

THE STARTING PRICE REGULATORY COMMISSION



ANNUAL REPORT 2023

APRIL 2024

CHAIRMAN'S STATEMENT

CONTENTS

CHAIR'S PERSONAL STATEMENT

1. MONITORING THE STARTING PRICE SYSTEM
2. CURRENT MARKET ISSUES
3. OPERATIONAL MATTERS

APPENDICES

- A. THE STARTING PRICE REGULATORY COMMISSION - AN OUTLINE
- B. STARTING PRICE OVERROUNDS JANUARY 2013-DECEMBER 2023
- C. RULES FOR DETERMINING THE STARTING PRICE (SP)
- D. GLOSSARY

It is my pleasure to introduce the SPRC Annual Report for 2023. This was the first full year of the updated system for the determination of starting prices which the Commission introduced during May 2022, and also featured some transition in the membership of the Commission.

During the year, the Commission focused much of its attention on monitoring the impact of the revised SP system. Amendments to the sample size were considered but rejected. Auditing arrangements were reviewed and some additional regular reporting agreed. The SPRC does not set prices, but rather aims to deliver a fair representation of the prices generally available at the "off" on British horse races. The Commission is satisfied that the formulation and operational delivery of its method for determining the SP met this aim during the year (see section 1). However, it is neither disinterested nor uninterested in the underlying dynamics within the market for betting on British racing, and this report makes some observations on how the market is changing and why SP overrounds have steadily increased (see section 2).

In my role as Chair, I had liaison meetings during the year with the Horserace Bettors Forum (HBF),

on-course bookmaker representatives, representatives of off-course bookmakers various parliamentarians, the Gambling Commission, the British Horse racing Authority and representatives of British racing's media rights holders.

Sir David Metcalf retired from the Commission in October after nearly two decades of service. I would like to thank him for his hard work and wise counsel over the years. With Lord Lipsey also due to retire at the end of 2024, an open process was held in the autumn to appoint two new directors to ensure suitable succession arrangements. I'm delighted to welcome Bruce Millington and Mike O'Kane to the Commission. Both bring a wealth of industry and consumer experience.

Finally, I'd like to thank my Commission member colleagues for their commitment, advice and guidance during the year, the members of our Technical Sub-Committee for their review of various matters, and once again to Nigel Burns and his team at PA Betting Services for carrying out SP validation so professionally throughout the year.

Nick Rust

Chair, Starting Price
Regulatory Commission





MONITORING THE STARTING PRICE SYSTEM

The Commission focused much of its attention on monitoring the operational delivery and impact of the revised SP system.

MONITORING AND AUDITING ARRANGEMENTS

During its February meeting, the Commission held an in-depth review of the materials and records available for auditing and monitoring SPs and their production. Various real-life examples and potential scenarios were explored. The Commission will receive some additional reports on a regular basis to further assist its responsibility to oversee the integrity of the SP system.

PRICE SOURCE IRREGULARITIES

One of the areas the Commission wants to monitor closely is the potential for coordinated price movements amongst our price sources in the final minutes before the “off” of a race. Whilst the Commission has seen no evidence of any malpractice, it is an obvious area to investigate. Subsequent to the February meeting, our monitoring systems quickly identified what could have been a systematic shortening in prices by one of our price sources in the minute of so before the “off” of races. The source was omitted from the SP sample for all races once the issue was identified, and steps were taken to investigate. The price source was switching from its pre-race to its in-running market prices manually about a minute before each race. Understandably, betting operators bet to higher overrounds in the more volatile in-running market and so prices were shorter. The manual switch gave the unintended consequence of removing availability to the regular pre-race markets, and the operator rectified this and its prices were subsequently reintroduced to the available price sources for the SP sample.

CONSIDERATION OF AN AMENDMENT TO THE SAMPLE METHOD

Arising from its February discussion on auditing and monitoring arrangements, the Commission considered whether to move from the policy of selecting up to 6 price sources (see Appendix C for current method) to using a median of all 7 sources currently available to it, but ultimately rejected this on advice from its Technical Sub-Committee. An advantage would have been removing the somewhat arbitrary nature of how the sample of 6 price sources is selected when all 7 currently available for selection qualify for a particular race (the omitted source being selected by rotation from race to race). However, the Commission accepted the Technical Committee’s advice that using a median price from all 7 sources would result in a distortion of the representation of prices in the market, and in fact would either deliver the same prices as the current system or poorer prices for consumers depending on the distribution of the price sources.

PRICE SOURCES IN 2023

During 2023, the bookmaking firms comprising the sample for returning the SP were: bet365, Betfred, Ladbrokes, Paddy Power, SkyBet, Unibet and William Hill. These firms taken together provide a substantial majority of the market for betting on British horse racing.

Coral is not included as its prices are often similar / identical to Ladbrokes, their Entain sister brand. Paddy Power and SkyBet are both part of Flutter Entertainment but are both currently included because they set separate prices. Our policies with regard to treatment of brands in such circumstances remain under review.

Races comprising the maximum available sample size (six) have increased since the introduction of the new system last year. Between May and December 2023, 98% of all races featured the maximum sample.

Whilst the Commission continues to believe that the current available price sources provide a robust representation of the market, as set out in our 2022 Annual Report, it remains interested in widening its sample so as to be in the most resilient possible position in the event of any market consolidation or increasing concentration. A price source will be considered valid providing:

- > It is freely available to customers in the UK
- > It constitutes at least 1.5% of the UK market for betting on British racing
- > Prices are available on standard each-way terms

These criteria continue to leave the door open for on-course bookmakers to contribute a collective/composite observation to the sample determining the SP. We note with interest the establishment in the second half of the year of the United Council Of Racecourse Bookmakers (UCORB) which seeks to consolidate representation in a single body. Whilst not strictly falling within the scope of the 2023 Annual Report, we note that UCORB made some proposals for inclusion in the SP sample which were considered at the March 2024 Commission meeting.

OVERROUNDS

The Commission monitors overrounds and publishes information on averages per race and per runner (see Appendix B for historical information). Overround trends help guide the Commission into examining areas of risk for the SP’s integrity. They also provide a guide to dynamics in the market, including the impact of field sizes and betting operator pricing/concessions policies (see Section 2 for our commentary on the market dynamics in 2023).

Overrounds in 2023 rose steadily compared to 2022. They are now at or slightly above average levels in 2019, the last full year of the SP being returned entirely from the on-course market. However, the Commission notes that the average overround constituted by the first three in the betting on each race (which attract a substantial majority of betting activity) has fallen by over one percentage point in 2023:

	2022	2023
Average overround % per runner	1.76	1.84
Average overround % per race	16.12	17.00
Average overround % first 3 in betting	73.97	72.81



CURRENT MARKET ISSUES

The SPRC Board regularly hears from interested parties concerning SP overrounds, and seeks to take into consideration their views. Given the current trend of increasing average overrounds (see Section 1 and also Appendix B), consumers and their representative groups (most notably the Horse race Bettors Forum) as well as racing journalists or publications have shown concern about increasing overrounds and falling value in the SP for betting consumers, notwithstanding our earlier observation that average overrounds for the first three in the betting actually reduced in 2023.

As we set out in Section 1, SPRC does not set prices, nor does it seek to somehow adjust them towards an arbitrary notional "balance", but rather produces a representation of the prices generally available in the market for betting on British horse racing at the time of the 'off' of a race. The Board believes through its work on monitoring and auditing the SP policy and process that the SP is robust and a fair reflection of available prices.

MARKET SUPPLY CONCENTRATION

We have seen no material change in market concentration for the supply of betting on UK horse racing in 2023. There has been little or no market consolidation, and the available basket of prices for the SP continues to come from betting operators that supply a significant majority of betting activity on British horse racing. Available supply remains robust.

IRREGULAR COMPETITIVE ACTIVITY

The Board has seen no evidence of inappropriate pricing activity or collusion amongst its price sources. This can also be ruled out as a reason for increasing overrounds.

However, the Board makes some observations on changing dynamics in the market which are likely contributing to increasing overrounds.

BOOKMAKER PRICING POLICY

There appears to be a weakening trend in betting turnover on horse racing by UK consumers which may be impacting on betting operator business. This is likely driven by three principal factors: firstly, a weakening in interest in betting on horse racing as new consumers are more likely to adopt other gambling products; secondly, the increasing cost (media rights, Levy etc) of offering betting on horse racing to UK consumers, which may be affecting betting operator pricing policy on horse racing; thirdly, the impact of affordability checks on consumers being introduced by operators in response to regulatory action by the Gambling Commission.

There are widespread suggestions of declines of 10-15% in turnover on British racing in 2023. This will likely be impacted by a favourable 'results effect' for bookmakers which limits recycling of winnings, but nevertheless may be indicative of a wider trend in bookmakers setting prices to achieve higher percentage margins. Reported rises in GGR (gross gaming revenue) yield in the medium term, correlating with steady increases in SP overrounds would back up this view.

Costs of providing betting on racing are probably at or near a peak following the latest media rights deals between racecourse media rights' vehicles and betting operators. This necessarily drives betting operators to examine profitability of racing activity and is probably a factor in the continuing withdrawal of key concessions such as BOG (Best Odds Guaranteed), but also impacting on pricing policy and competitiveness. Crucially, the latest media rights deals are based substantially more on share of turnover (as opposed to fixed fee elements or a share of GGR) which is likely to drive further change in bookmaker pricing policy towards a higher-margin/lower-turnover approach in order to keep the costs down of providing betting on racing.

Regulatory policy may be impacting the traditional model for betting on horse racing. Traditionally, operators sought to recruit and compete on horse racing as customers delivered good overall GGR when a proportion could be cross-sold into other products. That opportunity is now more difficult to achieve. In addition, financial/affordability checks are reportedly affecting horse racing bettors disproportionately given their customer mix.

All of this leaves a narrowing customer base with more limited bookmaker profitability. It is not surprising in our view, therefore, that we are seeing bookmakers' price policies changing, and overrounds increasing.

FIELD SIZES

There was some improvement in average field sizes in 2023, with overall averages up on 2022 in all three codes (Jump, Flat turf and AW). The number of races with fewer than eight runners (which offer more limited each-way betting and therefore impact turnover) went down from 42.3% in 2022 to 37.5% in 2023 according to BHA data. These trends should have had a positive impact on SP trends, but they were outweighed by the other factors we observed above.

Overall, the Commission thinks it is likely that the trend of increased 'tightening' of bookmaker pricing policy will continue in 2024 given the changing dynamics of the market. This is likely to mean a continuation of increasing SP overrounds. The improving field size trends (which may improve again in 2024 given the planned reduction in fixtures and races) will continue to be insufficient to mitigate this completely. The Commission will continue to closely watch market dynamics and make any adjustments to its SP methodology as it considers sensible to ensure market prices are fairly being represented in the SP.



3

OPERATIONAL MATTERS

BUSINESS CONTINUITY PLAN

Following a review of PA Betting Services' business continuity plan for British racing, one Starting Price Validator (SPV) is now located remotely each day. Having an SPV working from a remote location provides a continuity option for the horse racing service should access be denied to the PA's Howden site.

Working on a duplicate set-up, the remote SPV continues to have real-time access to colleagues, streams and relevant user interfaces.

The updated BCP was implemented in April 2023.

RDT MEETING: ON-COURSE BOOKMAKERS' PRICE SOURCE

Nigel Burns, who leads the SP validation operation, held a meeting with John Carthy (RDT) regarding provision of a consolidated (and validated) UK on-course price feed for inclusion in the current sample. The proposed solution came with some risks attached, but the principal issue to overcome is funding. SPRC does not make payments for the provision of price sources.

ENTAIN VISIT

Two representatives from Entain visited PA Betting Services in April. Discussions included the recent review of the business continuity plan and the possibility of including all seven available bookmakers in the sample.

CORRESPONDENCE VIA SPRC EMAIL ADDRESS

Only two queries were received through the SPRC's website for consideration at the Commission's 2023 meetings.

The first correspondent was searching for guidance on whether, in the event one race at a meeting was void, a winning distance bet over the meeting would also be void. 'If a race is abandoned. Is the whole bet void or what happens'. The correspondent was advised to contact the betting company in question for guidance.

The second correspondent queried the use of 'new' fractional prices in SP returns as he was concerned they may be unfair for betting consumers. He was advised that the range of fractional prices used reflected those generally offered by price sources – the SPRC had not introduced them.



APPENDIX



THE STARTING PRICE REGULATORY COMMISSION – AN OUTLINE

1 PURPOSE

The Starting Price Regulatory Commission (SPRC) is an independent body responsible for the integrity and accuracy of the starting price (SP). The SP is used in the settlement of a significant proportion of bets on British horse racing struck with licensed bookmakers in betting shops or through their websites. The role of the Commission is to ensure that the returned price accurately reflects the price available to bettors at the 'off' of each race.

The SPRC does not set individual prices, overruns or margins, nor does it set targets for what they should meet. Indeed, its members would not wish to do so and substitute their judgement for that of the marketplace. The SPRC's responsibility is simply and straightforwardly to set the parameters by which the SP is calculated and to ensure, so far as within its power, that bookmakers and the SP validators – and the technology that they use to monitor market movements – are operating within the framework it has specified.

2 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 the bookmakers who accepted off-course bets. Governance therefore is of the greatest importance. The Starting Price Liaison Committee of 1994 was turned into the SP Executive in 1999, before the creation of the current body, the SPRC, in 2004.

The SPRC was created as a result of a study commissioned by the SP Executive, a group of representatives from the Mirror Group (then the owners of the Racing Post), SIS and the Press Association. The aim was to provide an opportunity for independent scrutiny of the processes used to return the SP, particularly to deal with questions about the accuracy and integrity of individual starting prices from off-course bookmakers, bettors and other interested parties, a role that the SPRC has fulfilled ever since.

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 additional revisions in 2006. Prior to the emergency arrangements adopted as a result of the pandemic in June 2020, the most recent set of Operating Rules and Procedures was issued following a review by the Commission in 2011. The current revision was approved by the Commission and applied from 1st May 2022.

3 COMPOSITION

The Commission currently consists of five independent Non-Executive Directors. From 6th April 2021 the SPRC has been chaired by Nick Rust, former Chief Executive at the British Horse racing Authority. His fellow directors are Lord Lipsey, a former director of the Tote, Richard Hayler, Managing Director of the Independent Betting Adjudication Service (IBAS), Mike O'Kane, a Horse race Betting Levy Board member and Bruce Millington, former editor in chief of the Racing Post.

The SPRC's work is funded by contributions from the bodies which control racecourse data rights. The SPRC's directors are all independent of bookmakers and would be obliged to declare if any conflict of interest arose.

The Commission meets at regular intervals throughout the year with executives of the racecourse data controllers in attendance. Ad hoc meetings are called as required to consider specific issues arising of interest to the SPRC.

The Commission's legal advisers are CMS.

4 COMPANY STATUS

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



B STARTING PRICE OVERROUNDS JANUARY 2013-DECEMBER 2023

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
JANUARY	1.82	1.80	1.67	1.73	1.73	1.73	1.80	1.82	1.68	1.71	1.79
FEBRUARY	1.77	1.77	1.70	1.74	1.78	1.78	1.82	1.69	1.69	1.75	1.77
MARCH	1.73	1.74	1.71	1.70	1.68	1.76	1.89	1.75 [^]	1.67	1.75	1.81
APRIL	1.68	1.67	1.65	1.68	1.70	1.72	1.86	**	1.65	1.72	1.79
MAY	1.69	1.68	1.66	1.68	1.71	1.75	1.86	**	1.66	1.74	1.83
JUNE	1.71	1.77	1.75	1.70	1.76	1.82	1.99	1.47*	1.66	1.76	1.84
JULY	1.76	1.74	1.80	1.72	1.77	1.89	1.94	1.62*	1.68	1.81	1.85
AUGUST	1.77	1.78	1.81	1.76	1.75	1.89	1.99	1.63*	1.68	1.78	1.81
SEPTEMBER	1.66	1.63	1.69	1.73	1.68	1.85	1.88	1.64*	1.70	1.75	1.80
OCTOBER	1.62	1.59	1.66	1.67	1.64	1.76	1.68	1.67*	1.68	1.73	1.81
NOVEMBER	1.68	1.72	1.69	1.77	1.72	1.74	1.73	1.67*	1.71	1.76	1.84
DECEMBER	1.72	1.72	1.73	1.69	1.75	1.80	1.88	1.66*	1.71	1.78	1.84

Annual average for 2023 is 1.82

2020: [^]Partial Month. *BCD. **No Racing - Source: Racing Post



RULES FOR DETERMINING THE STARTING PRICE (SP)

The temporary Starting Price (SP) procedures put in place for the recommencement of racing in June 2020 were replaced with the current, updated Rules from May 1st 2022.

RULES FOR RETURNING THE SP

The SP is based on the betting shows of a sample of betting operators operating in Great Britain who constitute a significant share of the overall market and meet the SPRC's qualifying criteria as a price source.

The SPRC will monitor the effectiveness of this process on an ongoing basis. Regular meetings of the SPRC's Technical Sub-Committee will review whether the process can be refined or improved to better reflect the off-course betting market and return the fairest possible SP.

PRICE SOURCE PROVIDER – QUALIFYING CRITERIA

Bookmakers considered for inclusion in the SP sample must fulfil the below criteria:

- > Prices must be available to customers in Great Britain.
- > Prices must be offered with each-way terms.
- > Any participating bookmaker must undertake to provide a robust connection to PA's API to facilitate data delivery.
- > Each bookmaker must provide an independently priced feed and not recycle the PA's live show price.
- > Where more than one participating bookmaker is in the same ownership group a maximum of one feed per group will be considered, unless there is sufficient evidence prices are independently controlled and competing.
- > Any price source provider must reasonably be expected to constitute a minimum of 1.5% of the total betting market for British horse racing. The SPRC will assess whether any new price source meets the minimum criteria using publicly available data.

PRINCIPLES OF THE STARTING PRICE (SP) PROCEDURE

The starting price for each horse is the market price at the off, offered by selected bookmakers in a sample whose each-way terms for a given race most closely reflect the each-way terms offered to customers in the betting rules of a majority of off-course bookmakers. These rules are referred to on the following page as "customary terms".



SELECTING A SAMPLE

There is no maximum sample size. The sample will be as large as possible in accordance with the procedure below. The sample will be an even number wherever practically possible in accordance with established procedures.

a) Where all suitable bookmakers are betting to customary each way terms

The SP validator will have discretion to include as many bookmakers in the sample as possible, in accordance with the procedure detailed above.

b) Where a majority of suitable bookmakers are betting either to customary each way terms, an enhanced fraction or one additional place

Where some bookmakers are betting to non-customary each way terms, the sample will prioritise those betting to customary terms. The sample can then be topped up as far as possible with any bookmakers offering either an enhanced fraction or a single additional place.

c) Where a majority of suitable bookmakers are offering more than one additional place

In instances where the majority of suitable bookmakers are offering each-way terms which are enhanced by more than one place, the sample will be determined by calculating the median number of places being offered by those selected bookmakers, eligible to be sampled, and sampling the prices of every bookmaker offering that same number of places as the median, or fewer.

For example, if 10 bookmakers are eligible for inclusion in the sample and their each way terms for a 40 runner handicap were:

1/4 – FOUR PLACES *	1/5 – SIX PLACES *
1/5 – FIVE PLACES *	1/5 – SIX PLACES *
1/5 – FIVE PLACES *	1/5 – SIX PLACES *
1/4 – FIVE PLACES *	1/5 – SEVEN PLACES
1/5 – SIX PLACES *	1/5 – EIGHT PLACES

*Sampled Selection

The median offering would be 1/5 odds, 6 places. Any bookmaker betting to those terms would be included in the sample, as would those offering 1/5 five places, 1/4 five place and 1/4 four places.

If in an even numbered sample of bookmakers, there is a discrepancy at the median point between the terms offered by the two bookmakers either side of the median point, the sample should include both of those bookmakers and every other sampled bookmaker betting to these or less generous each way terms, for example:

1/4 – FOUR PLACES *	1/5 – SIX PLACES *
1/5 – FIVE PLACES *	1/5 – SIX PLACES *
1/5 – FIVE PLACES *	1/5 – SEVEN PLACES
1/4 – FIVE PLACES *	1/5 – SEVEN PLACES
1/4 – FIVE PLACES *	1/5 – EIGHT PLACES

*Sampled Selection

The median offering would be 1/5 odds, six places. Any bookmaker betting to those terms would be included in the sample, as would those offering 1/4 five places, 1/5 five places and 1/4 four places.

It is not envisaged that any bookmaker can or will offer each way terms less favourable than those detailed in their betting rules. The SPRC is not aware of any bookmaker which offers horse race betting and applies each way terms less favourable than those detailed below ('customary terms').

No SP will be returned if for any reason a sample of prices from 3 bookmakers cannot be achieved.

Any bookmaker whose feed of prices appears to the SP validator to precisely mirror the PA's live show feed (i.e., which appears to be 'recycling' the composite live price feed) will be excluded from the sample.

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.

CUSTOMARY EACH-WAY TERMS

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

EMERGENCY PROCEDURES/SYSTEM FAILURES

SP Validators adhered to the above procedures. However, the regulations also stated: "In exceptional circumstances and where there is a need for flexibility to return an SP, the SP Validator must, if time permits, contact PA management/Senior SP Validator to confirm their action which will meet criteria that enables transparency and upholds the integrity of returning an SP in all instances. In these circumstances it is permissible for SP Validators to use discretion and those details to be forwarded in writing to PA management.

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.

D GLOSSARY

GAMBLING COMMISSION

Police the regulatory aspect which forms part of a licence condition for bookmakers.

PA BETTING SERVICES

Manages and employs the validation team.

RMG

Racecourse Media Group. Betting shop service providing pictures and data sources to the betting industry.

SIS

Sports 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 with bookmakers that make up a substantial part of the horse racing betting market in Great Britain, 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.

TRP

The Racing Partnership. Provider of picture and data sources to betting shops and the wider The Racing Partnership. Provider of picture and data sources to betting shops and the wider betting industry.



Press Association

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