iagr International Association of Gaming Regulators

Mini-survey: Gambling and gaming – blurred lines (2020)

International Association of Gaming Regulators

Welcome to *Gambling and gaming – blurred lines,* the first in a series of mini-survey reports from IAGR's Statistics Sub-Committee.

Building on the success of our Gambling Regulation – Global Developments reports, we are planning to produce several mini-survey reports throughout 2020. These will provide focused snapshots on topical or novel subjects of interest to gambling regulators.

James Green, Chair
Statistics Sub-Committee

1 INTRODUCTION

1.1
The International Association of Gaming Regulators (IAGR) consists of representatives from gambling regulatory organisations throughout the world. Our mission is to advance the effectiveness and efficiency of gambling regulation.

1.2
This report contributes to that mission. It presents the findings of our first mini-survey on the 'blurring of lines between gambling and gaming'. The survey explores the topics related to social gaming, skins betting, loot boxes and eSports betting.

2 AIM

2.1
The aim of this report is to present the findings of the gambling and gaming mini-survey conducted between December 2019 and February 2020.

3 METHODOLOGY

3.1
The underlying data for this report was collected from a survey of IAGR member jurisdictions conducted between December 2019 and February 2020. The survey was compiled, administered and analysed by the IAGR Statistics Sub-Committee, then chaired by Birgitte Sand (IAGR Board of Trustees member and Director of the Danish Gambling Authority). It was conducted via an online survey.

3.2
In total, 30 jurisdictions[1] responded to the survey, representing 46% of IAGR's membership. The regional split of respondents was:

- Africa: 33%
- Europe: 27%
- North America: 23%
- Asia / Oceania: 10%
- Central / South America: 7%

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1 Note that the survey was conducted at jurisdictional level and not at country level. According to the IAGR by-laws (s3.1) jurisdictional memberships consist of qualified agencies, which can be a regulatory body, a commission, or statutory body responsible for regulating the gaming industry within its jurisdiction. Each state or province within a country may be considered a jurisdiction. One jurisdiction can have more than one jurisdictional member if the jurisdiction has more than one qualifying agency.

4 GAMBLING VERSUS GAMING – AN AREA OF CONCERN

4.1

Social gaming, skins betting, loot boxes and eSports betting have become increasingly prevalent in recent years and drawn the attention of regulators, often as a result of complaints from consumers.

> In our *Gambling Regulation – Global Developments* (2019) report, eSports betting and social gaming (with real money prizes) were reported to be in the Top 5 of challenges for gambling regulators.

4.2

Of the four topics surveyed, social gaming was complained about in half of all respondent jurisdictions. Social games are ones that people play over the internet, often via mobile phones, and which are built on social networks. Some are focused on looking like gambling without the characteristics that would make them gambling (real money stakes or a prize of money). Some offer real money prizes, or the ability to trade virtual items. However, in such cases, another element which would qualify the game as gambling is absent (such as the element of chance).

4.3

Social gaming has a longer history than most other topics covered by the survey (emerging in the years following the launch of the social network, Facebook, using that platform to gain popularity). It is not tied to specific video game platforms, so is available to a wider audience for social gaming. These factors explain why complaints about social gaming are more prevalent than the other topics.

4.4

Skins betting were the subject of complaints across 37% of jurisdictions, while loot boxes and eSports betting were each areas of complaint across 30% of jurisdictions.

Figure 1: Topics complained about by jurisdictions
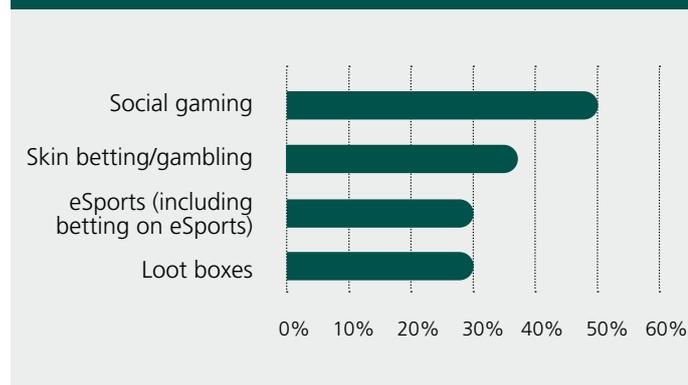
5 SKINS BETTING

5.1

Skins betting is betting or other forms of wagering or gambling using digital commodities or items (such as accessories or 'skins' for in-game weapons) which can be won or purchased within the confines of computer games. These so-called 'skins' can therefore be considered a form of virtual currency to wager with.

5.2

'Skins' were first introduced by Valve Corporation for its Counter-Strike: Global Offensive game during 2013. The skins were released on Valve's Steam marketplace, which provided a platform on which skins could be bought, sold or traded.[2] The Application Programming Interface used by the Steam marketplace, allowed third-party developers to create programs which facilitated transfer of skins in order to place bets with the skins or gamble the skins.[3]

5.3

90% of respondent regulators stated that they do not licence any operator which provides skin betting or gambling. The remainder (10%), do licence operators which provide skin betting or gambling.

Figure 2: Does your jurisdiction licence operators that provide skins betting?

- Yes
- No

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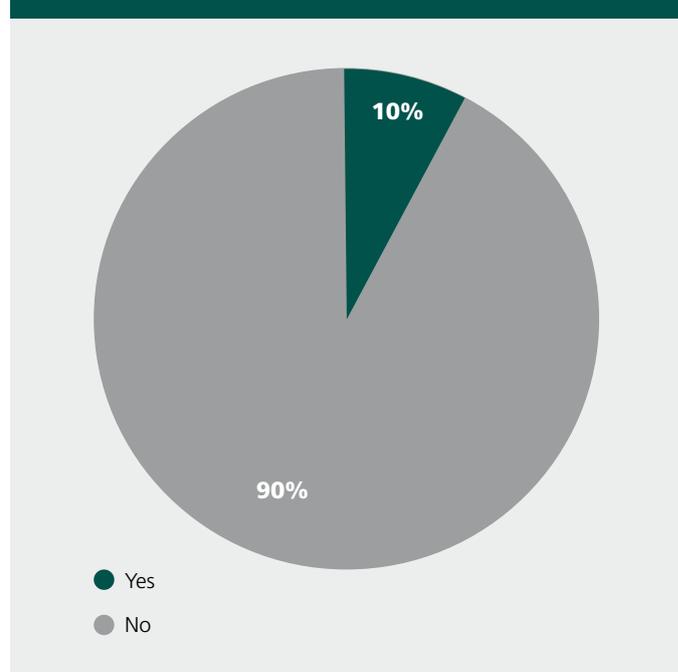
2 Greer, Nancy & Rockloff, Matthew & Browne, Matthew & Hing, Nerilee & King, Daniel. (2019). *Esports Betting and Skin Gambling: A Brief History.* Journal of Gambling Issues. 43.

3 ibid.

6 LOOT BOXES – A FORM OF GAMBLING?

6.1

Loot boxes are a type of in-game transaction in video games which allows players to purchase or earn boxes containing random virtual items. The virtual items can be 'skins' (e.g. the look and feel of a character or weapon), weapons, characters, or other such modifications which enhance a player's gaming experience or the time it takes to progress through a game. Also known as 'loot crates', 'card packs' or 'weapon cases', among other aliases. The survey concerned loot boxes which are purchased.

6.2

In recent years, loot boxes have emerged as a new and novel way in which video game publishers have sought to monetise their products via in-game transactions. With the introduction of loot boxes, questions have been raised across many jurisdictions as to whether these new forms of game mechanics cross the line into gambling.

6.3

The survey's results provide diverging opinions. 50% of respondent jurisdictions consider that, in some circumstances, loot boxes would be considered a form of gambling. For example, if the paid-for loot boxes contain items which can be redeemed for money or monies worth (i.e. the items acquire real-world value, such as via a secondary market). 47% of jurisdictions, however, consider that loot boxes would not be considered gambling and therefore not fall under gambling regulation, under any circumstances. One jurisdiction considered loot boxes *per se* fall under gambling regulation.

Figure 3: Does your jurisdiction consider loot boxes to be a form of gambling?

- Yes, loot boxes fall under gambling regulation
- Maybe, in some circumstances, such as if the paid-for loot boxes contain items which can be redeemed for money or monies worth (i.e., the items acquire real-world value, such as via a secondary market)
- No, loot boxes do not fall under gambling regulation under any circumstances
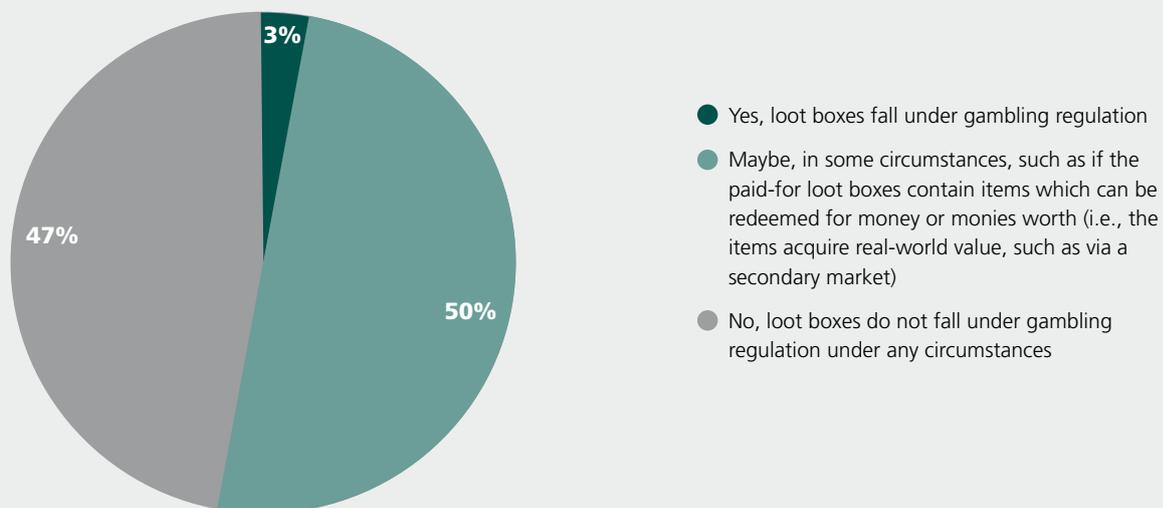
7 LOOT BOXES – LESSONS TO LEARN FROM GAMBLING REGULATION?

7.1

Gambling regulation globally has sought to address gambling harms by incorporating player protection measures and treatment programmes into gambling frameworks. Most respondents to the survey considered that the video games industry could borrow some player protection measures from the gambling industry, to enhance consumer protections surrounding loot boxes.

7.2

67% of respondents considered that allowing players to track their spending and applying maximum daily spending limits could be applied by the video games industry to loot boxes to reduce the risks they pose.

7.3

Meanwhile, 53% of respondents considered that having transparent odds could be transferred to loot boxes, such as the transparency information available to players of slot machines.

7.4

Self-exclusion schemes were considered by 50% of respondents as being transferable to loot boxes. Such a scheme could provide gamers the opportunity to exclude themselves from in-game loot box mechanics.

7.5

The independent testing of loot box mechanics – analogous to the independent testing of slot machines in the gambling industry – was considered by 47% of respondents as a measure the video games industry could utilise to enhance consumer protection.

7.6

Contributions from loot box revenues to organisations involved in public health, education, research and treatment of addiction – analogous to the contribution the gambling industry is required to make in many jurisdictions – was considered by 27% of respondents as being transferable to the issue of loot boxes.

7.7

The gambling industry provides anonymous, aggregated or deidentified data on player spend and participation to independent researchers, in order to further understanding of addiction linked to gambling products. 93% of respondent jurisdictions agreed that a similar approach could prove useful for the video games industry in respect of better understanding of issues associated with loot boxes.

8 ESPORTS BETTING

8.1

eSports, also known as esports or e-sports, are competitive video game matches between players or teams. eSports betting has gained a higher profile during 2020 due to Covid-19 lockdowns across many jurisdictions, which have paused traditional sporting events and leagues.

8.2

Betting on eSports is licensed by 45% of respondent regulators, according to our survey. This equates to 13 jurisdictions from the sample. Of the 13 regulators which licence operators offering betting on eSports, only three, or 23% of these regulate which eSports can be bet upon.

8.3

The survey period December 2019 - February 2020 preceded most COVID-19 lockdowns. However, it will be of interest to monitor the impact the pause on traditional sporting events has on any expansion of eSports betting across jurisdictions. There are already indications that these shutdowns are leading to greater regulation of betting on eSports.[4]

8.4

Match fixing is an issue regulators and eSports leagues face when betting is permitted on eSports. The survey's results indicate that there is broad agreement that safeguards such as the ability to detect and respond to suspicious player activity (60% of respondents) and control of the equipment used to facilitate the event (53% of respondents) should accompany wagering on eSports. Also, 47% of respondents indicated that membership of an eSports governing, or integrity body should help ensure the integrity of eSports matches.

SAFEGUARDS FOR THE INTEGRITY OF ESPORTS BETTING

Respondents suggested the following approaches to safeguard the integrity of eSports betting:

- Minimum age restriction for players (18+).

- Divisions based on the skills of players analogous to football.

- Player education.

- Accreditation of participants and officials.

- Control over hardware and software.

- Procedures in relation to addressing bugs/glitches identified during events.

- Adequate information sharing between sports betting providers and event organisers.

- Adequate sanctions in relation to breaches.

- Betting on the outcome of multiple events (parlay betting).

- Possibly implementation of a monitoring and control system to be able to analyse and regulate accordingly.

- Details of all participants, including their playing ability 'handicap'.

- Betting licence holders should be obliged to take measures designed to evaluate risks before wagering on eSports events and reduce the risk of match fixing, including an obligation to refuse bets where there are grounds to suspect collusion.

Figure 4: In permitting wagering on eSport events, what safeguards should exist to prevent match fixing of the event?

4 Mitch Reames, 18 April 2020, 'Sportsbooks struggling, Vegas embraces esports betting despite match-fixing concerns', *Washington Post*, https://www.washingtonpost.com/video-games/esports/2020/04/17/vegas-esports-betting/

9 'BLURRED LINES' – WHAT ROLE SHOULD GAMBLING REGULATORS PLAY?

9.1

Social gaming, skins betting, loot boxes and eSports betting involve a wide cohort of stakeholders. This raises questions for gambling regulators as to how best to contribute to wider debates, or whether to contribute at all.

9.2

The survey results indicate a willingness of gambling regulators to cooperate, lend insights and learn more about emerging, adjacent issues, such as loot box-style mechanics in video games.

9.3

80% of respondents agreed that gambling regulators should work together to monitor the environment. Our colleagues at the Gaming Regulators' European Forum provide an example of such cooperation in the work undertaken in implementing the *Declaration of gambling regulators on their concerns related to the blurring of lines between gambling and gaming*.[5]

9.4

There was similarly high agreement that gambling regulators should work with other relevant national authorities to monitor and better regulate the environment (such as with consumer protection, health and education agencies), with 70% of respondents supporting this approach.

9.5

73% of respondents agreed that gambling regulators could provide insights into how the gambling industry has approached consumer protection issues and combatting addiction. Here, self-exclusion schemes, independent testing of equipment, age verification and restricting access to services to adults, could provide adjacent industries with examples of how best to ensure consumer protections.

9.6

63% per cent of respondents agreed that gambling regulators should stay informed and learn more about the video games industry and the use of loot-box style mechanics in games.

9.7

40% of respondents agreed that gambling regulators should cooperate with the video games industry. One European respondent noted they 'have very positive dialogue with one video games operator.'

9.8

Other responses on the role gambling regulators should play in debates surrounding gambling/gaming, included to provide information on related complaints received from the public; and another respondent suggested an enforcement role.

9.9

Another respondent noted that there needs to be more research and insight 'to determine if we can actually draw a line as to when gaming ends and where gambling starts'. 86% of respondents noted that they do not conduct or fund that research into potential harms associated with forms of digital entertainment that may be considered gambling.

EXAMPLES OF RESEARCH INTO POTENTIAL HARMS FROM DIGITAL ENTERTAINMENT

Of those jurisdictions which have conducted research into potential harms associated with forms of digital entertainment that may be considered gambling, examples of research or funding provided were:

- Government funding of a centre for gambling research specializing in neuroscientific information.

- Literature study on loot boxes in combination with gambling addiction.

- A research report on loot boxes.

- A consumer survey among gamers about how they see gaming versus gambling.

- Allocation of funds to initiate a research project regarding young people and a description of their gaming in relation to gambling.

- A university survey concerning gambling and video game problems in the general adult population.

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5 Synthesis of the works carried on by GREF eGambling Working Group with regard to the implementation of the Declaration of gambling regulators on their concerns related to the blurring of lines between gambling and gaming,
http://www.gref.net/wp-content/uploads/2019/10/Synthesis_final-draft_v4_clean.pdf

ACKNOWLEDGEMENTS

FUTURE WORK

Further mini-surveys of IAGR members will take place during 2020, with the reports published as soon as they are available. Our next *Gambling Regulation – Global Developments* report will be produced in 2021.

FEEDBACK AND IDEAS

We welcome feedback on the content of this report, or ideas for future IAGR statistics work. We are also open to new members joining the Statistics Sub-Committee.

If you would like to send us feedback, or volunteer to join the sub-committee, please email James Green at the Gambling Commission (Great Britain) (jgreen@gamblingcommission.gov.uk).

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