


Major International Competition Funding and Money Laundering Risks

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ABSTRACT

The sports sector is often liable for illegal activities, such as money laundering. Football, the most popular sport in the world, is one of several places where illegal money might enter, with the UNODC estimating that the sport facilitates the laundering of roughly USD 140 billion annually. The aim of this paper is to identify the main money laundering schemes used in the sports industry and to provide a complete plan for mitigating these risks. Key methods of money laundering in the sports sector, such as football example, are considered. Key cases of illicit activities in football are considered in the context of money laundering and other criminal offences. A comprehensive strategy is proposed to prevent money laundering in professional sports, including anti-money laundering (AML) and counter-terrorism funding (CTF) legislation and regulations, due diligence, transparency, sanctions, whistleblower protection, international collaboration, training and education, and the use of cutting-edge technology such as AI and machine learning. These preventative measures require constant awareness and innovation to be successful and include establishing a regulatory organization with responsibility for regulating money dealings in the sports industry, due diligence, transparency, sanctions, whistleblower protection, international collaboration, training and education, and the use of cutting-edge technology. This paper's results may be used by researchers and analysts, professional associations, non-governmental organizations, legislators, and the general public.

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1. PROBLEM SETTING

Financial scandals, especially those involving money laundering, have ongoingly affected international sports. This issue appears to be most prevalent during important events like the Olympic Games and the FIFA World Cup. Significant financial benefits, together with the intricate and worldwide nature of financial transactions related to these events, have been primarily blamed for this. The well-known 2015 issue that rocked FIFA, the organization that oversees international football, is one of the major examples of money laundering in international sports competitions. This prestigious institution had a number of officials involved in a wide-ranging scandal, including claims of corruption, bribery, and money laundering. These executives were charged with utilizing their positions for personal benefit and setting up a complex web of illegal financial transactions that hurt the organization's reputation and soured the image of football. The 2014 Winter Olympics in Sochi, Russia, were not exempt from financial controversies either. Individuals participating in the Games have been accused of rampant corruption and of stealing substantial amounts of money intended for infrastructure and development. Examining the surrounding financial activities led to concerns about possible money laundering techniques. The charges not only damaged the reputation of the Games but also sparked debate throughout the world. In spite of these alarming incidents, it's important to recognize the proactive steps that international athletic organizations are taking to address these issues. These organizations are implementing more stringent restrictions and controls as a result of realizing the long-term harm that such incidents may have to their reputations. They provide free access to their financial



information and transactions in order to prioritize openness in their business activities. These measures are meant to make sure that money is being spent wisely and that any abnormalities are quickly found. Additionally, these organizations work hard to foster a culture of morality and ethics. They are putting a strong emphasis on the value of morality and honesty among its leaders, forbidding any kind of corrupt action. To provide authorities with understanding regarding moral decision-making and the possible repercussions of wrongdoing, intensive training and seminars are being held. It is believed that these approaches would help to lessen financial corruption in international sports in the future. Nevertheless, it is obvious that this is a perpetual conflict that requires continuing awareness, flexibility, and dedication to upholding the integrity of sports on a worldwide scale.

2. LITERATURE REVIEW

The scope and depth of fraud and corruption in professional sports is a complex research topic. Numerous publications have approached this subject from various viewpoints, demonstrating a wide variety of elements and situations that support such malpractices. In particular, [Nelen \(2021\)](#) studies money laundering in professional football and sheds light on how organized crime permeates this industry. [Nelen \(2021\)](#) contends that money laundering thrives in modern football and believes that tighter financial rules may prevent such incidents. In turn, [Naheem \(2018\)](#), who emphasizes the close connection between international money laundering in FIFA and worldwide banks, shares this viewpoint. Further, [Geldibaev et al. \(2021\)](#) proposed a terminology for similar occurrences in professional sports, highlighting their systemic aspect and echoing the subject of corruption and fraudulent actions. [Ionescu \(2015\)](#) takes an economic stance while addressing this issue, emphasizing how corruption affects the professional sports industry's economic dynamics. The investigation of fraud in amateur sports by [Kihl et al. \(2021\)](#) broadens this viewpoint by demonstrating that fraud is not exclusive to the professional realm. By addressing corruption from a policy perspective, [Masters \(2015\)](#) offers a detailed explanation of how it permeates not just the playing field but also the development and execution of policies. Another kind of corruption is doping, which is a common problem in the literature we evaluated. An intriguing viewpoint on doping is provided by [Henning et al. \(2021\)](#), who see it as a harm-reduction tactic in risky and supportive circumstances. In their review of the UK athletics clean sport program, [Hurst et al. \(2020\)](#) analyze how preventive measures might discourage doping in young top athletes. Another common issue is the link between sports betting and corruption. [Forrest \(2012\)](#) emphasizes the danger that betting-related corruption poses to football, while [McNamee \(2013\)](#) talks about the integrity of sport in regard to illegal gambling and match-fixing. [Newall and Xiao \(2021\)](#) explore the impact of new technology on corruption, arguing that the dangers presented by financial trading applications and cryptocurrencies are often overlooked in the context of professional sports marketing prohibitions. [Holden et al. \(2017\)](#) broaden this conversation to include the developing esports market and emphasize the need for global regulation in preventing corruption. [Toohey and Beaton \(2017\)](#) promote interdisciplinary cooperation when they examine the possibilities for global cross-sector social collaborations between governments and sports, using the World Anti-Doping Agency as a case study. This idea is developed by [Rigazio \(2020\)](#), who suggests the necessity for a "virtuous" approach to combat financial crimes associated with the planning of sports events.

In conclusion, the literature shows that doping, financial corruption, and illegal betting practices are only a few of the many subjects that are covered by the concerns of corruption and fraud in professional sports. A broad approach that includes stricter regulation, cross-sector cooperation, and the use of new technologies in supervision measures is clearly needed. However, the issue of a comprehensive framework for overcoming money laundering risk in professional sports is not sufficiently studied.

The aim of this study is to determine key money laundering methods in the sports sector and propose a comprehensive way to overcome these risks.

3. RESULTS

There is a worldwide surge of attention to money laundering in formerly uncontrolled sectors, including the sports sector. The issue is aggravated due to an emotional view of the sports sector on behalf of the general public. However, the sports sector may be a prime location for illegal activities, including money laundering.

After former financier and sports sponsor Allen Stanford was found guilty of widespread financial crimes in cricket in the US in 2012, awareness of money laundering in sports started to rise ([Rushe, 2012](#)). One count of conspiracy to conduct money laundering emanating from the USD 7 billion investment fraud scheme was one of the charges for which he was found guilty ([Rushe, 2012](#)).

Sports business, which is still mostly unregulated and may involve significant sums of money, would attract criminals looking to conceal their illicit earnings. For instance, football, the most popular sport

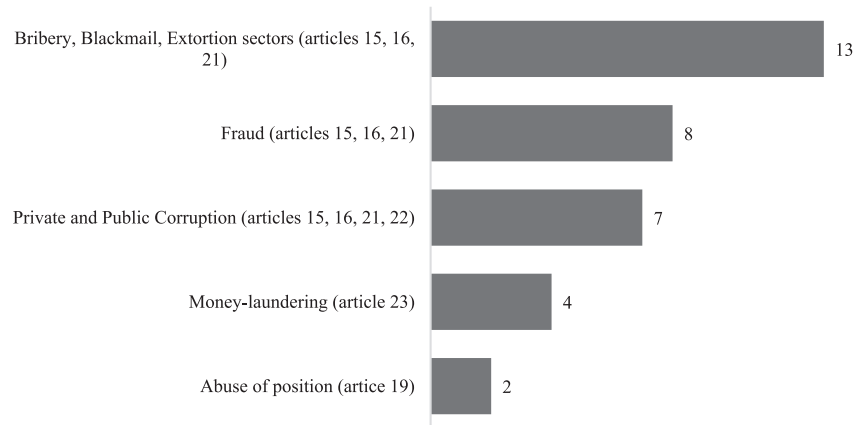


Fig. 1. Number of cases and relevant anti-corruption provisions identified that have been used in cases related to competition manipulation cases in 2021. Source: [UNODC \(2021\)](#).

in the world, is an asset to their football teams. These assets are susceptible to subjective assessment on the transfer market. These football players are frequently represented by agents whose financial behavior is not routinely scrutinized but who nonetheless exert a tremendous amount of influence over the relationships that these players may or may not establish with an interested club and the people connected to it, creating opportunities for illicit activities. Sports transactions are presently not designated as needing any further examination beyond the standard money-laundering regulations, in contrast to high-value real estate purchases.

Football is one of several places where illegal money might enter, with the UNODC estimating that the sport facilitates the laundering of roughly USD 140 billion annually ([UNODC, 2021](#)). Included in this are the buying and selling of football teams, player exchanges, through the selling of products, media rights, and shady sports agents, money laundering, and fraudulent ticket sales.

Competition manipulation often includes an international component, which makes stopping it more difficult. Especially with regard to the criminal justice authority, this calls for intergovernmental collaboration and action.

The United Nations Convention against Transnational Organized Crime and its Protocol Thereto, as well as the United Nations Convention against Corruption, are two international agreements that provide useful tools for combating the manipulation of competition. The only convention that deals explicitly with this issue is the Council of Europe Convention on the Manipulation of Sports Competitions.

The only internationally recognized anti-corruption instrument with legal force is the Convention against Corruption. The issue of competitive manipulation is not directly addressed in the Convention. The United Nations Convention against Corruption's Conference of the States Parties does, however, make reference to the issue in two resolutions, namely Resolution 8/4, on safeguarding sport from corruption, adopted by the Conference at its eighth session, held in Abu Dhabi from December 16 to 20, 2019; The Conference approved Resolution 7/8 against sports corruption at its seventh session, which took place in Vienna from November 6 to 10, 2017.

While many of the Convention's provisions can be applied to the context of competition manipulation, the United Nations Office on Drugs and Crime (UNODC) and IOC in 2021 commissioned a global mapping of national legislation on the subject. This mapping revealed the following provisions in relation to adjudicated cases involving competition manipulation. In more detail, it is presented in [Fig. 1](#).

Governments are attempting to make manipulating petitions illegal more often. Namely, 45 jurisdictions expressly ban competition manipulation, according to a worldwide analysis of country laws on the subject undertaken by UNODC and the IOC in 2021 (see [Fig. 2](#)). Compared to the figures reported for 2016 and 2013, this reflects a huge rise. It is crucial to be aware of the particular offenses related to competition manipulation in order to prevent, investigate, prosecute, and penalize such behavior. The effectiveness of law enforcement and criminal justice authorities may also be increased by connecting these offenses to practices like corruption, money laundering, bribery, fraud, aiding and abetting, influence peddling, and the misuse of authority.

Competitions on which bets are suggested are the only ones where the offense of competition manipulation is legal in certain countries. In many nations, the risk involved in the manipulation of a betting result is inextricably related to the offense of competition manipulation. Additionally, in some jurisdictions, non-betting-related competitive manipulation is not subject to particular legislation

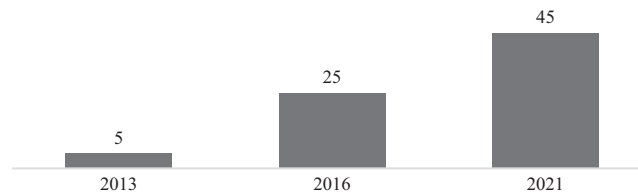


Fig. 2. Number of countries with specific laws to tackle competition manipulation, countries in the years 2013, 2016, and 2021. Source: UNODC (2021).

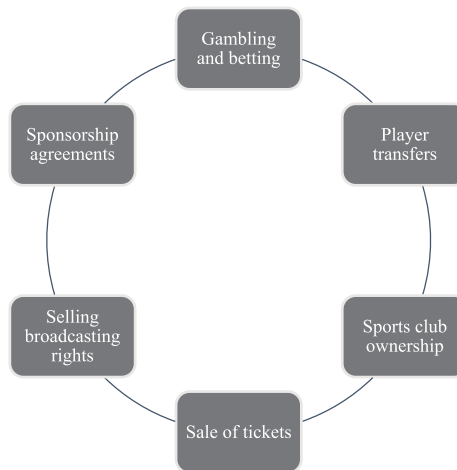


Fig. 3. Key methods of money laundering in the sports sector.

against it; rather, it is only punishable under general criminal laws against corruption, bribery, fraud, and other illicit activities.

In today's culture, money laundering is a major issue, and football and soccer clubs are often utilized as a cover for criminal activity. Criminals may utilize a variety of techniques to launder their cash, including exaggerating sponsorship agreements or sending modest sums of unlawful money to a club's bank account. Money is also laundered via the selling of goods, gambling, and tickets. Due to the significant financial rewards associated with professional sports, there have been instances when criminal groups have been tied to soccer teams. A.S. Roma, a well-known Italian football team, was connected to the Ndrangheta in 2016 (Dowley, 2016). James Pallotta, the club's former president, was thought to have connections to the mafia and reportedly attempted to utilize the establishment to launder money. Pallotta, however, refuted the accusations and was never put on trial (Dowley, 2016). Another instance is the soccer team from Argentina, Club Deportivo Morón, which was linked to cocaine trafficking. Several club members, including the president and vice president, were detained on drug trafficking-related charges in 2017 (Dowley, 2016). Drugs were allegedly stashed in the club's amenities as part of a scheme to utilize it as a front for a drug trafficking operation.

Selling products and tickets is another strategy. Criminals may buy large quantities of tickets and goods, paying with cash or other irrational means, and then resale them for a profit. Giving the source of the cash more respectability may aid in money laundering. Betting on football and soccer teams is another way to launder money. Large wagers on football games may be made by criminals, who then exploit the earnings to justify their financial activities. This strategy is especially alluring since it has the potential to provide big profits and works well for transferring large quantities of money. Finally, owning clubs may be utilized as a means of money laundering. Criminals may utilize their illegal cash to buy football clubs, and they may then manipulate the club's finances to make their money seem legitimate. This technique may be especially successful since it gives crooks access to the club's funds and operations. In general, there are many different and intricate ways to launder money via football and soccer clubs. Sports organizations must be aware of these techniques and take the necessary precautions to stop and uncover illicit activity.

Professional sports money laundering may be done in a variety of ways that take advantage of various facets of the sports sector. Crucial methods are presented in Fig. 3.

Further, we consider the outlined methods of money laundering in the sports sector in more detail.

1. **Gambling and Betting:** Illegal gambling may be used to launder money, particularly in sports where significant amounts of money are gambled. With unlawful funds, criminals are able to place several bets and win legitimately. This kind of activity has a platform thanks to online gaming.

TABLE I: PREVENTATIVE MEASURES FOR MONEY LAUNDERING IN THE SPORTS SECTOR

Preventive measures	Comments
Anti-money Laundering (AML) and Counter-terrorism Funding (CTF) Legislation and Regulations	Strong regulatory control of sports groups is crucial. This may include establishing a regulatory organization with responsibility for regulating money dealings in the sports industry.
Due diligence	To make sure club owners, sponsors, and other important individuals in sports are not engaged in unlawful activities, rigorous due diligence should be performed on them. This may include investigating a person's past, auditing their finances, and confirming their revenue sources.
Transparency	All financial transactions need to be open and transparent, with auditable records. Transactions, including player transfers, sponsorships, and the sale of broadcasting rights, fall under this category. This openness makes it simpler to see any abnormalities and may discourage unlawful activity.
Sanctions	People and organizations found guilty of money laundering should face severe fines and sanctions. This has the potential to be a potent deterrent to partaking in such unlawful actions.
Whistleblower protection	Strong whistleblower protections might encourage people to come forward with knowledge about possible money laundering operations without worrying about repercussions.
International collaboration	Participation of international stakeholders is essential for identifying and combating money laundering, given the worldwide reach of many professional sports. This entails exchanging knowledge and best practices, as well as working together on inquiries.
Training and education	By educating players, coaches, and other sports professionals on the dangers and symptoms of money laundering, they will be better equipped to spot and report questionable behavior.
Technology usage	The analysis of sizable amounts of financial data and the identification of suspicious trends that might point to money laundering can be aided by the use of cutting-edge technology such as AI and machine learning.

2. **Player Transfers:** The professional sports transfer market, particularly in football (soccer), may be abused for money laundering. High-value transactions, which often include international transfers, provide the chance to launder substantial sums of money. A popular strategy is to overpay for a player.
3. **Sports Club Ownership:** Owning a sports team may serve as a platform for money laundering. Illegal cash may be incorporated into a club's financial structure and made to seem like genuine revenues by acquiring the club. This is often done at smaller clubs or those who are struggling financially, which may be purchased for a modest price.
4. **Sales of Tickets:** Another method of money laundering is the selling of tickets to sporting events. Money launderers may bring illicit cash into the legal economy by selling event tickets at inflated prices or in huge quantities.
5. **Selling Broadcasting Rights:** This is yet more opportunity for illicit financial transactions. By paying too much for the rights to broadcast a certain sport or sporting event, money launderers may transfer their illegal cash into the legal economy.
6. **Sponsorship Agreements:** Sponsorship agreements may be used to launder money. A team may be sponsored by a company that the money launderer owns, bringing in illicit revenues to the club's income stream.

Sports governing organizations, clubs, and financial institutions must follow strict due diligence processes, ensure that all transactions are transparent, and work with law enforcement and regulatory agencies to tackle these problems. Additionally, governments must enact stronger rules and legislation pertaining to professional sports money laundering.

A comprehensive strategy including a range of legal rules, policies, monitoring, and enforcement measures is needed to prevent money laundering in professional sports. Preventative measures that may be used are presented in [Table I](#).

It should be stressed that the strict and regular administration of these preventative measures is necessary for them to be successful. Even with these safeguards in place, combating money launderers' shifting techniques requires constant awareness and innovation.

4. CONCLUSIONS

The sports sector, despite its positive public image, is often liable for illegal activities, including money laundering. Sports business, which is still mostly unregulated and may involve significant sums

of money, would attract criminals looking to conceal their illicit earnings. Football, the most popular sport in the world, is one of several places where illegal money might enter, with the UNODC estimating that the sport facilitates the laundering of roughly USD 140 billion annually. This includes buying and selling of football teams, player exchanges, through the selling of products, media rights, and shady sports agents, money laundering, and fraudulent ticket sales.

UNODC and IOC 2021 commissioned a global mapping of national legislation on the subject, which revealed the provisions in relation to adjudicated cases involving competition manipulation. Money laundering is a major issue, and football clubs are often utilized as a cover for criminal activity. Criminals may utilize a variety of techniques to launder their cash, including exaggerating sponsorship agreements or sending modest sums of unlawful money to a club's bank account.

A comprehensive strategy including a range of legal rules, policies, monitoring, and enforcement measures is proposed to prevent money laundering in professional sports. These include anti-money laundering (AML) and counter-terrorism funding (CTF) legislation and regulations, due diligence, transparency, sanctions, whistleblower protection, international collaboration, training and education, and the use of cutting-edge technology such as AI and machine learning. These preventative measures are essential for combating money laundering in professional sports, as they require constant awareness and innovation to be successful. These measures include establishing a regulatory organization with responsibility for regulating money dealings in the sports industry, due diligence, transparency, sanctions, whistleblower protection, international collaboration, training and education, and the use of cutting-edge technology.

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