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Setting the Standards for a Global, Integrated Games-of-Chance Industry

PGRI Introduction: Thierry Pujol was appointed to the position of Director of Risk Management and Security for La Française des Jeux in 2005. He became a member of the Managing Board of FDJ at the same time. Thierry was given the new assignment as Director of Sport Integrity and Special Advisor to the President of FDJ in July of this year. Thierry's dedication to service is reflected in the leadership roles he performs for the World Lottery Association (WLA) and the European Lottery Association (EL). Security and integrity is a genuinely mission-critical priority, the most critical component to player trust, and ultimately to brand equity. Thierry's impact on this mission has helped to shape the industry, and the leadership role that government-gaming holds within the global community of games-of-chance operators. As Chairman of the World Lottery Association's Security and Risk Management Committee (SRMC), Thierry works collegially with the members of the committee from lotteries all around the world to develop and constantly improve security standards.

Paul Jason, PGRI: *You serve as Chair of Security and Risk Management at the WLA. You served in that same role at FDJ for the last ten years. But you recently shifted your role at FDJ to focus on sports betting. Why?*

Thierry Pujol: Sports betting has become such an important part of the portfolio of games that many lotteries offer. This is the reason why FDJ has developed its activity with Sport Integrity related to Sports betting. Our sports betting turnover reached almost €2 billion in 2014. We are the largest land-based

betting operator in Europe. The business of protecting the security and integrity in the sports betting space is quite different than it is for other game categories. To be successful, we must engage the active cooperation between jurisdictional authorities from countries all across the world. And we must confront the most advanced methods of cyber-crime. Protecting the security and integrity of sports and sport betting represents a most interesting and unique challenge. I believe that the solutions to these issues as regards to sports betting will provide a platform for

managing security and integrity for all internet-based and land-based wagering-games in the future. That's important.

The current position of Director of Sports Integrity evolved from the fact that La Française des Jeux is very involved in the efforts to protect the security and integrity of sports betting. That objective begins with having the ability to monitor sports betting activity across the world. The EL (European Lotteries) and the WLA (World Lottery Association) are working together to implement a global policy to accomplish the objec-

tive of monitoring sports betting. We are very active in the development and implementation of the Global Lottery Monitoring System for Sports Betting (GLMS), which is an organization of 27 Lottery operators from all across the world which offer sports betting.

Many European lotteries are very much involved with amateur sports. In many jurisdictions, a large portion of the net funds generated by the state Lottery is allocated to the support of amateur sports. And many of those same Lotteries offer betting on a wide variety of sports, including amateur and professional sport contests. So it is important that the community of government-lottery operators take the lead to ensure that sports betting is conducted with integrity, and that the economic activity of sports betting does not interfere with the integrity of the sport contests themselves. The mission-critical objective is to prevent match-fixing or other manipulations of the outcome of sporting contests.

The goal is to protect the activity of sports from being corrupted. That would be for the benefit of sports themselves and the players and the general public who enjoys its role as spectator and supporter of sports. Another goal would be to minimize the financial risks posed to the business of operating sports betting, right?

T. Pujol: Of course, the two are related. Protecting the integrity of the games is a prerequisite to protecting the integrity of a business based on the betting on those games. To that end, we are fully involved with the French Football League, French Rugby Federation, French Basketball Federation, and the French Handball Federation. We go to the clubs to promote an understanding of the risks associated with the fact that millions of people are betting on the outcomes of the games. To

your point, though, risk management and security is crucial to the financial aspect of the business of operating sports betting.

To be effective, wouldn't you need to have all operators and all jurisdictions across the world working together? And how do you even begin to control illegality in the unregulated sporting environment? After all, billions are gambled on sports betting in an environment that isn't even regulated.

T. Pujol: Before all, I would like to say that nowadays in 2015 almost all the countries in the world have a sports betting regulation. That means that there are no more regulated markets but legal and illegal operators (a legal operator is an operator who has an explicit authorization in the jurisdiction of the consumer). The solutions will not be forthcoming quickly or easily. The global initiatives to prevent match-fixing and manipulation in sports-betting will be a long marathon. Interpol estimated that illegal betting in 2012 was around \$500 billion. It is hard to know the accuracy of that figure for sure. But it does give us a good picture of the magnitude of the problem. And we know that it is increasing. This market is everywhere, even in countries where sports betting is prohibited, like most states in the United States.

It is true that cooperation between jurisdictions all across the world is a vital step towards controlling the risk of corruption in sports and sports betting. It is extremely difficult for the individual jurisdiction, or the operators within the jurisdiction, to address these issues without the support and cooperation of others around the world. Everyone understands that the efforts to protect the integrity of sports betting involves a global coop-



THE WORLD LOTTERY ASSOCIATION (WLA) SECURITY CONTROL STANDARD

The security of a lottery plays a critical role in maintaining the confidence and trust of the public in its lottery games. It is vital, therefore, that a lottery organization develops and maintains a visible and documented security environment in order to achieve and sustain public confidence in its operations.

The WLA Security Control Standard (SCS) is the lottery sector's only internationally recognized security standard. The WLA SCS couples a comprehensive information security management baseline incorporating ISO/IEC 27001:2005, a leading international standard for information security management, with additional lottery-specific security controls representing current best practice. The WLA SCS is designed to assist the lottery sector around the globe in obtaining a level of security controls in line with generally accepted best practices, to enable an increased reliance on the integrity of lottery operations. The WLA SCS specifies the required practices for an effective security management structure by which a lottery may maintain the integrity, availability, and confidentiality of information vital to its secure operation.

Read more about the Guide to Certification for the WLA Security Control Standard on the WLA website: www.world-lotteries.org

eration of all jurisdictions. And there is not just the policies and regulations that need to be determined. There is also the matter of enforcing those regulations in the global environment.

The effort in Europe to prevent the manipulation of sports competitions is concerted and massive and being organized in large part by the GLMS (Global Lottery Monitoring System for Sports Betting). The main objectives are to first detect, then sanction, then ultimately prevent national or trans-national manipulation of national and international sports competitions. To achieve that end, we are actively promoting an international cooperation against manipulation of sports competition between the gaming and regulatory authorities, the sporting organizations, and the operators of sports betting. This kind of international collaboration to construct systems and multi-national agreements to enforce the laws is a new concept, a new frontier for our industry. That is why 27 lotteries from around the world have come together to create a national platform for addressing manipulation of sports competitions. This national platform shall serve as an information hub, collecting and disseminating information to the betting operators, sports organizations, and regulatory and law enforcement authorities. The GLMS will receive, organize, and analyze information on irregular or suspicious betting patterns, and transmit this information on possible infringements of law to relevant authorities.

Information that is captured by individual stakeholders, like sports organizations, regulators, and operators, typically does not yield enough insight to be meaningful by itself. It is when information is gathered from multiple sources that it becomes useful. That is when betting patterns are revealed that are not discernable when the bets are viewed in isolation. That is why the mission to protect integrity in sports depends on international cooperation,

and the services of GLMS.

The manner and methods in which we conduct this service must also respect the confidentiality of sources, clients, and players alike. Our activities geared towards protection and prevention of illegality must also align with all the laws of individual nations. Cooperation with agents of law enforcement requires us to understand and operate within the constraints of due process that form the bases for proper investigations and ultimately the enforcement of laws that differ from one jurisdiction to another. That makes this a most interesting task!

How do the laws of France get enforced in other jurisdictions? What can be done about a rogue state that allows operators to roam the world with internet offers that do not comply with the laws of other countries?

T. Pujol: That is a challenge. The operator which is illegal in France may not be illegal in such a rogue state. France and other jurisdictions may have strong and effective laws to protect the consumer and prevent money laundering, match-fixing, and other forms of illegality—laws that others may not have.

ARJEL is the regulatory authority in France and it does have the ability and the authority to block the websites of illegal operators from having access to French consumers. So, the French consumer can be protected in that way. But ARJEL cannot block these operators from proposing an offer about a French sporting event to consumers in other countries. That has two implications. First, it is our goal for consumers all across the world to be protected from illegality. Second, if illegal operators can produce profits that are based on the outcomes of French sporting events, that creates the possibility that those illegal operators may attempt to illegality manipulate the outcomes of French sporting events. Our goal is to protect the

consumer wherever they might reside, as well as to eliminate the risk of sporting events being manipulated in France, and hopefully anywhere in the world.

Why couldn't the alliance of 27 jurisdictions which are represented in GLMS establish laws and standards that required all countries to comply with and respect the laws of each jurisdiction? The leverage to enforce that requirement would simply be that none of the offending jurisdiction's operators would be allowed to operate in the major markets of the world if even one of them is breaking the laws and operating illegally anywhere.

T. Pujol: You say 'simply' but that is not so simple! It is very difficult politically and from a legal point of view to implement a system that penalizes operators or other countries in that fashion. It is even difficult to stop internet-based operators based in Europe from crossing jurisdictional boundaries without license to do so. That's why the first critical step is for each country to create a national regulatory platform. We are starting with Europe and already expanding into other regions. With proper national regulatory platforms in place, we can then collaborate to help each other enforce those standards that each country has established for itself. Without those national standards and regulatory platforms, though, it is difficult to effect an international regulatory platform. Even then, there is still the task of clarifying and agreeing upon process and procedures for enforcing the standards and policies that we have all agreed upon.

We have seen what happens to the market value of companies like Volkswagen and Sony when their integrity is compromised. In both cases it was literally cut in half. I would think the value of integrity would be even higher for the brand of Lottery.

T. Pujol: Transparency of gaming industry governance is the crucial issue in terms of confidence and consumer trust.

At FDJ, we consider our brand image to be our most valuable asset. And the image and value of our brand is based on the integrity of the gaming transactions, the security of its financial operations, and the trust on the part of FDJ's players and all FDJ stakeholders that everything operates without compromise. It's the right thing to do, and it is sound business strategy, for FDJ to strive to operate for the best interests of society.

Financial directors and accountants use the concept of 'goodwill,' which is the difference between the overall value of the company and the material book value of its hard assets. Our industry should establish a detailed security impact estimate for the value of goodwill of the Lottery operator to enable us to quantify the actual losses that result from a breach of security. It can be done, but I do not know that it has ever been done. Even so, I think we all know that protection of consumer and stakeholder confidence is mission-critical for government-gaming operators.

Effective security is not just about technology, is it?

T. Pujol: The American cryptographer and IT security specialist Bruce Schneier said that security is based as much on process and human behavior as it is on technology. You can have the best IT security in your company network, with the most protected servers that contain state of the art technology. It will not be effective, though, if the process and procedures that govern human involvement is not equally as well-conceived and implemented.

That's the reason why the WLA created the Security and Risk Measurement Committee, which works to enhance these controls and procedures. It is not just about technology. It is about the way that human beings interact with the technology. And that is a major focus of the WLA Security Certification program.

Criminals will always be inventing new ways to accomplish their goals.

T. Pujol: Absolutely, it's an eternal game between robbers and policemen. Cyber criminals are equipped with motivation, skills, and opportunities. They have the ability to react and to adapt their attacks very quickly against the new first line of IT defense. A good security system must defend against the ingenuity and skills of these hackers.

Has FDJ ever dealt with a breach of security or sports-betting manipulation?

T. Pujol: In 2012 we detected suspicious betting patterns concerning a match in the French Handball Championship. Suddenly, within the course of one hour, a high amount of wagers had been taken on the outsider team with a specific bet. The bet was based not on the outcome of the match, but on the half-time result of the match. Analysis revealed that the betting anomalies were all occurring in a very small number of retail shops, only 15 retailer shops out of 25 thousand. And these 15 shops were all located within the district of the favorite team. The player was eventually convicted of match-fixing. Of course, we had to react instantly to suspend wagers and prevent the fraud to continue.

That brings us to the other pillar of effective security: crisis management. In the Handball case, all operational, technical maintenance service, internal and external communications, and all top levels of the company had to be pulled together immediately to enable this instant response. Then, the response to handle the immediacy of the fraud was followed by the need to communicate with the public about what happened.

That is the other crucial aspect of crisis management: Communications and brand management. Data and reports are constantly being analyzed to detect fraud and vulnerabilities. Hopefully, fraud is not occurring and so none is

found. But if or when it is found, like it was for us in that 2012 Handball match, it becomes immediately public. Transparency, as we have said, is critical to the preservation of public trust and confidence. And the breach becomes apparent to the directly impacted parties immediately anyway. That is why every lottery should have a comprehensive crisis management plan in place. We are living now in a global sphere that broadcasts information instantly, so we need to respond instantly to the public response to a breach of security.

It seems that government-gaming operators are held to a higher standard than commercial gaming operators. In all areas of operation for that matter. But let's focus on this issue of security and integrity of operations. What can Brand Lottery do to get recognition of that from our political constituents? More specifically, why don't government-lotteries get more consideration from legislators for the fact that they achieve a higher standard in the operation of games-of-chance?

T. Pujol: There are two aspects to your question. First, there should be standards of security that apply to all operators of games-of-chance. There should be mechanisms to evaluate and assess the difference between the standards of government gaming operators and those of commercial e-gaming operators. But there is also an aspect of Public Relations. We need to ask ourselves if we are effectively communicating the importance of integrity for the games-of-chance industry, and the importance of holding all operators to the highest standards of performance. It won't likely change the fact that government-lotteries will always be held to a higher standard. After all, government-lotteries need to earn the right to hold onto their monopoly status. But we can certainly try to make sure that all licensed games-of-chance operators comply with high standards of security and integrity. And we can make sure that all

of our stakeholders are aware of our own commitment to these principles.

Why couldn't lawmakers be convinced to apply the WLA standards to all games-of-chance operators?

T. Pujol: WLA and EL standards apply only to the world-wide community of lottery operators for right now. But we are proposing to make it a public resource and international standard. We are working on that including sports betting, but it will take several years. The name of this process is IWA—International Working Agreements 17. It will be updated in due time, with more information about operations, security and integrity requirements, and made available to gaming organizations. Currently, this is an internal initiative that is being continuously updated and improved. The facts and truths of today will

not stay the same for tomorrow and coming years, so we have to be sure that our controls for both the technical and human parts are adapted to an evolving landscape.

The European Union Commission is also organizing different working groups that include both state and private operators. These workshops are designed to help regulators and legislators create standards based on information from the broader gaming industry.

Legislation that applies to all games-of-chance is an area in which there are significant cultural and public policy differences between jurisdictions. That is why EU member states have made clear their position that the authority to determine regulatory policy should reside with the state. The European Union Commission may choose to respect that position, or it

may choose to push a conflicting agenda. That is an ongoing topic of debate.

The WLA has developed a Certification program to equip all of their members with the knowledge and expertise to ensure that they meet the highest standards of security and integrity.

T. Pujol: That is the whole purpose of the Certification process that the WLA (World Lottery Association) developed for its members to apply and learn from. The WLA is constantly updating and improving its security standard, particularly in sport betting, online, and privacy controls. A new standard will be completed by the first quarter of 2016 and fully adopted by the general assembly of the WLA at the World Lottery Summit in Singapore in November 2016. ■