

The Starting Price Regulatory Commission

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Chairman's Personal Statement

2015 was a year of great activity and developments in our race betting industry, but for the SPRC it was dominated by the consultation we launched into the working of the SP.

This was triggered by discussions in parts of the racing media over the allegedly inappropriate behaviour of some bookmakers and the claimed excessive overround in that year's Grand National.

In the event, detailed analysis showed that the overround - anyway an imperfect measure - was not "excessive", being in line with recent years and certainly less than in the years before the SPRC was established. Also the betting public appeared not to share the indignation of some commentators, with few taking the opportunity to respond with complaints.

However, this does not mean there were no genuine reasons for concern. Some bookmakers were significantly shortening the prices of runners favoured by the public, without any compensating lengthening elsewhere. This is their commercial right as businessmen with a book at risk. We have no control, and want no control over that process (despite some punters apparently believing that we do or should have). But we can and have made it clear that punters should be treated fairly.

Most importantly, the SPRC took this opportunity to listen to and consider all the criticisms and proposals made in the responses to our consultation. They were few in number but they were usually informed, constructive and very helpful to our deliberations.

I shall comment on our full formal response to the consultation next year. The following Report covers our many activities during 2015. I will however add here that, in the light of misunderstandings revealed in responses to the consultation, it is clearly necessary to stress again that the SPRC has few explicit powers. Nor do we seek them. We just have potential influence. We shall continue to seek to exercise that influence in ways beneficial to punters and bookmakers alike, while maintaining a fair balance between the interests of each. In that balance lies the real interest of the whole industry.

Bernard Donoghue



Starting Price Regulatory Commission Report

1 Operational Issues

A. On-Course Systems

In 2015 there were two main on-course systems: Racing Data Technologies (RDT) and Elite. RDT are associated with Betdaq, Elite with Betfair. RDT is used by around 85% of bookmakers but often at Wolverhampton, the majority do not use RDT and at some prestigious meetings (e.g. Ascot, Newmarket, and York) a significant fraction do not use RDT.

The presence of SP-qualified bookmakers not connected to the RDT system raises an issue in returning the SP. Prices from such bookmakers have to be entered manually. This sometimes causes the sample to be smaller than it otherwise would be and influences the composition of the sample. The five years to 2015 has seen a steady increase in the number of bookmakers switching to the Elite software.

Looking to the future, SPRC will encourage a system such that all bookmaker prices can be accessed by one on-course system – credible and auditable.

B. Publishing the SP

In October SIS on-course operatives started sending data direct to clients from the racecourse via the RDT on-course system. This change in reporting method includes the SP. Previously, SIS operatives verbally passed the SP to an office-based operative who entered the SPs into an in-house operating system and read the SP back for confirmation before publishing. Now, once the SPs have been confirmed by the validator to the operator, the operator distributes them direct to clients.

C. Bookmaker attendance

The SPRC remains concerned about bookmaker attendance at all weather winter meetings. For example, at Chelmsford throughout the winter period bookmakers bet inside (except Saturdays). Betting inside means only positions for four bookmakers are present.

D. SP Validator Guidelines and SP Rules

The SP Validator guidelines and rules were revised late 2014 and came into operation in 2015. The main change concerned the removal of references to “non-criteria each-way terms”. Standard each-way terms are now enforced by racecourses.

E. Tote prices to be included in calculation of SP?

It had been proposed by the Tote that their prices be included in the SP. A meeting was held between a member of the SPRC secretariat and the Tote. It was agreed that the SPRC would follow the parallel developments in the greyhound sector with interest, but, at this time, Tote prices would not be included in the SP, as previously decided by the Board after full consideration of the issue.

F. Sample size and the returned SP in 16-21 runner handicaps

Concern was expressed that for 16-21 runner handicaps the sample size was reduced because relatively few on-course bookmakers bet to “customary” terms (one quarter the odds a place) and that, in turn, this had an impact on the returned SP.

SPRC operators analysed this issue by simulating a doubling of the sample size. Bookmakers betting to customary terms were matched by an equal number betting to criteria terms (one fifth the odds a place).

153 races were simulated. Increasing the sample made only very minor changes to the overround or overround per runner (ORPR):

| | Overround (%) | ORPR (%) |
|---------------------------------------------------------|---------------|----------|
| Actual, original (smaller) sample | 127.47 | 1.56 |
| Simulated, i.e. including the extra criteria bookmakers | 126.33 | 1.51 |

G. Racecourse control of internet access

Many racecourses wish to control internet access and some already do (e.g. Ascot). This could, in due course, limit bookmaker and RDT access to wifi. Further, there is potential disquiet concerning the resilience of on-course systems if racecourses control internet access. The SPRC is keeping this matter under review.

H. Wolverhampton

In February Racing Post articles relating to SP overrounds and alleged manipulation of SPs at Wolverhampton were discussed. Various meetings were held involving operators, bookmakers, PA and the Wolverhampton MD. Subsequently the Wolverhampton Executive issued a letter to all bookmakers reminding them of the racecourse terms and conditions of entry.

I. Returned SPs at Wolverhampton (12/12/15) and Plumpton (14/12/15)

The SPRC discussed the SP (6/1) of a winner where an on-course bookmaker alleged the correct SP should have been 11/2. Screenshots of the sample at the 'off' clearly showed the SP of 6/1 to be correct.

At Plumpton an incorrect SP for a runner-up (9/1) was initially published. Operators at the course immediately spotted the discrepancy which was swiftly corrected to 8/1. Measures are now in place to prevent any repetition.

2 Consultation on the Starting Price

In summer 2015 the SPRC launched a consultation on the future of the SP. The catalyst for the consultation was concern expressed in the racing media that the overround was too high for the 2015 Grand National. The overround is a theoretical measure of bookmakers' profit margins. The consultation attracted only fifteen responses, seven from individuals and eight from bookmakers and organisations concerned with racing and betting.

A few respondents suggested alternatives to the current SP, including: industry SP; exchange SP; individual bookmakers' SPs; Tote prices; win-only and place-only SPs; hybrid; and abolition. Other respondents favoured the status quo, perhaps with modifications such as increasing sample size.

It is important to understand that the SPRC is not a statutory body and has limited powers. Some suggested modifications are simply not within the remit of the SPRC to control or alter. These include: on-course bookmaker attendances; display of overrounds; corrections and limits to overrounds; place terms in handicaps; and the legal status of the SPRC.

Analysis of the responses and proposals involved numerous SPRC meetings from October 2015 to February 2016. Our report was published in late February and is available at <http://www.thesprc.org/>. It will be discussed further in the 2016 Annual Report.



The Starting Price Regulatory Commission – an outline

Appendix (1)

A. Purpose

The Starting Price Regulatory Commission (SPRC) is an independent body responsible for the integrity of the starting price (SP). We are told that the majority of bets on British horseracing struck with bookmakers in betting shops and other off-course outlets are settled according to the SP. The role of the SPRC is to ensure that the returned starting price accurately reflects the price available on-course at the off.

B. Background

Starting Prices have been returned using the on-course market since the 18th century. With the growth of markets for betting off-course, it became essential that the SPs accurately reflected the on-course market and that they were seen to be independent of those bookmakers who accepted off-course bets. Governance therefore is of the greatest importance. The Starting Price Liaison Committee of 1994 became the SP Executive in 1999, before the creation of the current body, the Starting Price Regulatory Commission (SPRC) in 2004.

The first set of operating rules for the SP was issued in 1998, and then updated in the following year. Following a review of the SP by Arthur Andersen, an accountancy firm, in 2000, further revisions were made. There were also revisions in 2006. The current set of Operating Rules and Procedures was issued following a review by the Commission in 2011 and incorporate some minor subsequent amendments.

C. Composition

The Board of the SPRC consists of up to four independent Non-Executive Directors. Lord Donoughue, a former minister at the Ministry of Agriculture, Fisheries and Food, and former director of Towcester racecourse, chairs it. Currently his fellow directors are Sir David Metcalf, Emeritus Professor at the LSE and a former racecourse steward and Lord Lipsey, a former director of the Tote.

Jim Donnelley of the Press Association acts as a company secretary. The Board meets at regular intervals throughout the year (five times in 2015), with executives of the operators' organisations SIS and AMRAC in attendance plus a representative of AGT. In addition there were a number of ad hoc meetings.

Olswang LLP continues to be the Commission's legal advisors.

D. Company Status

The Commission is a non profit organisation operating on a cost recovery basis.



Appendix (2)

2015 Course Attendance Statistics

| Month | 2015 | | | 2014 | | |
|-----------|------------|-----------------|------------|------------|-----------------|------------|
| | Attendance | Actual Fixtures | Ave. Daily | Attendance | Actual Fixtures | Ave. Daily |
| January | 195,804 | 100 | 1,958 | 143,753 | 90 | 1,597 |
| February | 194,518 | 91 | 2,138 | 120,944 | 88 | 1,374 |
| March | 485,001 | 105 | 4,619 | 432,237 | 107 | 4,040 |
| April | 523,677 | 125 | 4,189 | 484,245 | 123 | 3,937 |
| May | 646,502 | 152 | 4,253 | 629,553 | 154 | 4,088 |
| June | 941,601 | 141 | 6,678 | 877,308 | 137 | 6,404 |
| July | 910,993 | 146 | 6,240 | 855,384 | 145 | 5,899 |
| August | 784,070 | 143 | 5,483 | 802,557 | 147 | 5,460 |
| September | 455,844 | 114 | 3,999 | 426,482 | 115 | 3,709 |
| October | 393,668 | 120 | 3,281 | 363,940 | 119 | 3,058 |
| November | 288,796 | 105 | 2,750 | 337,598 | 106 | 3,185 |
| December | 308,959 | 98 | 3,153 | 345,969 | 97 | 3,567 |
| Total | 6,129,433 | 1,440 | 4,256 | 5,819,970 | 1428 | 4,076 |
| | + 5.35% | + 0.84% | + 4.43% | | | |

Day by Day Comparison

| Day | Total Attendance | | Actual Fixtures | | Average | |
|-----------|------------------|-----------|-----------------|------|---------|-------|
| | 2015 | 2014 | 2015 | 2014 | 2015 | 2014 |
| Monday | 379,410 | 359,386 | 185 | 178 | 2,051 | 2,019 |
| Tuesday | 384,829 | 359,985 | 189 | 185 | 2,036 | 1,946 |
| Wednesday | 563,958 | 556,305 | 215 | 219 | 2,623 | 2,540 |
| Thursday | 721,801 | 658,031 | 227 | 220 | 3,180 | 2,991 |
| Friday | 1,189,112 | 1,142,312 | 229 | 235 | 5,193 | 4,861 |
| Saturday | 2,407,683 | 2,242,235 | 281 | 274 | 8,568 | 8,183 |
| Sunday | 482,640 | 501,716 | 114 | 117 | 4,234 | 4,288 |



2015 Course Attendance Statistics by Type

National Hunt and Flat Comparison

| | Total Attendance | | Actual Fixtures | | Average | |
|---------------|------------------|-----------|-----------------|------|---------|-------|
| | 2015 | 2014 | 2015 | 2014 | 2015 | 2014 |
| National Hunt | 2,256,348 | 2,104,963 | 557 | 544 | 4,051 | 3,869 |
| Flat Turf | 3,500,162 | 3,415,641 | 570 | 574 | 6,141 | 5,951 |
| Flat AWT | 365,499 | 274,366 | 312 | 307 | 1,171 | 894 |
| Mixed | 7,424 | 25,000 | 1 | 3 | 7,424 | 8,333 |

Afternoon and Evening Comparisons

| | Total Attendance | | Actual Fixtures | | Average | |
|------------------|------------------|-----------|-----------------|-------|---------|-------|
| | 2015 | 2014 | 2015 | 2014 | 2015 | 2014 |
| Afternoon | 5,035,479 | 4,867,580 | 1,080 | 1,076 | 4,662 | 4,524 |
| Evening/Twilight | 1,093,954 | 952,390 | 360 | 352 | 3,039 | 2,705 |

| | Total Attendance | | Actual Fixtures | | Average | |
|-----------------------------|------------------|---------|-----------------|------|---------|-------|
| | 2015 | 2014 | 2015 | 2014 | 2015 | 2014 |
| NH Evenings/Twilight | 136,685 | 148,000 | 51 | 59 | 2,680 | 2,508 |
| Flat Turf Evenings/Twilight | 783,667 | 673,398 | 164 | 150 | 4,778 | 4,489 |
| AWT Evening/Twilight | 172,498 | 130,992 | 144 | 143 | 1,198 | 916 |

| | Total Attendance | | Actual Fixtures | | Average | |
|---------------------|------------------|-----------|-----------------|------|---------|-------|
| | 2015 | 2014 | 2015 | 2014 | 2015 | 2014 |
| NH Afternoons | 2,114,518 | 1,956,963 | 504 | 485 | 4,195 | 4,034 |
| Flat Turf Aft. | 2,716,495 | 2,742,243 | 406 | 424 | 6,691 | 6,468 |
| AWT Flat Afternoons | 193,001 | 143,374 | 168 | 164 | 1,149 | 874 |
| Mixed Afternoons | 7,424 | 25,000 | 1 | 3 | 7,424 | 8,333 |

Bank Holidays

| | Total Attendance | | Actual Fixtures | | Average | |
|---------------|------------------|---------|-----------------|------|---------|-------|
| | 2015 | 2014 | 2015 | 2014 | 2015 | 2014 |
| Bank Holidays | 239,265 | 225,968 | 41 | 42 | 5,836 | 5,380 |

Appendix (3)

2015 Bookmaker Attendance Statistics

| | 2015 | |
|-------|--------|--------|
| Tatts | 25,280 | 25,841 |
| Rails | 10,451 | 10,221 |
| Minor | 6,453 | 6,609 |
| Total | 42,184 | 42,671 |

Source: AGT

Appendix (4)

Starting Price overruns per runner January 2005-December 2015

| | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 |
|-----------|------|------|------|------|------|------|------|------|------|------|------|
| January | 1.49 | 1.49 | 1.62 | 1.69 | 1.61 | 1.62 | 1.61 | 1.59 | 1.82 | 1.80 | 1.67 |
| February | 1.54 | 1.45 | 1.62 | 1.73 | 1.74 | 1.59 | 1.59 | 1.63 | 1.77 | 1.77 | 1.70 |
| March | 1.49 | 1.41 | 1.68 | 1.76 | 1.61 | 1.62 | 1.52 | 1.61 | 1.73 | 1.74 | 1.71 |
| April | 1.50 | 1.41 | 1.73 | 1.76 | 1.63 | 1.56 | 1.62 | 1.60 | 1.68 | 1.67 | 1.65 |
| May | 1.55 | 1.45 | 1.77 | 1.80 | 1.67 | 1.57 | 1.61 | 1.56 | 1.69 | 1.68 | 1.66 |
| June | 1.51 | 1.48 | 1.79 | 1.80 | 1.70 | 1.67 | 1.67 | 1.60 | 1.71 | 1.77 | 1.75 |
| July | 1.54 | 1.54 | 1.73 | 1.78 | 1.74 | 1.65 | 1.64 | 1.70 | 1.76 | 1.74 | 1.80 |
| August | 1.51 | 1.65 | 1.78 | 1.79 | 1.72 | 1.65 | 1.65 | 1.74 | 1.77 | 1.78 | 1.81 |
| September | 1.41 | 1.45 | 1.70 | 1.61 | 1.62 | 1.58 | 1.53 | 1.68 | 1.66 | 1.63 | 1.69 |
| October | 1.45 | 1.52 | 1.59 | 1.61 | 1.57 | 1.48 | 1.43 | 1.62 | 1.62 | 1.59 | 1.66 |
| November | 1.43 | 1.72 | 1.64 | 1.69 | 1.61 | 1.55 | 1.54 | 1.68 | 1.68 | 1.72 | 1.69 |
| December | 1.48 | 1.79 | 1.85 | 1.70 | 1.60 | 1.64 | 1.62 | 1.81 | 1.72 | 1.72 | 1.73 |

Annual average for 2015 is 1.71

Source: Racing Post.



Appendix (5)

Rules for determining the Starting Price (SP)

The starting price for each horse is the market price at the off generally available to good money on the boards of those bookmakers in a sample whose each-way terms for a given race most closely reflect the each-way terms on offer for that race in the off-course retail market.

A. Decision rule for calculating SP

For each horse in a race the prices on offer by all bookmakers in the sample are ordered into a list from longest to shortest. The list is then divided into two equal halves and the SP is the shortest odds available in the half containing the longest odds. The SP or a longer price will have been offered by at least half the bookmakers in the sample.

B. Selected definitions

i Bookmaker

A bookmaker is defined as an on-course bookmaker betting in accordance with the Gambling Commission's Licence Conditions and Codes of Practice. For the purpose of SP sample selection, these rules categorise bookmakers as SP Qualified or Non-Criteria. An SP Qualified bookmaker displays prices against every runner for at least ten minutes before the scheduled off time of each race and continues to do so up to the off. A Non-Criterion bookmaker does not display prices in this way.

ii Good money

Generally that offered by a Starting Price Qualified Bookmaker who, in the judgment of the SP Validator following consultation with the Betting Operator, is prepared to lay a single bet to lose at least £500 on each horse in a scheduled race at that meeting.

C. Each-way terms

The sample is selected (see below) partly on the basis of each-way terms offered. Customary each-way terms are:

| Race type and number of runners | Fraction of win odds | Places |
|-----------------------------------------------|----------------------|---------|
| All races with fewer than 5 runners | N/A | - |
| All races with 5,6,7 runners | 1/4 | 1,2 |
| All races with 8+ runners except those below | 1/5 | 1,2,3 |
| Handicaps, Nursery and Rated Stakes Handicaps | | |
| - Races of 12-15 runners | 1/4 | 1,2,3 |
| - Races of 16+ runners | 1/4 | 1,2,3,4 |

Criteria each-way terms offer 1/5 of the odds in Handicaps, Nursery and Rated Stakes Handicaps (first four places) in races with 16-21 runners.

D. Sample selection

The maximum sample size is 24 and the normal minimum is 6. If there are fewer bookmakers available, as often occurs at winter all weather meetings, the minimum sample size can be lower, but never less than 3. The sample is selected in the following order of precedence:

- SP qualified bookmakers offering customary each-way terms
- SP qualified bookmakers offering criteria each-way terms
- SP qualified bookmakers offering win-only terms
- Non-criteria bookmakers

E. Monitoring

The purpose of these rules is to ensure that the SP remains robust and is impartial to both punter and bookmaker. It follows from the sample selection rules that the sample may alter in successive races at the same meeting.

The current rules for determining the SP came into force in December 2011 and incorporate some minor subsequent changes

Appendix (6)

Glossary

| | |
|--------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| AGT | Administration of Gambling on Tracks Limited Police the administrative aspects of the ring, such as pitch allocation, late payments, disputes, etc. |
| AMRAC | Amalgamated Racing. Betting shop service providing pictures and data sources to the betting industry. |
| Gambling Commission | Police the regulatory aspect which forms part of a licence condition for the bookmakers including the display of maximum guaranteed liabilities. |
| Press Association Sport | Manages and employs the validation team. |
| RDT | Racecourse Data Technologies. A computer systems and software company. |
| SIS | Satellite Information Services. Provider of picture and data sources to the betting industry. |
| SP | The starting price for each horse is the market price at the off generally available to good money on the boards of those bookmakers in a sample whose each-way terms for a given race most closely reflect the each-way terms on offer for that race in the off-course retail market. |

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