the Gambling Commission's consultation Betfair has analysed quantitative data from its database, which contains the complete set of all bets placed by customers on Betfair. The data allows us to distinguish between bets placed before the start of the event in question, and those placed while the event was in-play.

To augment that quantitative transactional data Betfair recently conducted a survey of customers who had placed bets in-running at any time in the preceding 6 month period. Those invited to participate were chosen at random from that group, the response rate was very high for a survey of this type, and the range of profiles of those who participated is representative of Betfair's customer base (respondents included a representative mix of smaller-staking customers and those who bet with larger stakes, those whose accounts were in profit and those who had lost overall during the relevant period). The detail of the methodology used, the questions that were asked and a summary of the responses to each question from those who chose to participate are provided as an appendix to Betfair's submission. The summary conclusions of that survey are included in our responses as appropriate.

We have also drawn on internal Betfair research specific to trading rooms from earlier this year to allow us to respond in detail to Q7, and the quantitative data supporting that is also included as an appendix to our response.

We are aware of certain concerns that have been raised regarding in-running betting, but the qualitative and quantitative evidence we have indicates strongly that the licensing objectives are not being put at risk. Our data indicates:

1. that in-running betting is no less fair than betting before the event
2. that our customers have an overwhelming level of awareness of the issues specific to in-running betting, and
3. that there is no evidence that we are aware of that would support the suggestion that in-running betting poses a greater risk of harm to vulnerable people than any other forms of gambling.

In our survey we asked customers to rank their perception of fairness of different types of gambling on a scale of 1 to 10 (1 = extremely unfair, 10 = extremely fair). Based on the responses in-running betting was perceived to be fairer than other forms of betting, including betting with the Tote, betting at online casinos and betting on the National Lottery.

Importantly when the survey data was segregated depending on whether customers were profitable or unprofitable, based on their in-running betting during the six month period, the responses were indistinguishable. Whether winning or losing, in-running bettors felt that in-running betting on Betfair was fairer than most other forms of gambling.

"Fairness" is a concept that will mean different things to different people. For example it's clear that customers playing the National Lottery all have the same chance.

However a customer may still perceive that the Lottery is less fair than other forms of gambling because the expected return is that much lower. Other betting exchange customers may have greater skill and knowledge, but the cost of betting against them, in-running or before the start of the event, is still likely to be significantly less than the cost of playing the Lottery, betting on the Tote or the cost of betting with a bookmaker.

This perception is supported by the quantitative data from Betfair's transactional database. When this topic was addressed with the Commission in January 2008, we showed that the distribution of wins and losses across Betfair's customer base was almost identical when comparing in-running betting with bets struck before the start of the event. Our initial analysis covered the period November and December 2007, and we focused specifically on British horseracing markets.

We repeated the same analysis for the two most recent complete calendar months, April and May 2008, but broadened the scope to include football and tennis in addition to British horseracing, our next most popular in-running sports. We wanted to ensure that the analysis was consistent over time (vs. results from Nov/Dec 2007) and that it wasn't specific to a particular sport. The results of that analysis were entirely consistent with previous studies we've done on this topic.

The data for April and May 2008 showed that:

1. The distribution of wins and losses for bets placed on all three sports was very similar for both in-running betting and for bets placed before the start of the event.
2. For British horseracing a slightly greater percentage of customers won in-running compared to those who bet before the off.
3. Similarly for football a slightly greater percentage of customers won betting in-running compared to those who bet before kick-off.
4. For tennis the percentage of customers who won over the period betting in-running was slightly less than the percentage who won betting before the event start. However the proportion of customers winning in-running was still significantly in excess of 40%.

The detailed figures substantiating these observations are attached as Appendix 1.

The data is consistent with the overall customer perception expressed in the survey that in-running betting would correctly be described as fair. It does demonstrate quite categorically that any attempt to represent in-running betting on Betfair as being an activity where a large number of vulnerable gamblers are exploited by a select group of sophisticated "whales" is not supported by the evidence.

Q2. Do you have any information about the customer profile in the in-running betting market (ie is it made up predominantly of specialist, knowledgeable betting customers)?

When conducting our survey we asked customers how long they had been betting on-line, and we asked them to assess their own level of expertise on a scale of 1-10 (1 = novice, 10 = expert). The responses indicate that more than 80% of customers

who bet in play have been betting online for more than 2 years, and more than 40% have been betting online in excess of 5 years. Customers who responded indicated that they consider themselves relatively expert. The most popular score was 7 (24.1% of respondents), with scores of 9 or 10 being more than five times more prevalent than scores of 1 or 2. This would support the assertion that, taken as a group as a whole, those betting in-running on Betfair are relatively experienced.

While that observation may be interesting we don't believe that it has particular significance when attempting to determine if in-running betting poses specific risks to the Commission's objectives. We are aware of potentially misleading claims that betting in-running poses specific concerns, and that the only way the Commission's "fair and open" objective could be met would be if it could be demonstrated that customers participating in in-running betting are relatively sophisticated. We would contend that any such claim isn't supported by the evidence. It is the way in-running betting markets are operated and the warnings we provide to customers that ensures in-running betting is conducted fairly and openly, and that this is true whatever the level of sophistication of customers who choose to bet in-running.

Technological advantages

Q3. Do you have evidence as to whether players in in-running markets are aware of time delays and faster feeds? Do you have evidence that suggests that the level of awareness satisfies the fair and open licensing objective and that any advantage is fair?

In response to our survey the overwhelming majority of customers expressed an awareness of time delays in the broadcast of "live" pictures. This was the issue most frequently cited by customers as a means by which those betting could attempt to gain an advantage. Our survey also allowed customers to provide open responses to this question, and from the verbatim responses the instances of customers mentioning "time delays" and "faster feeds" is overwhelming. We have included those verbatim responses as an appendix.

93.3% of respondents expressed an awareness that watching pictures or feeds with the smallest possible delay would be advantageous when betting in-running. While that invites the suggestion that the remainder are somehow not aware and being unfairly disadvantaged as a result, it would be helpful to put that level of awareness into perspective: we also asked whether customers were aware that others might have an advantage over them by studying previous results (from databases etc.). The percentage of customers aware of this advantage over those who didn't use those techniques was also high (89.6%). However it is worth noting that a greater percentage of customers were aware of the issues surrounding picture delays than were aware that others might gain an advantage by studying form.

We could make the lighthearted observation that maybe betting markets offered by all operators should provide a warning that "form students may be betting on this market". It's perhaps more sensible to conclude that if customers express an even greater awareness of picture delays than of this particular advantage, then it is inconceivable that that could be reasonably described as anything other than open.

To determine whether any time advantage certain customers may have is a fair

advantage, it's necessary to consider how in-running markets on Betfair are operated, the factors determining the prices at which individuals are matched, and to understand Betfair's financial interest in this respect.

Firstly it's important to understand that customers of any operator placing a bet will frequently be at an informational disadvantage. In the case of a betting exchange that may mean they'll be at a disadvantage to other customers, but in the case of other operators customers will frequently be at an informational disadvantage to the operator. This disadvantage may relate to information about the participants (how a horse has performed in training, which players in a football team are injured etc.), or time-related information if the operator or other customers are watching the event with a shorter delay. Customers frequently place bets in-running without even watching the event at all. None of those disadvantages will necessarily result in unfairness. Bets can only be matched at unfair prices if a disadvantaged customer asks for a poor value price and no customer (or the operator against whom they are betting) with the benefit of that information is prepared to offer a more fair price. Betfair's system matches bets against the best available price, so having a large number of customers watching the fastest pictures guarantees that they have to compete with each other to offer reasonable prices to get matched.

It's worth highlighting that it's in Betfair's financial interest that the market is fair. We explain in greater detail in response to Q7 why that is the case.

Q4. Does the existing provision in the Commission's Remote Technical Standards sufficiently deal with the issue of variable time delays in feeds and ensure that there is sufficient awareness of and openness around this advantage?

We support the Commission's Remote Technical Standards IPA aim 3, and believe that IPA requirement 3A adequately addresses this. Every Betfair market that is scheduled to be turned in-play at the start of the event contains a warning regarding the nature of the delay to "live" pictures. Additionally a brief warning is displayed clearly at the point of placement of every single bet placed in-running. The warnings on Betfair's site were added voluntarily by us and predate both the Gambling Commission and the Gambling Act coming into force.

For any warning to be effective there needs to be a balance between the prominence of that warning (to ensure that it is seen) and the warning being succinct (so that it stands the greatest chance of being understood). From the survey it is evident that awareness of Betfair's in-running warnings is very high (89.8%). It isn't clear that those warnings could be made any more explicit without making them less succinct and reducing the likelihood of customers adequately comprehending them.

We therefore believe that there is sufficient awareness and openness around the issue of time delays, among Betfair customers at least, and that their existence does not in itself put the "fair and open" objective at risk.

warnings for a number of reasons:

1. customers are very aware of the speed of their internet connection - if a customer has a "slow" connection their whole experience when using the internet will be affected. They will also typically be bombarded with marketing from their own ISP and others to upgrade to "faster" packages. Any warning about this provided by a betting operator is more likely to irritate than to provide any information customers weren't already aware of.
2. the websites of betting operators tend to assume high bandwidth - they have engaging graphical content etc. and therefore if a customer's individual equipment set up (including their internet connection) isn't really up to the task this will be evident at all times when logged in to any operator's site, and certainly long before bet placement.
3. the actual placement of bets won't typically be affected by broadband bandwidth - bandwidth determines how much data can be transferred simultaneously, not the speed at which it is transferred between customer and operator. The amount of data transmitted when a bet is placed is relatively small, and therefore bandwidth typically won't be an issue.
4. If operators were required to warn about this particular issue where would the line be drawn? If the warnings on a betting site end up looking like the smallprint from an insurance contract it's unlikely they will be read or understood by customers.

For those reasons we do not believe a warning relating to internet bandwidth is appropriate.

Q6. Is the use of 'bots' widespread amongst in-running betting customers and is their use fair and open?

The customer survey indicated that use of "bots" isn't particularly niche or obscure - 18.9% of respondents said they use or have used additional software when placing in-running bets, and 3 out of 4 customers who've never used a "bot" to place in-running bets are nonetheless aware that other customers use them.

Some clarification of the meaning of the term "bot" is probably helpful here. The long-standing definition in Betfair parlance suggests an automated trading program that places bets without human assistance. In-running betting renders the majority of robotic quantitative strategies ineffectual for two reasons:

1. Computers are not yet capable (to the best of our knowledge) of watching and reacting appropriately to live sport.
2. The delay imposed by Betfair on the placement of in-running bets (discussed in detail in response to Q8.) makes certain arbitrage strategies impractical. A "bot" that samples a market and identifies that two or more bets could be matched to secure a risk-free profit is unlikely to be successful in-running, because by the time its bets are processed, those it attempted to match are likely to have been matched by other customers or cancelled.

We are aware that there will nevertheless be some bots operating in-running, although the scope for in-running bots is limited and those that do operate appear to

be little more than time-saving devices operating simple strategies.

In order to ensure we cover all potential aspects of the question it may be helpful to broaden the definition to include all user operated trading programs. These applications are best viewed as labour-saving devices as they have no inherent edge over other customers. We will address both types of program individually.

1. interfaces with enhanced functionality

There are a number of 3rd party alternative interfaces to Betfair, in the main built on Betfair's API (Application Programming Interface). In excess of fifty such applications are available from roughly forty providers. The market for such interfaces is very competitive, but three products account for the majority of this market, as is typical in any vibrant market. These applications may represent a Betfair betting market in an alternative way that they will argue is more intuitive or that is particularly suited to certain betting strategies.

We believe that the use of these applications is both fair and open. The popularity of each application is to a large extent a function of the service level provided by each vendor. The vendors provide advice and mentoring in addition to just the software, and it is this that distinguishes the more successful from the less successful rather than any other factor.

These applications are advertised by the 3rd party vendors themselves who typically have their own websites. Obviously they are commercially motivated to highlight the advantages to as many people as possible. They are also listed by Betfair in the "solutions directory" section of our website. Additionally the relative merits of different vendor applications are frequently discussed on Betfair's forum. It would therefore be hard to argue that this issue is anything other than open.

Virtually every vendor provides a free trial of their software, either via a time-limited version of their main product or a cut-down feature-limited version to enable customers to evaluate the merits of such software. The cost of a subscription to even the top-end products is well within the reach of the average customer.

Betfair even provides a simple downloadable application called Betfair Rapid. The application can be used by any customer and is free of cost. While this application isn't aimed at competing with the most popular 3rd party applications (it's functionality is simple and the most popular applications have a greater range of analytical tools and other features), it does have comparable functionality for bet placement.

We believe that any advantage conferred by such applications is fair, simply because to assume otherwise would lead to a conclusion that would make little sense:

We know that the vast majority of customers are aware of, or have actually tried these applications for themselves. We know that they are readily available to all, and at little or no cost. Yet we know that the majority who are aware of them, or even those who have tried them, don't use them.

Those facts considered together clearly imply that these applications don't provide a mechanism for those who use them to profit unfairly, otherwise it would be inconceivable that most customers are choosing not to benefit from their use.

2. software that automatically executes pre-programmed strategies

Customers may also use applications which automatically execute a particular strategy. There are 3rd party vendors producing such applications although individuals commonly develop their own bespoke solutions. The principle advantage of software of this type is that it allows a customer to monitor a number of markets simultaneously, and to adjust positions in a timely fashion as those markets change.

It is not clear what exactly would be unfair about this: there is no suggestion that a customer betting with a traditional bookmaker is being treated unfairly, even though that bookmaker will use software to balance liabilities and automatically adjust prices accordingly, rather than retain an army of odds compilers manually watching each market. There is no suggestion that bookmakers who use software to balance liabilities and adjust prices should be required to display a warning to that effect. A warning is only appropriate if this poses a risk to a customer. The nature of Betfair's system means that however frequently a customer using a bot updates prices he'll only get matched if he's offering a better price than all other customers, in which case it would be hard to argue the case that this was unfair.

Importantly for both classes of application discussed above the use of such software confers NO inherent speed advantage in the placement of bets over any other customer. A bet submitted robotically via the API takes an identical amount of time to arrive at and be processed by Betfair, as a bet submitted using the standard web interface. Bets placed via either mechanism are subject to an identical in-play delay, discussed further in our answer to Q.8.

The majority of operators use sophisticated software to adjust their prices and manage their liabilities and so it would be correct to describe their businesses as ones in which customers bet against a "bot". While the Remote Technical Standards require peer-to-peer operators to provide customers with information to this effect, there is no suggestion that an intrusive risk warning would be necessary at the point of bet placement, so it would seem inconsistent to single out one operator, exchange or otherwise, and require them to display additional warnings.

Trading Rooms

Q7. Do trading rooms offer a significant advantage for their customers over other betting customers or does skill and knowledge, in relation to the events concerned, outweigh the technological advantages of a trading room? Do the advantages offered by a trading room put other betting customers elsewhere at a disadvantage and is there awareness that trading rooms are being used by skilled betting customers?

Our survey indicated that the majority of customers were aware of the existence of specialist trading rooms, although only a small percentage use them.

Our views of the attractions of trading rooms are anecdotal. We have heard that the reasons for using such facilities may include the technology, although to focus solely on the provision of "fast" pictures from specialist broadcasters such as SIS or Turf TV risks missing an important point - it will frequently be the range of TV coverage, and therefore the number of markets shown, that will be the attraction, in addition to fast reliable computer workstations.

Additionally we have heard that for many customers who attend trading rooms the alternative would be to bet alone at home. That could make it difficult to retain focus and discipline, and anecdotally we have heard that even the routine of regular travel to a trading room is helpful in that respect. For a number of trading room regulars the principle attraction is the camaraderie and the chance to develop ideas collaboratively.

Betfair conducted a review of trading rooms earlier this year for commercial reasons unrelated to the Commission's consultation on in-running betting, and some of the data from that review may be pertinent here. We have included this data as Appendix 2.

In terms of the advantage conferred by trading rooms on those who use them we analysed data from January to March 2008. For those customers identified as placing bets from trading rooms 54.8% were profitable during the period. This compares favourably with our customer base as a whole but there are three points to make about that:

1. It is intuitive that trading rooms are likely to attract customers that take their betting seriously, and that category of individuals is likely to be more successful than others, whether betting from a trading room or not.
2. "Survivor bias" will be significant. It typically costs about £30 to attend a trading room for a day. Those who try it out and have the skill and knowledge to be successful are likely to continue attending, while those who discover that trading rooms are not an automatic path to success are far less likely to continue. To draw an analogy, if Betfair were to introduce a daily charge for all customers of £30 just to log on to our website, we would also expect that winning customers would be much more likely to be prepared to pay than losing customers.
3. If the advantage conferred by attending a trading room was unfair and as significant as some have suggested, it would be highly unlikely that more than 45% of those using those facilities over a 3 month period would have been unprofitable. In an unfair game those profiting from any unfairness would typically have a much higher success rate.

The data indicates that in general customers attend trading rooms because they win, rather than that customers win because they attend trading rooms.

There are additional points relating to trading rooms which are appropriate to mention at this point:

1. We are aware that there have been misinformed suggestions that those betting from trading rooms have an unfair advantage, and that Betfair fosters unfairness, for motives unexplained, by encouraging the setting up of trading rooms. Such suggestions betray a lack of knowledge of the economics of Betfair. It's strongly in our own financial interest to operate fair markets: in a fair market customers who lose in the long term still occasionally win. In an unfair market those customers will win much less frequently. While they may have the same spend either way, in the former Betfair gets a greater percentage of their losses and in the latter Betfair would receive a lower percentage. This is perhaps best illustrated by an analogy:

Two customers, each with £100, play a game organised by Betfair. Every round of betting involves each customer putting in £10 each, Betfair "rakes" £1 and £19 is up for grabs for the winner of each round.

If the game is fair and either player is equally likely to win the most likely outcome is that over time both players' funds will steadily decrease, with Betfair raking £1 each time until one player no longer has the £10 needed to continue playing. The £90+ lost by that player has all gone to Betfair.

Contrast this with an unfair game where one player always wins. The player being cheated will lose 10 times in a row until he has no more funds. The cheating customer ends up with £90, and Betfair has raked £1 ten times for a total of £10.

If the game is fair we make £90+, if it's unfair we make just £10. While this is the most extreme example, comparing a game that's totally fair against one that's totally unfair, the principle still holds when the situation isn't that black and white: it's strongly in Betfair's own financial interest to operate fair markets. Perhaps more to the point the suggestion that Betfair would happily allow unfairness to occur "because Betfair make commission whoever wins" plainly fails to appreciate the true situation.

While this is true in that Betfair is an impartial arbiter and that we are not interested in the result of a specific event being determined one way or the other, it does make a difference how that money was won. If it was won unfairly then that would be expected to cost us money.

2. We've also seen it suggested that there is something undesirable or unfair about the commercial relationship between Betfair and various trading rooms. The terms of any such agreement are on exactly the same basis as all other affiliates. Betfair, like most operators, will pay affiliates for business directed to our site. There is nothing unusual or anomalous about any commercial agreement in place between Betfair and any trading room.

3. As explained in our answer to Q3, it isn't necessary for all participants in a market to be watching up to date pictures in order to guarantee that the bets they place are matched at fair prices. That's equally true of any informational disadvantage. What's required to have fair prices is that there is open competition between those who may have an advantage. Having a number of trading rooms means that typically for a British horse race there will be hundreds of customers active on Betfair watching the fastest pictures and competing with each other to get bets matched. If trading rooms did not exist there would still be customers with a time advantage, either at the course or with access to fast pictures at home, but there would be fewer of them and this would reasonably be expected to result in less competitive prices. We therefore believe that the significant number of customers in trading rooms doesn't threaten fairness - it's their activity that means that the prices on the site are more competitive.

Time delays in bet processing

Q8. Are in-running betting customers fully aware of the time delays in place for processing bets, do they ensure fairness, and should they be clearly displayed for every market? Do you have evidence that customers are being disadvantaged by time delays?

When surveyed almost all respondents (95.6%) cited an awareness of the delay imposed by Betfair on the processing of bets in-running. Any customer placing a bet

on Betfair in-running can be in little doubt as to the length of this delay, as the interface tells the customer how long before each bet will be processed. For example in a market with a 5 second delay the message: "placing bet in 5 seconds...", counting down to zero is prominently displayed in the bet manager. While delays vary by sport it is rare that they are changed, and if we test out alternative delay lengths these will typically be announced in advance.

We apply an equal time delay to all bets on a given market, therefore no customer is disadvantaged relative to any other customer.

We believe it would be worth explaining here the purpose of bet delays in more detail, as we have seen a number of misleading and inaccurate observations about the in-running delays and their purpose.

Betfair imposes a delay between the placement of a new bet into an in-running market and that bet becoming available to be matched. The cancellation of existing unmatched bets is immediate in all markets.

Firstly and most importantly the in-running delay does not serve to remove the advantage or disadvantage customers may have as a result of different time delays when watching pictures. There is nothing that Betfair or any other operator can do to prevent someone with pictures that are 3 seconds ahead of another customer from seeing events unfold 3 seconds sooner.

The bet processing delay does however serve two purposes:

1. In markets which are actively managed, such as soccer, Betfair aims to suspend betting on the market when a material event occurs such as a goal or a sending off. This is because in the absence of a price-changing event like a goal, the prices will generally drift steadily and continuously toward the result implied by the current score. e.g. if the score is 1-1 the odds on the draw will steadily shorten and the odds on either team winning will steadily lengthen as the passing of time makes the current score more and more likely to be the final result. When a goal is scored though, the fair level of prices will change instantly. It is our customers' expectation that they can leave unmatched offers in the market in the knowledge that they will not be picked off selectively if a goal is scored. For this to happen it is clear that the in-running delay needs to be set such that it is greater than the time difference between those watching live and the pictures the Betfair operator managing the market is watching.

Markets which are managed in this way are clearly explained in the rules text displayed next to each market.

2. In markets which aren't actively managed, such as tennis, the principle purpose of the in-running delay is to provide those who put offers up in the market with protection from being picked off by those watching with a shorter delay.

To understand how the length of bet processing delays is set, it is essential to understand the consequences of a delay that is either too short, or too long.

If the delay is set too short then those who would normally price up those events and enter orders into the system for others to match will find that they are unable to cancel their bets when a price-changing event occurs without being picked off by those watching live or with faster pictures. Because of that they are unlikely to put

further offers up. If this happens there are fewer orders displayed in the market for others to take, resulting in decreased liquidity and a smaller number of matched bets.

In practice if this is the case we will hear about it immediately. Our regular customers discuss these issues openly on our forum, and they are quick to give us feedback if they believe that the processing delay we have set is insufficient.

If, on the other hand, the delay is set too long then the betting experience is less engaging. Customers find placing bets increasingly frustrating and again liquidity decreases and a smaller number of bets is matched.

Clearly Betfair's commission income is optimised at some compromise between the two - effectively the shortest delay possible that allows enough customers to put offers up with protection from being picked off. Over the years Betfair's market operations team has settled on appropriate delays depending on the nature of the sport, the level of TV coverage and the activity of our customers. As explained, when we set delays appropriately more customers bet and a greater volume of bets is matched. If we set an inappropriate delay that will typically result in a less attractive customer proposition, with decreased activity and decreased revenues.

Looking at the data from the customer survey, one observation is that while the vast majority of customers are aware of Betfair's bet processing delays, a significant minority were unaware of the reason why we have them: that the delay on bet placement is to protect customers with unmatched bet offers by giving them time to cancel. We wouldn't consider that to be particular cause for concern but it does highlight an area where we could better educate our customers.

The majority of customer did understand the reason and expressed the view:

1. that the processing delay imposed by Betfair was necessary;
2. that it was necessary to have different delays depending on sport/market; and
3. that the delays imposed by Betfair currently are about right.

Cheating and integrity in sports betting

Q9. Do you have any evidence that in-running betting encourages cheating offences to take place, in comparison to ante-post betting, and is there any evidence that in-running betting poses a specific or greater risk to integrity in sports betting?

We believe that clarification would be beneficial before attempting to answer this question: "ante-post" has a specific meaning within the context of sports betting, and most bets placed prior to market being turned in-running will not be "ante-post" bets in the conventional sense. We have assumed that the question seeks to distinguish between bets placed in-running and any placed prior to the event start, ante-post or otherwise.

We are aware of the theory that the profitability of a cheating offence could be enhanced by betting in-running, if a team or player is in a position to move the market against the eventual result. However knowing that an operator has the power to void bets or markets which raise integrity concerns means that avoiding detection is likely

to be a higher priority than complex schemes to maximise leverage. An in-running strategy of this nature is very unlikely to pass unnoticed.

There is also a very real danger of confusing cause and effect. The Commission may receive submissions pointing out that there have been events in the past where suspicious betting patterns were detected in-running, and therefore the existence of in-running betting has caused this situation. In the absence of any other information that would be the equivalent of observing that suspicious betting had occurred over the phone and concluding that the problem had been caused by the existence of telephone betting.

To be able to say with any degree of certainty that incidents of suspicious betting that have occurred in the past happened as a result of the availability of in-running betting you would have to demonstrate that those involved would not have placed bets before the game if in-running betting had not been available. We are not aware of any such evidence.

Our support of the Commission's objective to protect the integrity of sport is well documented and Betfair has pioneered information-sharing agreements with sports regulators to assist in that goal. Incidents which have involved suspicious betting are happily very rare, and we believe that the appropriate measures to safeguard the integrity of sport are the same regardless of whether bets are placed in-running or before the event, and we are not aware of issues specific to in-running betting that would warrant a different approach for this particular category of betting.

Problem Gambling

Q10. Does the nature of in-running betting raise specific issues or concerns about problem gambling?

While we take the issue of problem gambling very seriously we don't believe that in-running betting raises any specific concerns. It will always be difficult to provide a definitive answer because of the range of betting products used by our customers. If a particular customer does develop a problem it may be impossible to accurately attribute that problem to a particular aspect of their betting. For example if a customer bets on football before kick-off, on tennis in-running, plays poker and casino and then self-excludes it will be very difficult to isolate if any aspect of any of those activities contributed to the customer's decision to self-exclude.

One approach that might shed some light would be to see if customers who opt to self-exclude have greater than average losses on in-running betting. We looked at the activity of customers over the 12 month period June 2007 to May 2008 inclusive. For customers who had self-excluded at any point during the period 26.46% of their losses had been incurred betting in-running. This compares to 29.02% of losses incurred in-running for all Betfair customers who had lost over the same period. While this doesn't conclusively prove that in-running betting raises no additional concerns compared to any other form of gambling, it would be hard to reconcile lower levels of losses with increased problem gambling.

Betfair's Social Responsibility Manager has confirmed that of all the evidence we have seen from studies into problem gambling, none has raised specific concerns

regarding in-running betting.

Spread Betting

Q11. Do betting customers with traditional bookmakers and betting exchanges also take part in spread betting and is it a direct competitor to in-running betting?

While we didn't specifically ask this question in our survey of customers it's evident from the responses that a minority of our customers also take part in spread betting. We can see that certain aspects of spread betting will be analogous to in-running betting on Betfair.

Other issues around in-running betting

Q12. Are there any other issues relating to in-running betting that the Commission should be aware of and that you consider relevant?

No

Any other comments

Betfair is recognised as a pioneer of in-running betting, and because of the popularity of this exciting new form of betting, for many people in-running betting is synonymous with in-running betting on Betfair. While we're clearly very happy that it's such a success it does mean that in-running betting is an obvious target for any individual in dispute with Betfair over any issue, whether related to in-running betting or not. It's likely that the Commission will have received submissions from individuals highlighting theories not borne out by the data or unrepresentative anecdotes unsupported by factual data that have the potential to form a misleading impression of the reality.

We welcome the Commission's review of in-running betting as a chance to dispel some of the oft-touted myths surrounding in-running betting, particularly the idea that it's an unfair form of betting in which a small minority of sophisticated individuals "fleece" the unwary. We're very pleased to have been given the opportunity to provide data to dispel that myth and others comprehensively.

As a final point, it may be worth mentioning some data provided by IBAS. The IBAS Annual Report for 2007 states (on page 4) that: "Further analysis of our disputes database shows that the internet/online sector (excluding betting exchanges) is growing year-on-year and has grown dramatically in this past year by 78.2%.....more detailed analysis reveals that 'betting in-running is the most disputed matter.'"

Despite in-running betting volumes on Betfair increasing more than 30% from 2006 to 2007, the number of Betfair-related disputes referred to IBAS halved during the same period. Of those disputes only a very small number related to in-running betting.

Again, it would seem difficult to justify a conclusion that in-running betting on Betfair was somehow unfair, when (bucking the wider industry trend) Betfair betting disputes have significantly decreased based on the most recently available figures and of those disputes very few relate to in-running betting.