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POLICY POSITION PAPER

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South African Bookmakers' Association (SABA) Position Paper on Prediction Markets and Betting Exchanges

Executive Summary

SABA is concerned by the emergence and growth of unregulated prediction market platforms that allow South African consumers to wager on political, economic, social and sporting outcomes outside the existing gambling regulatory framework. Recent reports indicate that more than R700,000 was wagered on the selection of Johannesburg's next mayor through the offshore prediction market platform Polymarket, despite the absence of any South African regulatory oversight, licensing, taxation, responsible gambling controls or integrity safeguards. (News24)
While prediction markets are frequently presented as innovative forecasting tools, their underlying mechanics are materially similar to peer-to-peer ("P2P") betting exchanges. Both models enable individuals to bet directly against one another, with the platform merely facilitating matching and collecting commissions or transaction fees rather than assuming betting risk itself.

SABA aligns with the conclusions of the International Federation of Horseracing Authorities (IFHA) and other international sporting integrity bodies that products enabling participants to profit from losing outcomes create elevated risks to sporting integrity, market manipulation, insider trading, corruption, money laundering and consumer harm. These concerns become particularly acute when prediction markets extend beyond sports into political elections, legislative decisions, public appointments, regulatory outcomes and financial events.

SABA therefore submits that:

1. Prediction markets are functionally analogous to betting exchanges and should not be allowed unless regulated accordingly.
2. Existing South African gambling legislation does not expressly provide for the licensing of prediction market operators.
3. The licensing of betting exchanges remains legally contentious and policy-sensitive in South Africa.
4. Prediction markets operating without a dedicated legislative framework create significant regulatory, integrity and consumer protection risks.

Background

The recent News24 report highlighting wagering activity on the selection of Johannesburg's next mayor demonstrates that prediction market activity is already occurring within South Africa despite existing regulatory uncertainty. (News24)

Prediction markets allow participants to purchase positions on whether an event will occur, with the market price representing a perceived probability of that outcome. Platforms such as Polymarket and Kalshi have expanded globally by facilitating speculation on:

- Elections;
- Political appointments;
- Legislative outcomes;
- Economic indicators;
- Regulatory decisions;
- Corporate events;
- International conflicts; and
- Sporting outcomes.

Although frequently described as "information markets" or "forecasting markets", prediction markets involve participants staking money on uncertain future contingencies for financial gain. Their essential characteristics therefore fall within the broader concept of gambling and betting.

Prediction Markets and Betting Exchanges: Functional Equivalence

SABA's position is that prediction markets and betting exchanges are not fundamentally different products. Betfair itself describes its exchange model as a marketplace where customers bet directly against one another rather than against a bookmaker. The exchange merely facilitates the matching of opposing views and collects commission. (betfair.com)

Likewise, prediction markets function by matching opposing positions between participants who hold different views regarding future events.

In both cases:

- The operator is not the counterparty to the wager;
- Participants assume risk against one another;
- Market prices are generated by participant activity;
- The operator derives revenue through commissions or transaction fees;
- Participants may profit from either the occurrence or non-occurrence of an event.

The distinction is therefore largely one of branding rather than substance. Accordingly, any policy concerns applicable to betting exchanges are equally applicable to prediction markets.

Integrity Risks

IFHA Position

The IFHA has repeatedly highlighted the dangers associated with betting products that facilitate wagering on losing outcomes and micro-events.

The IFHA's integrity concerns focus on:

- Match-fixing;
- Spot-fixing;

- Insider manipulation;
- Corruption of participants;
- Criminal exploitation of betting markets; and
- Erosion of public confidence in sporting outcomes.

These concerns arise because participants can profit directly from negative outcomes.
Unlike traditional betting, where a bettor generally wagers on a positive outcome occurring, exchange-style products permit a participant to benefit from failure, underperformance or non-occurrence. This creates a direct financial incentive to influence outcomes.

Political and Public Governance Risks

Prediction markets introduce an additional category of integrity concerns not ordinarily encountered in sports betting.
Where markets are offered on:

- Elections;
- Cabinet appointments;
- Municipal leadership positions;
- Legislative votes;
- Regulatory decisions; or
- Government contracts,

participants may have a financial incentive to influence democratic or governmental processes.
The Johannesburg mayoral market demonstrates how prediction markets can transform political events into speculative financial instruments. (News24)
Unlike sports integrity frameworks, South Africa presently lacks any equivalent monitoring system capable of detecting or preventing manipulation linked to prediction market activity.
This creates a substantial regulatory blind spot.

Legal and Regulatory Concerns

Absence of a Dedicated Legislative Framework
SABA has consistently maintained that peer-to-peer betting exchanges do not comfortably fit within the existing definitions of either:

- Bookmakers; or
- Totalisators.

The same reasoning applies to prediction markets.
As set out in SABA's submissions regarding betting exchanges, a platform that merely facilitates betting between members of the public does not conduct the business of a bookmaker in the traditional statutory sense because it is not itself a party to the wager.

Prediction market operators similarly facilitate transactions between participants rather than accepting betting risk themselves. Accordingly, there is a legitimate question as to whether existing gambling legislation authorises such activities at all.

North West Gambling Board and Betting Exchange Licences

SABA has previously expressed concerns regarding the North West Gambling Board's decision to issue licences described as "Bookmaker Operator (Betting Exchange)" licences.
SABA's position remains that:

- Provincial regulators may only exercise powers specifically granted by legislation.
- Existing legislation does not expressly authorise betting exchange licences.
- The operation of a betting exchange is fundamentally different from traditional bookmaking.

The emergence of prediction markets raises identical concerns. If betting exchanges require dedicated legislative treatment, prediction markets require the same.

Anti-Money Laundering Risks

Prediction markets present heightened AML risks because they:

- Facilitate large volumes of peer-to-peer transactions;
- Allow rapid movement of funds;
- Enable offsetting positions;
- Operate across multiple jurisdictions;
- Frequently involve crypto-assets; and
- Generate fragmented transactional records.

International regulators increasingly recognise that exchange-style products create complex money-laundering risks that are more difficult to detect than traditional bookmaker transactions. Where offshore prediction market operators are involved, South African authorities may have little practical ability to obtain transactional information or enforce compliance obligations.

Consumer Protection Concerns

Unlike licensed South African bookmakers, offshore prediction market operators are not subject to:

- South African responsible gambling obligations;
- Self-exclusion systems;
- Advertising restrictions;
- Affordability controls;
- Customer dispute resolution mechanisms;
- Local taxation requirements; or
- National Responsible Gambling Programme contributions.

Consumers participating in these markets therefore enjoy significantly fewer protections than those available in regulated betting environments.

Taxation and Economic Impact

Prediction markets create significant challenges for taxation authorities.
Questions arise regarding:

- The taxation of commissions;
- Gross gaming revenue calculations;
- Offshore settlements;
- Cryptocurrency transactions;

- Cross-border profit extraction.

Without a dedicated framework, substantial gambling-related revenues leave South Africa without generating meaningful tax contributions or supporting local economic development.

Policy Recommendations

SABA recommends that South African policymakers adopt the following principles:

1. Recognition of Functional Equivalence

Prediction markets should be recognised as exchange-style betting products and assessed according to the same regulatory standards applied to betting exchanges.

2. No Regulatory Arbitrage

Operators should not be permitted to avoid gambling regulation simply by describing their products as forecasting or information markets.

3. Dedicated Legislative Review

Prediction markets should only be considered following a comprehensive review of:

- Gambling legislation;
- Financial market legislation;
- Electoral legislation;
- Consumer protection requirements;
- AML obligations; and
- Integrity monitoring frameworks.

4. Precautionary Approach

Until a dedicated framework exists, prediction market operators should be regarded as part of the illegal offshore market.

5. Integrity First

Any future consideration of prediction markets must prioritise:

- Sporting integrity;
- Democratic integrity;
- Consumer protection;
- Anti-money laundering controls; and
- Public confidence in regulated gambling markets.

Conclusion

SABA supports the position advanced by the IFHA and other international integrity bodies that products enabling participants to profit from losing outcomes present heightened integrity risks. Prediction markets are, in substance, exchange betting products operating under a different label. Their peer-to-peer structure, reliance on opposing positions, facilitation of wagering on future contingencies and absence of a traditional bookmaker counterparty place them squarely within the same policy and regulatory concerns that have historically surrounded betting exchanges.

The emergence of unregulated prediction markets in South Africa, including markets on political outcomes, highlights the urgent need for regulatory clarity. (News24)

Until South African Gambling Regulators have enacted a comprehensive legal framework addressing licensing, integrity monitoring, consumer protection, anti-money laundering compliance and taxation, SABA submits that betting prediction markets cannot and should not be authorised to operate in South Africa and should be treated as exchange-style betting products falling outside the scope of the current legislative framework.

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CHIEF EXECUTIVE OFFICER

Founded in 1951, the South African Bookmakers' Association is the leading voluntary association for bookmakers and represents the interests of its members in the gambling industry.

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