



THE STARTING PRICE
REGULATORY COMMISSION

ANNUAL REPORT 2021

JULY 2022

CHAIRMAN'S PERSONAL STATEMENT

I am delighted to introduce the 2021 annual report of the Starting Price Regulatory Commission in my first full year as Chair. I'd first of all like to thank Lord Bernard Donoughue for his foresight in establishing the Commission and for his seventeen years' service in leading the organisation successfully through periods of great change in the on and off-course betting markets.

We are experiencing a further period of change following the impacts of the Covid-19 pandemic on racing and betting. Early in the year, having been forced the previous year to put in place emergency arrangements for returning SPs from off-course bookmaker sources due to no on-course market being available, the Board took the decision that future determination of the SP would largely be comprised of off-course prices, though we believe that the inclusion of an expression of on-course prices is highly desirable. The Board has been working late in 2021 to consider the implications this should now have on the mechanism in order to move it from the basis used since June 2020 in the emergency arrangements to a more permanent mechanism which takes into account the situation in the contemporary market for betting on British horseracing. We hope to reach our conclusions early in 2022 and publish details soon afterwards.

I am grateful for the support received from my fellow directors in welcoming and inducting me, and in assisting with implementing some governance modernisations. I would also like to thank David Zeffman of CMS for his legal guidance and Nigel Burns of PA for all the operational and technical work he has led this year. Finally, I would like to wish Jim Donnelley well for his retirement after a long and successful career at PA Media, and to thank him for all his work at SPRC where he acted as company secretary up to his decision to retire at the end of 2020.

1 INTRODUCTION

In March Lord Donoughue stepped down as Chair of the SPRC. He had successfully guided SPRC since its establishment in 2004. We are fortunate in having Nick Rust as his replacement.

When racing went behind closed doors in 2020 there were no spectators or on-course bookmakers. The Starting Price (SP) was, under emergency procedures, determined from a sample of off-course bookmakers. By common consent that system worked well and continued throughout 2021. It is proposed to continue to return the SP wholly or mainly from off-course prices (section 2). We are investigating: the scope for widening the basket of bookmakers included in the sample; how to deal with non-standard each-way terms; and the possible inclusion of one observation in the sample from information provided by on-course bookmakers.

During 2021, in addition to the appointment of the new chair, a number of governance issues were resolved, which had been previously put on the back-burner because of Covid. These included new Terms of Reference for the SPRC Board and new letters of appointment for Board members (section 3).

A number of operational matters were processed. These included the reduction in on-course validation staff supervised by PA and our response to complaints/queries regarding an attempted betting coup in February and a match race in September. The SPRC also continues to carefully monitor changes in the market structure of the bookmaking sector because any trend to further concentration could have implications for the composition of the sample used to return the SP (section 4).

Various appendices describe: an outline of the SPRC; SP overrounds over the last decade; and the rules for determining the SP.

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2 MOVE TO OFF-COURSE SAMPLE: A NARRATIVE

In the second half of 2020 there were no spectators or bookmakers on-course. Therefore, the SP was calculated from information provided by major off-course bookmakers (see 2020 Annual Report).

During 2021, even after on-course bookmakers had returned in May, the SP continued to be calculated from information supplied by a sample of off-course bookmakers. This sample of firms is: William Hill, Bet365, Ladbrokes/Coral, Paddy Power, Unibet, Betfred, and SkyBet (who operate a separate book to Paddy Power despite also being part of Flutter). Among the reasons for continuing with off-course bookmakers are the following.

First, on-course bookmakers account for just 1-2% of horserace betting turnover.

Second, the integrity of the technical side of returning the SP is excellent, including: sample size, connectivity and providing data in a timely manner.

Third, early evidence suggested that the betting outcomes using the off-course sample were similar to those from the previous on-course sample (with some caveats as set out in the 2020 Annual Report). We were not shown evidence during 2021 that suggested any major alterations in the betting outcomes (e.g. race overround, overround per runner, return on investment) consequent on the use of data from the off-course sample.

The system works thus. PA's office-based racing data staff (RDS) share their screen, hosting the application, in real time with a Starting Price validator (SPV). The SPV is located nearby. Viewing the shared data, the SPV can instruct the RDS on the construction of the sample for each race and has end-to-end visibility of all actions performed by the RDS in sending race-day data and SPs.

On a separate screen, SPVs refer to individual bookmakers' websites to ascertain each-way terms prior to selecting a sample for each race and continue referencing these websites regularly in order to cross reference price data within the sample. Throughout the betting period for each race SPVs also continually monitor individual bookmaker prices. If there is evidence that data from a specific bookmaker is delayed or inaccurate, that bookmaker can be removed from the sample.

In October 2021 it was decided to continue to return the SP mainly or entirely using off-course data. Central to this decision, SPRC asked its Technical Committee to consider two consequential issues:

- a. Should we seek to widen the basket of available prices so that it better reflects the current market? If so, which sources should be explored and what are the qualifying criteria for a valid price source in a world no longer restricted to the on-course market?
- b. How should we deal with the specific dynamic in the off-course market of varying each-way terms? How would this affect the "selection" used in the broader market we are now using?

Decisions on potentially widening the sample and on each-way terms are planned to be taken in early 2022.

There remains the issue of inclusion or otherwise of on-course bookmakers in the sample to determine the SP. In October the Board specifically ruled out the possibility of recreating a physically validated sample of on-course prices to create a price observation within the overall basket of prices. It did not believe that the industry could justify a significant sum to produce such a validation given the system introduced in emergency circumstances in 2020 was working well.

However, the Board felt that there would be ways for on-course bookmakers to work together to produce a digital-only solution which could meet the likely qualifying requirement for inclusion as a valid price source. It also noted that the £90,000 sum which the Betting and Gaming Council offered to support a technical solution to assist on-course prices to continue to be included was still available and could be used by on-course bookmaker associations.

The decision of the Board, therefore, was to treat a potential on-course price source in the same way as any other potential price source. If the minimum qualifying criteria can be met SPRC would wish to include that price source.

3 GOVERNANCE

During 2021, a number of important Governance subjects were agreed. Some had previously been put on the back burner because of Covid-19. The topics included: Chair of the SPRC; terms of reference of the SPRC Board; and letters of appointment for Board members.

A. SPRC CHAIR

Lord Donoghue, Chair of SPRC since its establishment in 2004, retired in March. A Search Committee considered a number of potential candidates for Chair and Nick Rust was appointed in April. Given his wide and deep experience, including in the bookmaking industry and as CEO of the British Horseracing Authority (BHA) the appointment was welcomed inside and outside horseracing and betting.

Since his appointment the new Chair has held numerous one-to-one meetings with stakeholders, including: on-course and off-course bookmakers, punters' representatives, racecourses, PA, Levy Board, BHA, Gambling Commission and media. Once matters in section 2 above are concluded by the Board, further briefings will take place with betting and racing stakeholders, as well as the Gambling Commission and DCMS.

B. TERMS OF REFERENCE FOR SPRC BOARD.

Revised SPRC Board Terms of Reference were agreed and published on our website. These covered: purpose and objectives of the Board; Board membership; decision-making; meetings; paper and presentation guidelines; responsibilities; delegating tasks and powers (to Nomination Committee and Technical Sub-Committee); reporting and monitoring; review of the Board.

The Board's responsibility is 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.

C. LETTERS OF ENGAGEMENT

New letters of appointment were established for Board members. The letters cover: dates of appointment (typically one or two 4-year terms with provision for extension); time commitment; role and duties; fees and expenses; outside interests and independence; confidentiality; changes in personal details; data protection; third party rights; governing law and jurisdiction.

D. FURTHER GOVERNANCE ISSUES

During the year the Board also discussed other governance issues. These included: succession planning; attendees at Board meetings; secretarial resources; diversity; normal number of meetings; key role of Technical Sub-Committee including its composition and frequency of meetings.



4 MISCELLANEOUS

A. OPERATIONS

PA kept SPRC informed concerning its consultations with Starting Price validators being made redundant or re-locating from on-course to PA operations centre at Howden. It was agreed that they had coped well with the move to off-course prices.

B. ATTEMPTED COUP

A multiple betting coup was attempted concerning three races on February 7th at Musselburgh and Southwell. Bookmakers reacted by shortening prices on gambled-on horses causing the overround to be higher than normal. The SPRC received a complaint via its website. A response was provided confirming that all the correct procedures were adhered to. Further, the odds were not out of line with previous similar events.

C. FONTWELL MATCH 14TH SEPTEMBER

The SPRC received a query concerning the SPs returned from a 2-horse race. Our response confirmed that all procedures were adhered to and that the returned SPs were correct. Further, the SPs were not out of line with SPs from previous match races.

D. INDUSTRY STRUCTURE

The concentration of off-course British bookmaking sector is not directly a matter for the SPRC. Nevertheless, the SPRC follows developments closely. First, any further consolidation may imply less choice for punters. Second, such a trend may signal problems concerning the composition of our sample to return the SP. In particular, where "separate" bookmakers (eg Ladbrokes, Coral) are in common ownership (Entain), SPRC only take one price feed from that enterprise when calculating the SP. This links back to the issue of widening the basket of available bookmakers discussed in section 2.



APPENDIX A

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 the majority of bets on British horseracing 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 on-course at the 'off' of each race.

The SPRC does not set individual prices, overrounds 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 racecourse 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 Starting Price Regulatory Commission (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, 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 also 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. A revised permanent set is expected to be approved by the Board in early 2022.

3 COMPOSITION

The Board of the Commission currently consists of four independent Non-Executive Directors. From 6th April 2021 the SPRC has been chaired by Nick Rust, former Chief Executive at the British Horseracing Authority. His fellow directors are Sir David Metcalf, Emeritus Professor at the LSE and a racecourse steward, Lord Lipsey, a former director of the Tote and Richard Hayler, Managing Director at Independent Betting Adjudication Service (IBAS).

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

The Board meets at regular intervals throughout the year with executives of the racecourse data controllers in attendance plus a representative of AGT (Administration of Gaming on Tracks). 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.



APPENDIX B

STARTING PRICE OVERROUNDS

JANUARY 2011-DECEMBER 2021

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
JANUARY	1.61	1.59	1.82	1.80	1.67	1.73	1.73	1.73	1.80	1.82	1.68
FEBRUARY	1.59	1.63	1.77	1.77	1.70	1.74	1.78	1.78	1.82	1.69	1.69
MARCH	1.52	1.61	1.73	1.74	1.71	1.70	1.68	1.76	1.89	1.75^	1.67
APRIL	1.62	1.60	1.68	1.67	1.65	1.68	1.70	1.72	1.86	**	1.65
MAY	1.61	1.56	1.69	1.68	1.66	1.68	1.71	1.75	1.86	**	1.66
JUNE	1.67	1.60	1.71	1.77	1.75	1.70	1.76	1.82	1.99	1.47*	1.66
JULY	1.64	1.70	1.76	1.74	1.80	1.72	1.77	1.89	1.94	1.62*	1.68
AUGUST	1.65	1.74	1.77	1.78	1.81	1.76	1.75	1.89	1.99	1.63*	1.68
SEPTEMBER	1.53	1.68	1.66	1.63	1.69	1.73	1.68	1.85	1.88	1.64*	1.70
OCTOBER	1.43	1.62	1.62	1.59	1.66	1.67	1.64	1.76	1.68	1.67*	1.68
NOVEMBER	1.54	1.68	1.68	1.72	1.69	1.77	1.72	1.74	1.73	1.67*	1.71
DECEMBER	1.62	1.81	1.72	1.72	1.73	1.69	1.75	1.80	1.88	1.66*	1.71

Annual average
for 2021 is

1.68

2020: ^Partial Month. *BCD. **No Racing

Source: Racing Post

APPENDIX C

RULES FOR DETERMINING THE STARTING PRICE (SP)

The starting price for each horse was the market price at the off available with those off-course bookmakers used to comprise the sample. This format is a continuation of the procedure implemented upon the resumption of racing in June 2020.

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.

SELECTED DEFINITION

BOOKMAKER

For the purposes of determining the SP in 2021, a bookmaker is defined as an off-course bookmaker betting in accordance with the Gambling Commission's Licence Conditions and Codes of Practice. Seven bookmaker brands which constitute a large part of the overall off-course market form the available source prices from which a sample is drawn.

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

D SAMPLE SELECTION

The broad principles and terminology from the pre-lockdown SP procedures were retained, except that the terms 'criteria prices' or 'criteria bookmakers' no longer applied.

There is no maximum sample size. The sample is an even number wherever possible in accordance with established procedures. Where some bookmakers were betting to non-customary terms, the sample included only those betting to customary terms providing the sample did not fall below an agreed minimum size.

Where fewer bookmakers than the agreed minimum sample size are betting to customary each way terms, a minimum sample will be selected in the following order:

- Bookmakers betting to customary each way terms
- Bookmakers betting to the customary number of places at an enhanced fraction
- Bookmakers betting to one additional place at a reduced fraction
- Bookmakers betting to one additional place at the customary fraction or better
- Bookmakers betting to two additional places at a reduced fraction
- Bookmakers betting to two additional places at the customary fraction or better etc.

It is not envisaged that any bookmaker will offer betting at terms less favourable than customary each way terms.

- No Starting Price
No SP will be returned if a sample of 3 bookmakers cannot be achieved.
- Bookmaker's Own Prices
Any bookmaker whose feed of prices appears to the SP validator to precisely mirror the PA's live show feed may be excluded from the sample.
- 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."

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.

GLOSSARY

AGT

Administration of Gambling on Tracks Limited Police the administrative aspects of the ring, such as pitch allocation, late payments, disputes, etc

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

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 source bookmakers that make up a substantial part of the horseracing 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 betting industry.





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