



Football as a Golden Opportunity

Corruption

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Sanction Evasion and Reputation Laundering

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THE BACKLASH AROUND
THIS YEAR'S WORLD CUP
IS INDICATIVE OF A
LARGER PROBLEM FACED
BY FIFA

With the 2022 World Cup underway in Qatar, over a billion people are expected to tune in to watch the final of the world's most popular sporting event on December 18. Yet this year's event has faced controversy due to international backlash over Qatar's human right practices, most notably accusations of forced labour and the death of migrant workers during construction for the event. Renewed attention is also being paid to the country's path to hosting the event, which has been equally fraught with controversy.

The backlash around this year's World Cup is indicative of a larger problem faced by FIFA (the international governing body of association football) - namely its inability to shake off its reputation of corruption and financial crime globally. In fact, FIFA and the broader world of professional football have a long history of questionable behaviour and nefarious characters seemingly motivated by greed. Is it finally time for the world's most beloved pastime to face a public reckoning?



Football is the most popular sport in the world, with the World Cup the most watched sporting event globally. The 2018 World Cup in Russia was viewed by <u>a record 3.572 billion people</u>, accounting for close to half of the world's population. This year's World Cup is <u>expected to generate</u> around \$4.7 billion. The event provides lucrative business opportunities for the host country and companies alike, such as via tourism and television and advertising deals. For example, <u>Adidas expects</u> up to a \$417 million sales boost from this year's tournament, with other brands such as Visa and Sony seeing similar boosts to their businesses.

While football offers a multitude of avenues for legitimate business, this incredible inflow of money and cross-border movement of money also provides opportunities for illicit actors looking to profit off the dark side of the sport. As highlighted by the UNODC, the professional sports sector as a whole has undergone considerable changes in recent years – namely globalisation, a huge influx of money, rapid growth in legal and illegal betting markets, and technological advances that have transformed the way sports are played and consumed. These changes have had a major impact on financial crime and corruption related risks across professional sports generally and football in particular.

According to the Financial Action Task Force (FATF), the international anti-money laundering watchdog, professional football is <u>exposed</u> to substantial money laundering and transnational crime risks, including being used as a means to launder assets. The sport has in the past also been linked to criminal activity such as forced labour, illegal gambling, and tax evasion. Key risks include:

Corruption: Public officials, FIFA executives, and private sector companies have taken
advantage of historically lax corruption governance across the sport to misuse lucrative
contracts for personal profit, as a number of construction, tendering, and broadcasting deals
around past World Cups have shown. Individuals have used bribes, extortion, and fraud to
obtain such contracts.

- Money Laundering: The sport is used as a means for money laundering with common practices including laundering through the ownership of football clubs, the transfer market of players, image and broadcasting rights, and sponsorship or advertising arrangements.
- Transnational Crimes: Transnational crimes have been associated with professional football, with the sport serving as a mechanism to conduct criminal activity such as illegal gambling. Events such as the World Cup also can lead to fraud, forced labour, and other crimes with severe impact on local communities.

Further exacerbating these vulnerabilities, there is an argument to be made that professional football has one of the more lax anti-financial crime governance cultures of any sport. Investigations into financial misconduct and corruption in recent years have exposed inadequate regulation and poor governance across football clubs and organisations such as FIFA. While improvements have and will continue to be made, especially with increasing awareness of negative reputational and financial consequences of misconduct, much remains to be done across the sector to address the systemic nature of financial crime in football.





Corruption in World Cup Bids

Corruption allegations have plagued FIFA and the broader world of professional football for years. The selection of Russia for the 2018 World Cup and Qatar for the 2022 World Cup were fraught with <u>accusations</u> of bribery and corruption. In connection with these accusations, seven senior FIFA officials were <u>arrested on US corruption</u> charges in Switzerland in 2015. To date, 16 of the 22 voting members for the selection committee that selected Russia and Qatar have been either implicated in or investigated for corruption and bribery.

In 2021, US prosecutors <u>revealed</u> details of the alleged World Cup <u>bribery scheme</u>, which involved the bribery of five members of FIFA's top board ahead of the 2010 vote that led to the selection of the two countries as hosts. It is alleged that bribes were received using shell companies, including money used to pay the bribes coming from companies based in the US that performed work on behalf of the 2018 Russia World Cup bid.

As part of the allegations, prosecutors <u>charged</u> former FIFA president Sepp Blatter and French football administrator Michel Platini of fraud, criminal mismanagement, and forgery after a multiyear investigation into a payment of around \$2 million (both men were <u>acquitted</u> by a Swiss court in 2022 after arguing the payment was backdated salary). The two men were separately <u>placed under investigation</u> by FIFA directly and were found guilty of ethics violations and barred from the sport for eight years.

In addition to the \$2 million payment, Blatter was investigated in relation to financial mismanagement around irregularities during the construction of the FIFA Museum, as well as ongoing operational costs of the Museum. Platini has also been implicated in other scandals, such as links to the 2015 Greek football scandal, which involved a match-fixing scheme involving various methods of blackmailing and fraud. Greek football federation and referees were charged with setting up, participating in, and directing a criminal organisation. Also implicated was Evangelos Marinakis, president of the reigning national champions team at the time, who was also involved in another match-fixing scandal in 2010.

In 2011, The Sunday Times <u>published a report</u> on bribery and corruption in Qatar's World Cup Bid. In the <u>allegations</u>, Qatari construction magnate Mohamed bin Hammam was accused of playing a key role in lobbying for Qatar's bid, including claims he paid \$5 million to get support for the country's campaign to host the event. The Times alleged that he used slush funds to pay out cash to top football officials, making payments of up to \$200,000 into accounts controlled by presidents of 30 African football associations. He also hosted hospitality events in Africa at which he allegedly handed out additional money. To pay the funds, Hammam reportedly used accounts linked to family member bank accounts.

In separate events, <u>an investigation was also launched</u> by the FIFA Ethics Committee into the German bid committee in the awarding of the 2006 World Cup in Germany, after <u>a report was published</u> by the law firm Freshfields Bruckhaus Deringer. The investigation focused on possible undue payments and contracts to gain an advantage for Germany in the 2006 FIFA World Cup host selection. Allegations included reports that the bid committee had used a slush fund to buy votes in order to win the right to host the tournament.

Governance Systems and Framework

Media attention paid in recent years to corruption during bidding and procurement processes for events such as the World Cup has led organisations including FIFA to implement changes to their anti-corruption governance. FIFA, for its part, launched internal investigations into multiple allegations of misconduct. Governments have also begun strengthening their own sports governance frameworks and procurement systems.

Some key components of governance that sporting organisations and governments alike should consider integrating into their reforms include:

- Ensuring policies and regulations are in place that address conflicts of interest at all stages of major sport events, from bidding to contracting and sponsorships.
- Establish stronger internal and external controls systems, including around bribery, corruption, and fraud that apply to all stakeholders within the football ecosystem.
- Engage external stakeholders such as civil society organisations to help oversee the bidding process as well as the delivery of contracts and procurement opportunities.

Corruption in Procurement and Contracting

As an event, the World Cup is extremely vulnerable to <u>procurement and contract-related corruption</u> for various reasons. The sheer financial magnitude of the publicly funded projects that surround the event makes it more difficult to get an overall view of spending, so inflated costs are easier to hide and large profits can be made. The tight completion timeline around projects in the lead up to the event also provides an excuse for officials, as they can argue they do not have time to look around and compare options, allowing them to award contracts to friendly companies.

In 2017, high ranking FIFA officials were convicted in the US for participation in multi-million dollar bribery schemes. The schemes involved providing lucrative media and marketing rights to various tournaments in exchange for the bribes. In a separate case, two former Fox television executives faced US charges for wire fraud and money laundering in connection with a bribery and corruption investigation. They were accused of multiple bribery schemes involving gaining broadcasting rights to the Latin American Copa Cup and the 2018 and 2022 World Cups. Among other things, prosecutors have said that bribes helped Fox obtain confidential information regarding bidding for the rights to broadcast the World Cup tournaments in the US.

FIFA Case Study







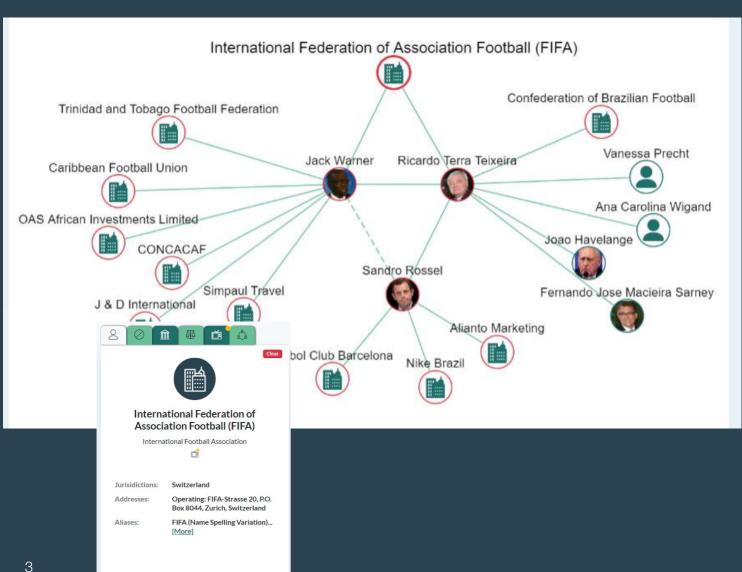
In 2017, FIFA released a long awaited ethics report known as the "<u>Garcia report</u>", which investigated various allegations of abuse across FIFA. The report, conducted by FIFA's chief ethics investigator Michael Garcia, outlined various worrying and questionable behavior on the part of FIFA executives. In one such case, the Spanish businessman Sandro Rosell <u>made payments</u> of more than £2 million to the bank account of Brazilian football magnet Ricardo Teixeira's then 10-year-old daughter. While there is no direct evidence as to what this payment entailed, the two men had a close business relationship and extensive ties across the world of professional football, including Qatar's World Cup Bid. According to reports, Rosell had previously sent an email to a Qatari contact discussing investment of money for mutual interest.

- Rosell, former president of FC Barcelona and a former Nike executive, was jailed in 2017 as part of a money laundering investigation related to the TV rights for past matches of the Brazilian national team.
- Teixeira, the former president of the Brazilian Football Confederation, is alleged to have taken
 more than \$41 million in bribes in connection with World Cup marketing rights. His former
 father-in-law Joao Havelange, who served as the seventh president of FIFA, was also
 implicated in the bribery scandal.
- The Swiss sports marketing company International Sport and Leisure was alleged to have paid bribes to both men in exchange for exclusive FIFA marketing rights and World Cup TV deals.
 Teixeira also faced a Probing Commission in Brazilian Congress in 2000, where he was charged with taking illegal advantages of contracts with Nike.

Through his time at FIFA, Teixeira was also connected to Jack Warner, a Trinidadian and Tobagonian politician and former FIFA Vice President until his resignation in 2011. Warner was charged in the US with wire fraud, racketeering, and money laundering related to his time at FIFA. The allegations against Warner include him being reportedly paid a \$10 million bribe to support South Africa's successful bid to stage the 2010 World Cup.

- The South African government in 2007 approved a \$10 million project to support the African diaspora in Caribbean countries and FIFA paid the money, from a budget allocated to South Africa for hosting costs, to Warner, who controlled large blocks of votes. Instead of the money being used for its intended purpose, former FIFA executive committee member Chuck Blazer claims the money was pocketed by Warner.
- Warner was indicted by the US in relation to the 2015 FIFA corruption charges, with the indictment stating he received \$5 million in more than two dozen separate wire transfers to vote for Russia to host the 2018 World Cup. The wire transfers were sent from ten different shell companies in Cyprus, Anguilla, and the British Virgin Islands and cleared through US bank accounts.

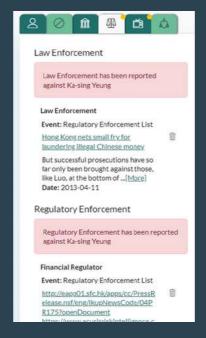
The Telegraph also released a report alleging that Warner and his family seem to have been paid almost \$2 million from a Qatari firm linked to the 2022 World Cup Bid. Warner appeared to have been personally paid by a company controlled by a former Qatari football official shortly after the decision to award the country the tournament.

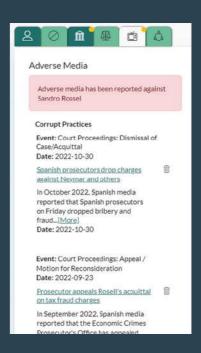


Lessons Learned

- Professional Football and PEP Exposure: Themis Search highlights the risk exposure of serving as an executive of FIFA or a country's own Football Confederation, categorising such positions as a Level 2 PEP. It is important to factor in how these positions provide influence and power that could and have in the past been abused for personal gain.
- Use of family or third party networks: These allegations show the potential use of family such as children and spouses to launder and hide illicit assets, as well as close friends, business associates, and legal advisors.









See our recent report on corruption and PEPs for more information on due diligence best practices related to PEPs and their family and networks.



Reputation Laundering and Political Influence

FATF has <u>highlighted</u> the attractiveness of football as a way to gain social prestige and influence, arguing it is attractive to criminals not only for financial gain but as a way to gain social legitimacy and establish oneself within powerful circles in societies. Football can bring these benefits to owners, investors, and other club associates such as sponsors. Owning a club can help foster public support through fans, as well as the ability to gain favour with influential public figures, politicians, and businesspeople.

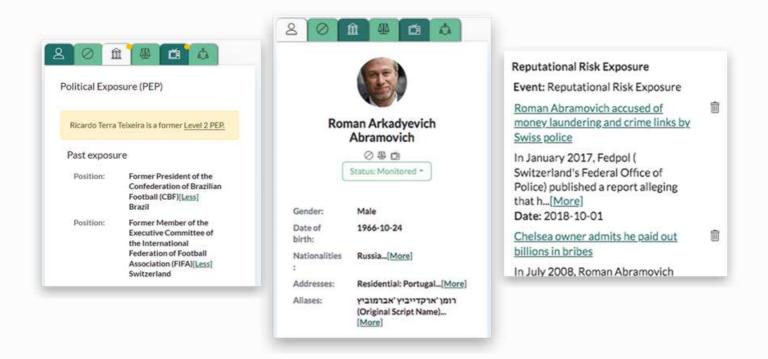
Organisations such as Amnesty International <u>argue</u> that some countries or high risk individuals engage in "sportswashing", which involves their investing in sports to distract from a poor human rights record. Often these individuals purchase clubs or host events as a form of PR management, There are also examples of politically exposed persons (PEPs) buying football clubs to gain legitimacy and access to influential people within a country, even as they face charges of corruption or financial crime elsewhere.

In one such case, Russian oligarch Roman Abramovich purchased Chelsea F.C football club in 2003, only to go on to face multiple allegations of money laundering and direct sanctions by the UK government. He <u>purchased</u> the British football club for £140 million, despite public knowledge of his ties to Russian President Vladimir Putin. He has faced allegations of financial crime throughout his ownership, such as a <u>battle</u> with French tax authorities over an unpaid £1.2 million in wealth tax. Despite this, he not only remained owner but a public fixture at matches as well. Some may argue that his ownership of Chelsea F.C has brought significant respect and admiration from the club's fans as well.

Access to football clubs, such as through becoming an investor, provides individuals with perks they can leverage for influence. Tickets to sporting events and luxury offerings around matches are often involved in bribery and corruption allegations. On the flip side, political influence can also be sought by removing privileges or access to events. For example, Teixeira was said to have <u>bragged</u> about denying press credentials to the 2014 World Cup to individuals critical of him, as well as changing match schedules at his own pleasure.

Just as football is viewed as a way to increase reputation and political influence among foreign PEPs and governments, domestic governments also view their own football markets as critical to public support and country image. French President Emmanuel Macron <u>urged</u> one of his country's star players, Kylian Mbappe, to stay in the French domestic league, demonstrating just how much he views France's football sector as critical to the country.

However, there are also considerable reputational risks for countries as well. Perhaps no case demonstrates this better than Abramovich's ownership of Chelsea F.C. After the Russian invasion of Ukraine in February 2022, Abramovich was <u>sanctioned</u> by the UK government. He was disqualified as director of the football club and forced to <u>sell</u> the club without profiting from the sale. Eugene Tenenbaum, the club's director, <u>was also sanctioned</u> in an attempt to freeze billions of assets linked to Abramovich that were transferred to Tenenbaum after the invasion began, likely in attempts to evade sanctions and protect his money.





FATF has identified professional sports as being vulnerable to money laundering, with popular international sports, such as football, and sports traditionally linked to criminal behaviours, such as boxing, at the greatest risk. FATF highlights football as one of the most exposed sports, along with cricket, rugby, horse racing, basketball, and car racing.

Due to the complexities and the immense inflow and outflow of cash that characterise the football market, investigating and identifying money laundering in the sport is difficult, making the sport all the more appealing to criminals. Indeed, a 2018 UEFA-commissioned <u>report</u> into football's transfer market found widespread money laundering. The study asserted that the opaque nature of the transfer market provides an ideal environment for the embezzlement of money by officials and the operation of organised crime. It says a lack of transparency in the payment of agent commissions allows for money laundering alongside tax evasion schemes.

Money Laundering

According to FATE, common money laundering practices in the sport involve the ownership of football clubs, the transfer market of players, betting activities, image and broadcasting rights, and sponsorship or advertising arrangements. Money laundering techniques used vary from basic to complex, including the use of cash, cross border transfers, tax havens, front companies, non-financial professionals and PEPs. Connections with other laundering typologies, such as tradebased money laundering (TBML) and the use of non-profit organisations and the real estate sector, are common.

Common techniques for laundering illicit proceeds and assets through football include loans to clubs, over or undervaluation of player fees during transfers, overpriced staff or player salaries, and community based spending programmes. Payments to agents and sponsorship deals are also deemed high risk.

Identifying clubs in financial distress and infiltrating them with benefactors is a scheme that has
been used by criminals to launder money through the sector. In one case, a transnational
criminal group composed mostly of Russian nationals laundered several millions of euros across
numerous European countries by infiltrating four major football clubs they had provided much
needed short-term donations and investments to.

- Player transfers are one of the most abused aspects of the industry today. Similar to other commonly abused industries for money laundering purposes, such as fine art or real estate, transfer deals are subjective and therefore provide plausible deniability for transfers that are suspiciously valued. For example, in 2014 the Bucharest Court of Appeal in Romania handed down.jail.sentences for eight executives and management officials who were found guilty of tax evasion and money laundering involving the transfer of football players between international football clubs. The scheme reportedly led to Romania losing \$1.6 million in taxes.
- The 2018 UEFA report found that individuals were exploiting a failure to enforce rules banning third-party ownership. Among the investigation's key findings was that third-party ownership of players' financial rights was still well established despite being banned by FIFA in 2015, with agents and intermediaries often acting as middlemen for such arrangements. Players' financial and image rights can be highly lucrative, providing opportunity for intermediaries to launder large amounts of money through sales such as media rights, sponsorships, and merchandise.

The Particular Role of Agents

While agents serve important and legitimate roles in football, they also have positions of power that provide considerable opportunities for illegitimate schemes. Top agents are extremely influential and well connected across the industry, serving as an intermediary between various actors, such as players, clubs, and sponsors. They handle off the field matters for players and clubs alike, including contract negotiations, sponsorship deals, financial planning, and general career management.

Agents negotiate and operate in a complex environment, while enjoying considerable freedom in the bargaining process. The ability to work directly for players and clubs alike creates a conflict of interest that can motivate mismanagement for personal gain. Making matters worse, FIFA had put into effect measures in 2015 that effectively scrapped limits on what they could make off player transfers, a high risk area for abuse.

Today's combination of favourable negotiating positions and significant levels of potential revenue for players provides considerable opportunity for agents looking to profit directly from the system. According to FIFA, agents earned nearly £375 million in fees from cross-border transfers in 2021, slightly more than they earned in 2020 despite the overall value of the international market falling by more than 10 per cent. A FIFA spokesperson <u>said</u> this increase reflected a growing number of abuse practices, widespread conflict of interests, and a speculative market.

After the 2015 FIFA measures, concerns have grown across the sport over the under-regulated nature of player transfers. There has been a <u>movement</u> in recent years towards tightening rules around what agents can make from transfers, with recommendations from various bodies such as the Council of Europe arguing for absolute limits on what agents can make on any deal. FIFA itself also underwent a <u>consultation process</u> in 2022 to form a new agent framework in line with better governance. Experts argue that more regulation would help avoid conflict of interest, protect players from being exploited, and prevent abusive or speculative practices. Abusive practices also drain financial resources for clubs, perpetuating a cycle of clubs being vulnerable to exploitative practices such as those that can be linked to high-risk investments due to their need for money.

One simple laundering technique used by agents is the inflation of agent fees. Other techniques are more complex, such as agents setting up offshore accounts to hide transfer payments or revenue from image and sponsorship deals. In other instances, agents have registered false sums for transfers to avoid taxes and pocket money. In one such case, football agents and businessmen in Spain, Romania, Bulgaria, France, and Brazil set up a web of offshore companies, where they deposited the majority of the money paid for player transfers.

Recently, there has been increased attention paid to the risks associated with players and their agents and sponsorships. In order to avoid getting exploited or facing negative publicity, clubs should look to enhance their anti-financial crime governance, including:

- Conducting due diligence on all agents and managers, and preventing individuals with criminal records from registering as intermediaries;
- Examining more closely the flow of money in transfers and sponsorship dealings;
- Establish whistleblowing policies across clubs, in agencies, and among sponsors;
- Providing training for club employees to raise awareness of red flags and how to spot financial crime risks.

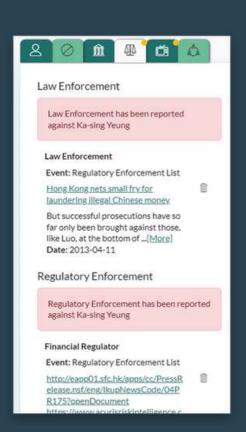
FIFA Clearing House

In October 2022, FIFA approved its new <u>FIFA Clearing House</u>, a major step in safeguarding transparency and accountability in the global transfer system for the sport. The clearing house will focus on centralising, processing, and automating payments between clubs relating to training rewards, as well as promote financial transparency and integrity within the international transfer system. This new legislation by FIFA demonstrates it understands the financial risks related to transfer markets and is taking much needed steps towards improving anti-financial crime governance and controls across the sport.

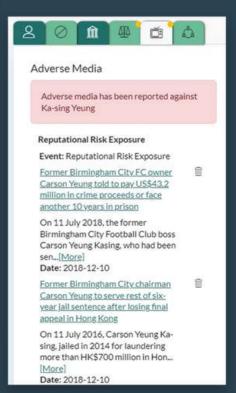


Case Study

Carson Yeung Ka-sing, a Hong Kong tycoon and former owner of British football club Birmingham City was found guilty and jailed for six years in 2014 on money laundering charges. Yeung bought the club in 2009 in a \$130 million takeover and is accused of using it to launder millions of dollars accumulated from stock trading, business ventures and gambling, among other activities. Despite his already high risk behaviour, Yeung passed the English football league's "fit and proper persons" test for club ownership at the time. When Yeung was convicted, a Hong Kong judge deemed that he had used £2.8m of laundered money to purchase Birmingham City shares in 2007.







Ownership Due Diligence

Financial clubs in difficult financial situations may be inclined to relax financial background and due diligence checks as the prospect of new revenue will be hard to turn down. However, it is important to not forgo these measures as the impact of getting it wrong is severe. Clubs and leagues should hold up a high standard of due diligence for all investors.

Our <u>Themis Search & Monitoring</u> technology can be used to conduct KYC and AML screening on all investors, commercial partners, agents, and intermediaries. It is important to use advanced KYC screening capabilities to look beyond surface level connections, so you can sleep easier at night knowing no potential illicit connections are missed. A proper due diligence framework includes screening for beneficial ownership, corporate structures, source of wealth, adverse media, criminal convictions and allegations, and against PEPs lists and sanctions lists.





In 2017, the European Parliament <u>launched an inquiry</u> into the "epidemic" of tax evasion in the sport, accusing FIFA and UEFA officials of being enablers of a corrupt system allowing players and agents to avoid paying taxes. The investigative journalism website Football Leaks has highlighted the pervasive nature of tax evasion across the sport, including detailing allegations against various players and managers for hiding tens of millions of euros in tax havens globally. A key concern is the use of tax advisors to abuse transparency in third-party ownership to evade taxes. Another key risk is the use of offshore companies to avoid taxes on salary, as well as on income from commercial deals such as image rights.

- The football world has come under renewed spotlight for tax crimes with the release of the Panama Papers, which included revelations about football players and executives. For instance, Lionel Messi, one of the most recognisable players globally, was implicated in the papers. Messi and his father were <u>found guilty of tax fraud</u> by Spanish courts in 2017 for unpaid taxes totalling €4.1 million from 2007 to 2009. The pair <u>used offshore companies</u> in Belize and Uruguay to avoid paying millions of dollars in taxes, including a shell company called Mega Star Enterprise based in Panama.
- Cristiano Ronaldo, perhaps the other most famous player besides Messi, has also battled his own tax evasion charges. In 2019, Ronaldo pled guilty to multiple counts of tax fraud from 2011 to 2014 worth \$16.7 million. Ronaldo was accused of having used shell companies outside Spain to hide income made from image rights, which was similar to the allegations made against Messi. Both men used offshore vehicles to hide income other than their salary through their clubs, suggesting perhaps a red flag to be monitored for across the football industry as a whole. Other players, such as Xabi Alonso, Jose Mourinho, Javier Mascherano, and Luka Modric have been accused of similar evasion tactics.



The collusion between professional football and organised crime has a long history, with football in the past providing illicit revenue for criminal groups and opportunities for criminal activity such as trafficking. The UNODC highlights a significant increase in the size and scale of organised crime across sports generally in recent decades. Events such as the World Cup can also serve as a key arena for financial crime and other criminal activity, such as forced labour or fraud.

Gambling

Football is highly vulnerable to illegal gambling, including match-fixing involving bribery, extortion, and other crimes. Gambling across sports is highly lucrative, with Sportradar <u>estimating</u> that the overall global sports betting turnover for 2021 was €1.45 trillion, with football accounting for over half of this turnover at €745 billion. Profits from betting-related match-fixing were estimated at €165 million. The vast self-enrichment potential that illegal gambling and match-fixing offer across football keeps organised crime syndicates running and motivated.

Lower-level football leagues are particularly vulnerable, as they often lack integrity protections like bet monitoring and athlete education, making them easier targets for criminals. However, the highest level of football is not immune to these risks. In 2020, FIFA <u>warned</u> of a significant rise in match-fixing and suspicious gambling patterns because of the negative economic impact of Covid-19 and the <u>increasingly organised</u> nature of corruption. Experts have <u>highlighted</u> the potential for match-fixers to hide in plain sight by controlling teams or players through sponsorship deals. As many clubs struggle financially and look towards new funding sources, they are susceptible to abuse by corrupt actors and criminals.

However, the risk of match-rigging in the sport is not a new issue. A report by FIFA <u>exposed a match-rigging syndicate</u> that operated during the 2010 World Cup in South Africa, finding that the syndicate infiltrated the upper reaches of the sport's refereeing and management to fix matches and exploit them for betting purposes. The syndicate used a Singapore based company – Football 4U International – as its front company and utilised the international banking system to move money around.

At least 15 matches were targeted. According to the FIFA report, in one case a referee was paid \$60,000 to manipulate the South Africa-Guatemala match, with that referee walking into a local bank and depositing thousands of dollars in cash the day of the match. The money was then wired to his wife in Niger. In another case, a referee declined a \$400,000 bribe offer to manipulate a World Cup match.

The company bribed South African officials and used fake contracts that were signed by the chief executive of the South African football federation. No background checks were performed on the company or its employees. According to FIFA, the scheme suggested that several employees of the federation were complicit in a criminal conspiracy to manipulate matches.

Critics have questioned FIFA's determination and capability to curb future match fixing and gambling schemes. Europol has highlighted the pervasive nature of match fixing across the sport in general, stating that from 2008 to 2011 there were 680 suspicious matches played globally, including World Cup qualifying matches and games in some of Europe's most prestigious leagues and tournaments. Much of this illegal behaviour is motivated by unregulated and illegal betting markets globally, with global illegal sport bets estimated at up to \$1.7 trillion each year.

Gambling also increases the sport's exposure to other financial crimes, such as the use of money laundering to facilitate illegal betting. The use of peer-to-peer payment systems and money transfer apps is a high risk area, as these platforms are often less regulated, leaving users and banks exposed to fraud schemes and money laundering risks. Virtual currencies are also increasingly popular as a payment type for online betting – these currencies come with their own substantial financial crime risks.

Forced Labour & Human Trafficking

Human trafficking is an increasingly prevalent activity in the sport, with numerous cases of young footballers in developing countries being exploited and trafficked. Fake football agents prey on vulnerable young footballers in Africa and Asia, operating as part of a vast network of people in the football sphere to traffic young people to Europe. There are also a growing number of complaints about football trafficking in territories other than Europe, such as North Africa and Gulf countries including Tunisia, Morocco, Egypt, the United Arab Emirates, Qatar or Bahrain.

Families often pay thousands of dollars to these agents, who falsely promise to provide an opportunity for these young people to trial with clubs. However, when the players arrive in their country of destination, they are normally abandoned. If contracts do materialise, they are often under highly exploitative and unfavourable terms for the players, with agents often taking up to 50% of the players' salary for the duration of their contract.

Football clubs and organisations are increasingly aware of the risks related to trafficking in the sport. For example, FIFA is <u>working</u> with stakeholders to improve and strengthen the protection of minors within the football transfer system. In October 2022, FIFA <u>established</u> a new regulatory framework regarding the international transfer of minors, including new rules concerning medical care, minimum age, and an effective way to seek legal protection, as well as implementing more stringent regulation in relation to private academies to increase oversight of minors.

Forced labour is also a major concern across the sport. It is estimated that 90% of Qatar's workforce are migrant workers from countries such as India, Nepal, and Bangladesh. During the refurbishment of Khalifa Stadium in Qatar, there were <u>reports</u> of mistreatment of workers and forced labour, including workers being threatened by employers, forced to live in unsafe conditions, and withholding of pay either temporarily or permanently. The Guardian also released a <u>report</u> finding systematic failures across Qatar's 2 million-strong migrant workforce, stating that more than 6,500 migrant workers had died in the country since it won the right to host the World Cup 10 years ago.

Drug Trafficking

Colombia in the 1990s saw the rise of "Narco-fútbol", with drug cartels in the country allegedly bankrolling football. It was reported that Medellin Cartel leader Pablo Escobar invested in Colombia's Atlético Nacional team, including supplying funds to recruit foreign players and retain the best national players.

In 2014, the US Office of Foreign Assets Control (OFAC) <u>designated the</u> Colombian professional soccer team Envigado Futbol Club S.A. and its owner Juan Pablo Upegui Gallego for its links to the drug cartel La Oficina de Envigado. OFAC alleged that Gallego had used his position as the team's owner to put its finances at the services of La Oficina for many years. After undergoing a restructuring process and ownership change, OFAC removed the football club from the designations list in 2018.



WHAT CAN BE DONE?

The public and private sectors must work together to begin addressing the deep-rooted financial crime vulnerabilities within professional football. FIFA and national football associations, as well as individual clubs and private organisations involved in the sport, must take steps to identify and mitigate illicit activity within their networks.

It is easy to turn a blind eye or accept an investor, agent, or associate at face value. However, this can expose organisations to costly financial and reputational risks. In today's climate of heightened public attention around issues such as inequality, offshore financial dealings, and undue influence given to corrupt individuals, any wrong step can leave organisations vulnerable to reputational damage, not to mention associated legal or financial ramifications.

In order to avoid getting caught in the cross fires of financial exploitation due to poor decisions, clubs, league organisations, sponsors, and other key stakeholders across the football industry should ensure their anti-financial crime governance is up to date and fully operationalised. At Themis, we offer a suite of tools and solutions that can help those in the sport industry understand and address financial crime risks and hidden connections to bad actors.

- <u>Themis Search & Monitoring</u> offers KYC screening, ongoing monitoring, and EDD investigations so organisations can screen across their clients and extended networks to minimise risk. This allows businesses to stay up to date in real-time on what risks they face, so more time can be spent mitigating these risks.
- Themis provides a digital <u>Risk Assessment</u> tool so firms can better understand their specific risks, as well as those of their suppliers, and implement the appropriate controls and screening framework to mitigate these risks. If high risk clients or behaviours are identified, Themis offers <u>Enhanced Due Diligence and ESG Risk investigations</u>, which can be requested straight from the Themis Search platform.
- Themis can also help ensure proper AML/CFT governance is maintained across organisations by helping firms analyse the relative strengths and weaknesses across their systems and controls. Themis provides clients with a suite of tools in order to achieve this, namely financial crime training and digital toolkits.
- Themis also provide clients with <u>tailored financial crime research and strategic threat analysis</u> to ensure firms are understanding the latest criminal threats, geographical risks, and regulatory requirements pertinent to their business.



ABOUT THEMIS



Themis helps clients identify and manage their specific financial crime risks, through a combination of innovation, insight and intelligence.

Our cutting edge platform helps organisations understand these strategic threats through an ESG and socioeconomic lens and protects their customers, staff, suppliers and shareholders from criminal attacks or association. For more information, visit www.crime.financial



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