

INTERNATIONAL ASSOCIATION OF GAMING REGULATORS SURVEY REPORT: GAMING MACHINES (2021)



Welcome to our *Gaming machines* report, the fourth in a series of mini-survey reports from IAGR's Statistics Sub-Committee.

In this report, we have combined our latest survey results with earlier data collected in our *Gambling Regulation – Global Developments* (2019) report. This has allowed us to present a wider view of gaming / slot machines, bringing more insights on how this major sector is regulated.

Thank you to all jurisdictions who completed this mini survey. We are looking forward to bringing you more international regulatory analysis in the second half of 2021.

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 mini-survey on land-based gaming / slot machines. The survey provides an overview of the gaming machine market, before exploring topics such as stakes and payback ratios, tax and duty arrangements, responsible gambling and anti-money laundering, technical compliance and test houses, the linking of gaming machines, and other topics of interest.

2 AIM

2.1

The aim of this report is to present the findings of IAGR's gaming machines mini-survey.

3 METHODOLOGY

3.1

The underlying data for this report was collected from a survey of gambling regulator jurisdictions conducted in April and May 2021. The survey was compiled, administered, and analysed by the IAGR Statistics Sub-Committee, with the support of the Gaming Regulators European Forum (GREF). It was conducted via an online survey tool.

3.2

In total, 29 jurisdictions¹ responded to this year's survey, including both IAGR members and non-members. The regional split of respondents was:

- Europe: 69%
- Africa: 10%
- Asia / Oceania: 10%
- North America: 7%
- Central America / Caribbean / South America: 3%

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 SECTOR OVERVIEW

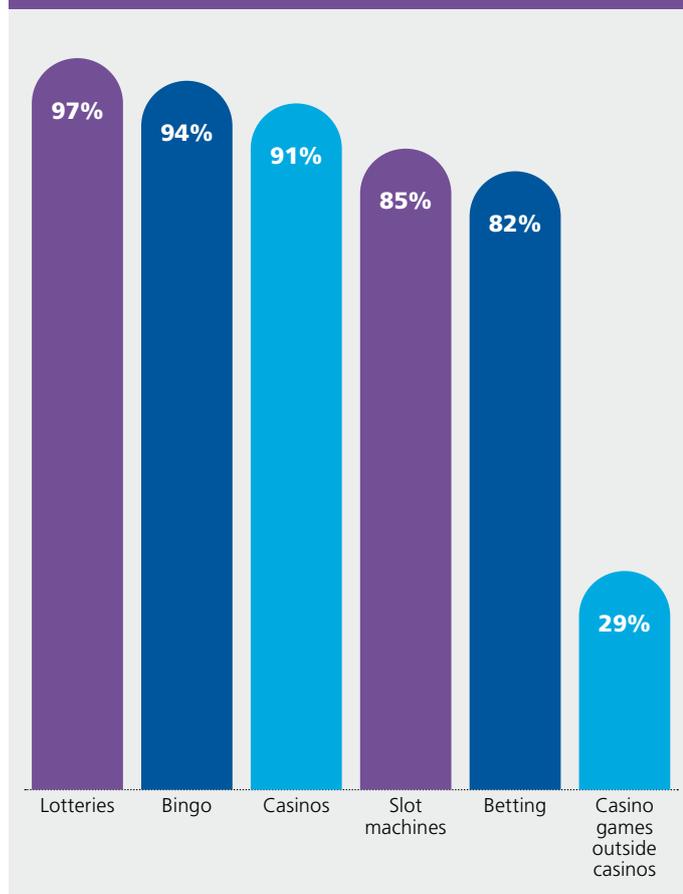
4.1

Overview. Gaming machines are typically defined as machines that are designed or adapted for use by individuals to gamble. Also known as electronic gaming machines, slot machines, fruit machines, pokies, or jackpot machines, most gaming machines are either of the reel-based type or are computer-based.

4.2

Permitted markets. In our *Gambling Regulation – Global Developments* report, regulators told us that, at a global level, gaming / slot machines outside of casinos are the fourth most permitted land-based gambling market (after lotteries, bingo, and casinos), allowed by 85% of respondent jurisdictions. Casinos, most of which also have gaming machines, are the third most permitted land-based gambling market; allowed in 91% of jurisdictions.

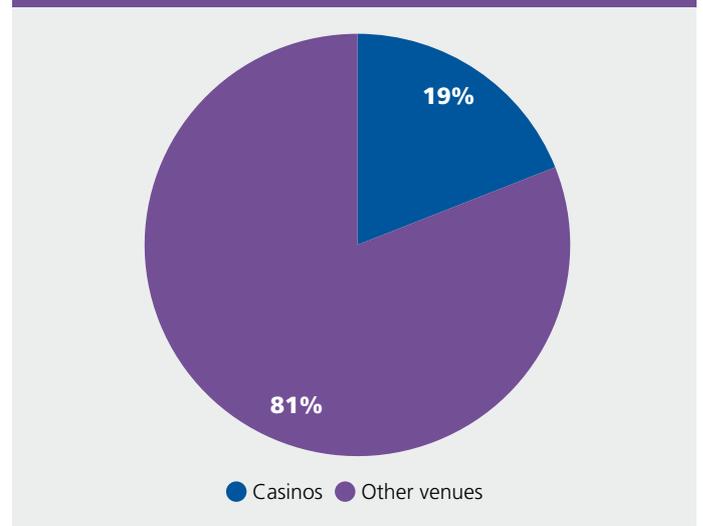
Figure 1: Permitted gambling markets (land-based) (by percentage of all respondents). (2019)



4.3

Share of machines by venue type. Among respondent jurisdictions, the average distribution of licensed gaming machines is 81% in non-casino venues (including gaming halls), with casinos having the remaining 19%. In short, 8 out of 10 gaming machines are in venues other than casinos.

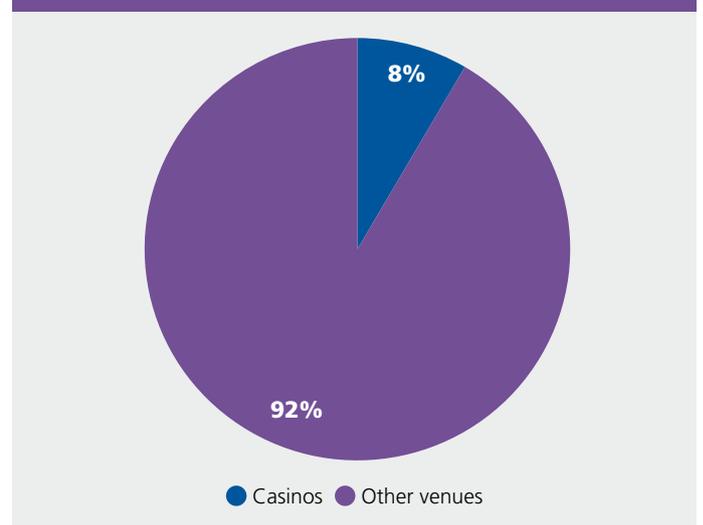
Figure 2: What is the share of gaming / slot machines by venue type in your jurisdiction? (2021)



4.4

Share of licensed operators by venue type. The average distribution of licensed operators for gaming machines in non-casino venues (including gaming halls) is 92%, with casino operators making up the other 8%. In short, 9 out of 10 gaming machine operators run venues other than casinos.

Figure 3: What is the share of gaming / slot machine operators by venue type in your jurisdiction? (2021)



4 SECTOR OVERVIEW (CONTINUED)

4.5

Gaming machines by licensed operators. The average number of gaming machines per licensed operator is 59 machines. This figure varies by venue type. For example, the average number of machines per licensed casino operator is 137. In other venues (including gaming halls) the average number of gaming machines per licensed operator is 52. Note, these figures are the average number of machines per operator, not per venue. Many licensees operate multiple venues.

**QUANTITY
OF GAMING
MACHINES
PER OPERATOR
(AVERAGE) =**

59

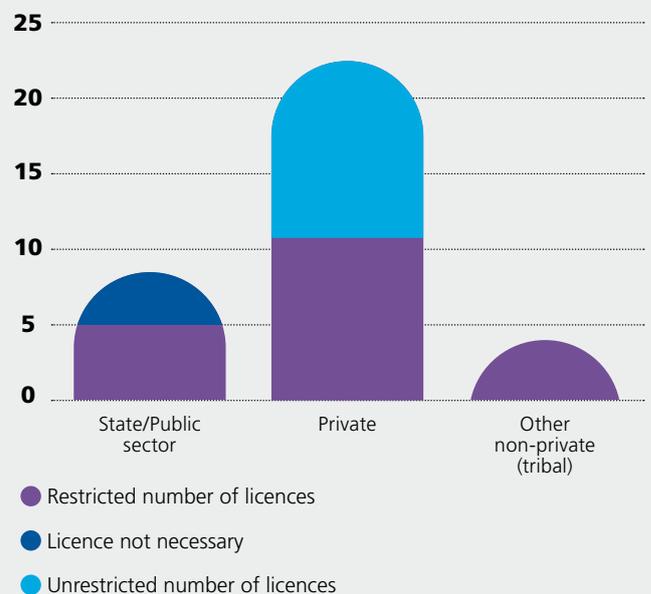
4.6

Ownership and licence models. Of jurisdictions where gaming machines are permitted, 82% award licences to private / commercial operators. The state / public sector owns or operates licences for gaming machines in 29% of respondent jurisdictions² and non-private (e.g. tribal) operators can operate slots in 14% of jurisdictions. For each of these types of operators, different licence models are used. Where gaming machines are provided by the private / commercial sector, broadly half of jurisdictions restrict the number of licences awarded, while the other half have an unrestricted licences model. Where gaming machine licences are owned or operated by the state / public sector, there is a restricted number of licences in 62% of jurisdictions, while in the remaining 38% a licence is not necessary. For non-private operators (e.g. tribal operators) the restricted licences model is used in all jurisdictions. (*Gambling Regulation – Global Developments*, 2019).

4.7

Sales channels. Of those jurisdictions which allow gaming machines in venues other than casinos, they are primarily permitted in restaurants with a licence to serve alcohol, gaming arcades, and then restaurants without a licence to serve alcohol. A small number of jurisdictions have approved gaming machine use at other venues, such as racetracks. Due to the similarities of gaming machines in casinos and gaming arcades, respondents were also asked to indicate whether a distinction between the two types of venues was legally defined in their jurisdiction. Of those who responded, 87% of jurisdictions stated that there was a legal distinction between these two types of gaming machine venue. (*Gambling Regulation – Global Developments*, 2019).

Figure 4: Licence models for gaming machines (number of responses). (2019)



² Jurisdictions can, of course, permit more than one licensing form in their jurisdiction, i.e. permitting private sector operators to operate slot machines need not mean that the public sector could not simultaneously operate slots.

5 STAKES AND PAYBACK RATIOS

5.1

Maximum stakes / wagers. For gaming machines in casinos, the average maximum amount that respondent jurisdictions allow players to stake / wager is approximately Euro €30 or USD \$35. However, the maximum varies considerably across the world. The lowest maximum stakes are around Euro €2 or USD \$2, while the highest maximum stake in one jurisdiction is around Euro €115 or USD \$140. In gaming halls and other venues, the average maximum amount players can stake is around Euro €1 or USD \$1. When analysing maximum stakes / wagers, speed of play is a related topic. Our survey showed that 1 in 3 (33%) of jurisdictions require operators to apply some form of speed of play restrictions to their gaming machines.

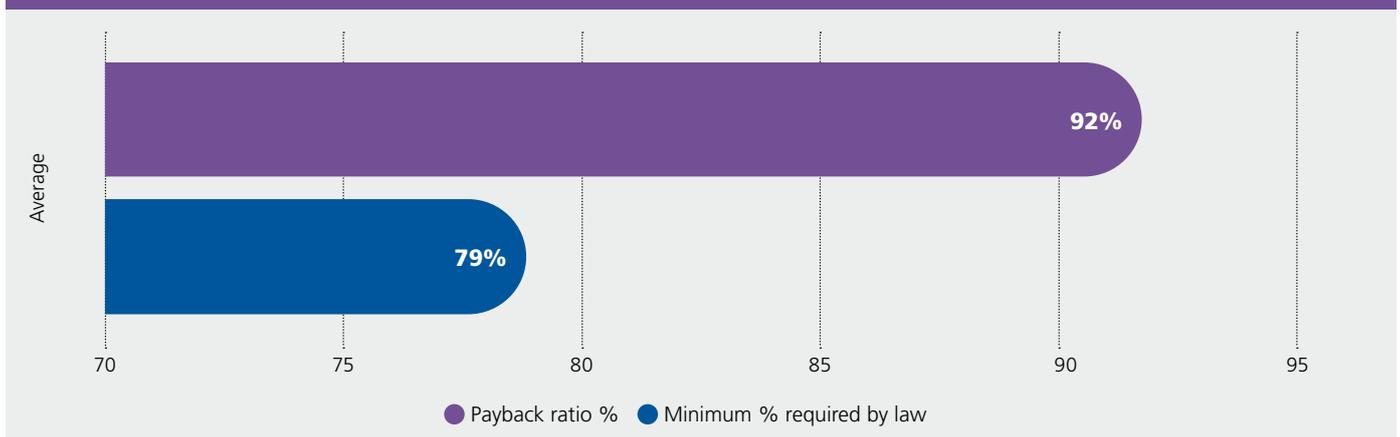
5.2

Payback or return-to-player ratios. Across all respondent jurisdictions, the average payback or return-to-player ratio for gaming machines in all settings was 92% in 2020. This exceeded the average percentage required by law or regulations, which was 79%. With a range of only 85-96% (+/- 11%), there was minimal variation in maximum return-to-player ratios across the world. There was more variance in the minimum ratio required by law, which had a range of 60-85% (+/- 25%).

MAXIMUM STAKE (AVERAGE) =



Figure 5: What was the payback or return-to-player ratio for gaming / slot machines in your jurisdiction in 2020? (2021)

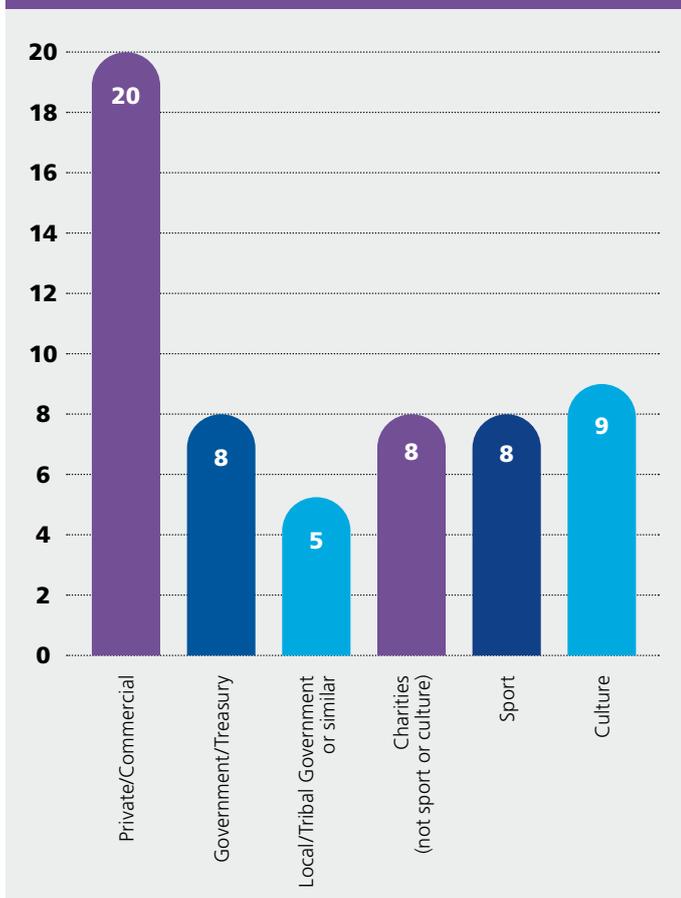


6 TAX TREATMENT

6.1

Post-tax revenue distributions. The most prevalent beneficiary of post-tax gambling revenues from gaming machines is the private / commercial sector. However, charities (not sport and culture), sport, culture, government / treasury, and local / tribal governments also benefit from gaming machine operations in several jurisdictions. (*Gambling Regulation – Global Developments, 2019*).

Figure 6: What are the post-tax revenue destinations for gaming machines (number of responses)? (2019).



6.2

Tax treatment. The tax / duty base for most gambling in the world is typically Gross Gambling Revenue (GGR). This is used in 69% of respondent jurisdictions. Approximately 1 in 4 jurisdictions (23%) base their gaming machines taxes on other approaches, most commonly a levy on the gambling operator's total operations. In 8% of respondent jurisdictions, the tax / duty base is a fixed amount per machine operated.

Figure 7: What is the tax base for gaming / slot machines in your jurisdiction? (2021)

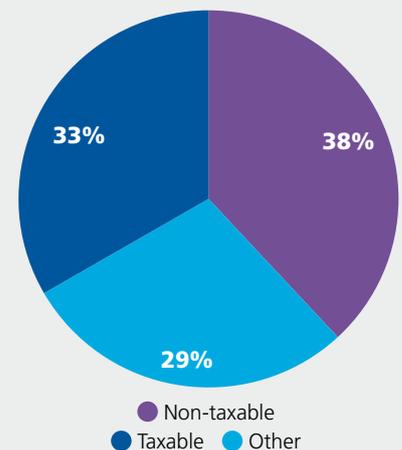


6.3

Tax treatment of free spins and loyalty bonuses.

In 9 out of 10 jurisdictions, regulators do not allow operators to offer free spins or loyalty bonuses on gaming machines. Of those that do, 38% of respondent jurisdictions do not apply taxes to the stake / wagers or winnings. A third (33%) do apply taxes. The remainder do not have any specific regulations covering the tax treatment of free spins and bonuses, or their taxation arrangements vary (e.g. wagers or winnings from free spins are taxable if they exceed a certain percentage of GGR).

Figure 8: How are free stakes / wagers and / or winning from free spins and loyalty bonuses treated for tax purposes? (2021)



7 RESPONSIBLE GAMBLING AND ANTI-MONEY LAUNDERING

7.1

Age restrictions. Legal permission to play gaming machines outside of casinos is typically set at the age of majority, or higher (up to 25); no jurisdictions reported instances where participants can be lower than the age of majority. Globally, the most common age to play a slot machine is 18. The average variation from the age of majority is +14.8%. This is the third largest positive variance of all the markets, indicating that gaming machines are perceived as posing more risk of harm than some other gambling markets in most jurisdictions. (*Gambling Regulation – Global Developments, 2019*).

7.2

Responsible gambling measures. There are a wide range of responsible gambling, or safer gambling, measures which operators can apply to gaming machines, or the places where gaming machines are played. Globally, the top three responsible gambling measures required by jurisdictions are: age restriction notices (e.g. over 18-year old players only) (85% of jurisdictions), general responsible gambling notices (78% of jurisdictions), and maximum stake or wager limits (56% of jurisdictions). Tracked play is adopted in 33% of jurisdictions in some settings. Much less common are on-screen clocks or timers showing time played (19% of jurisdictions), maximum loss limits (15% of jurisdictions), and time outs (11% of jurisdictions).

Figure 9: Gambling market age restrictions (by percentage variation from the age of majority). (2019)

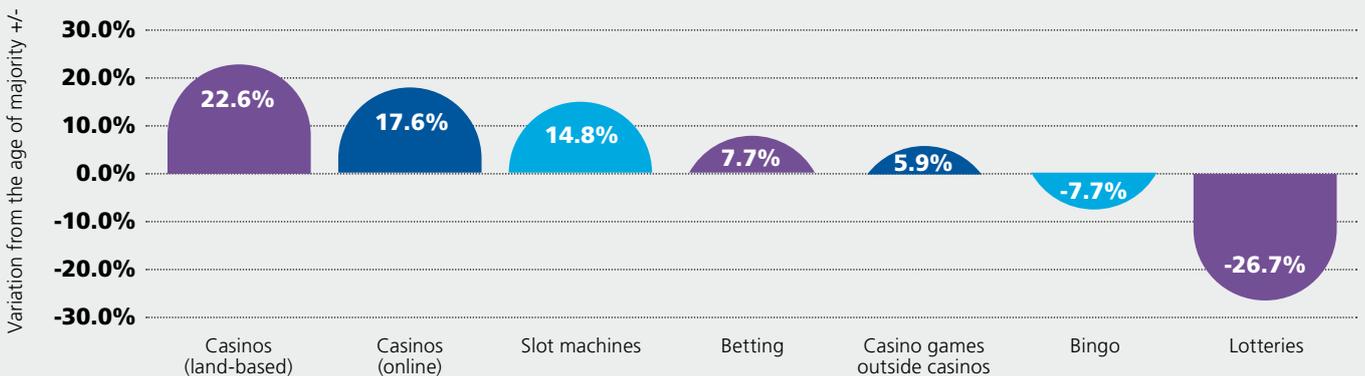
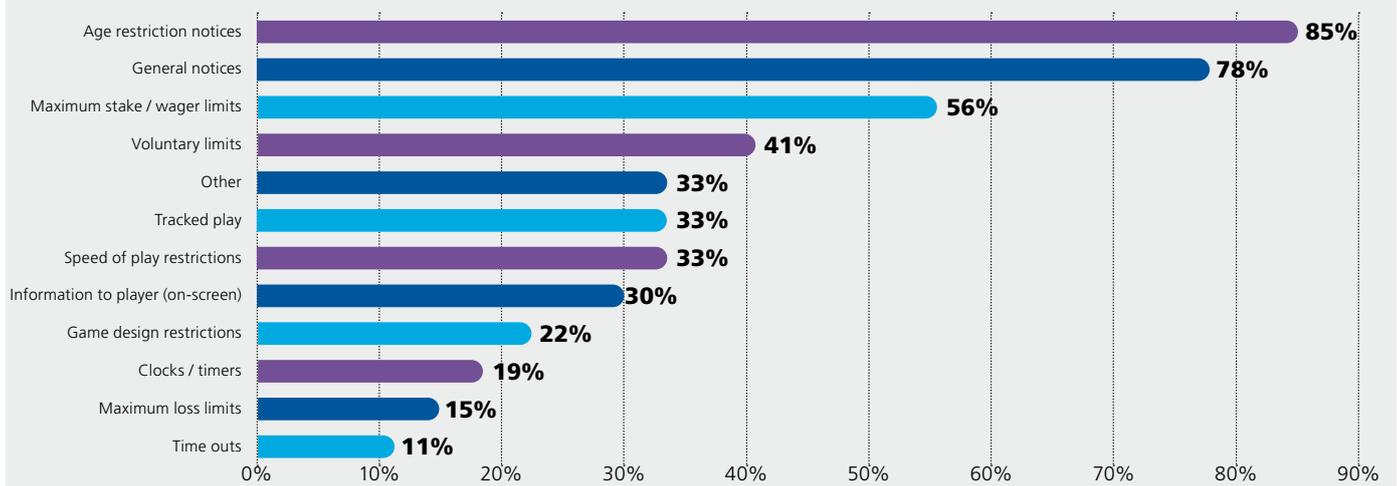


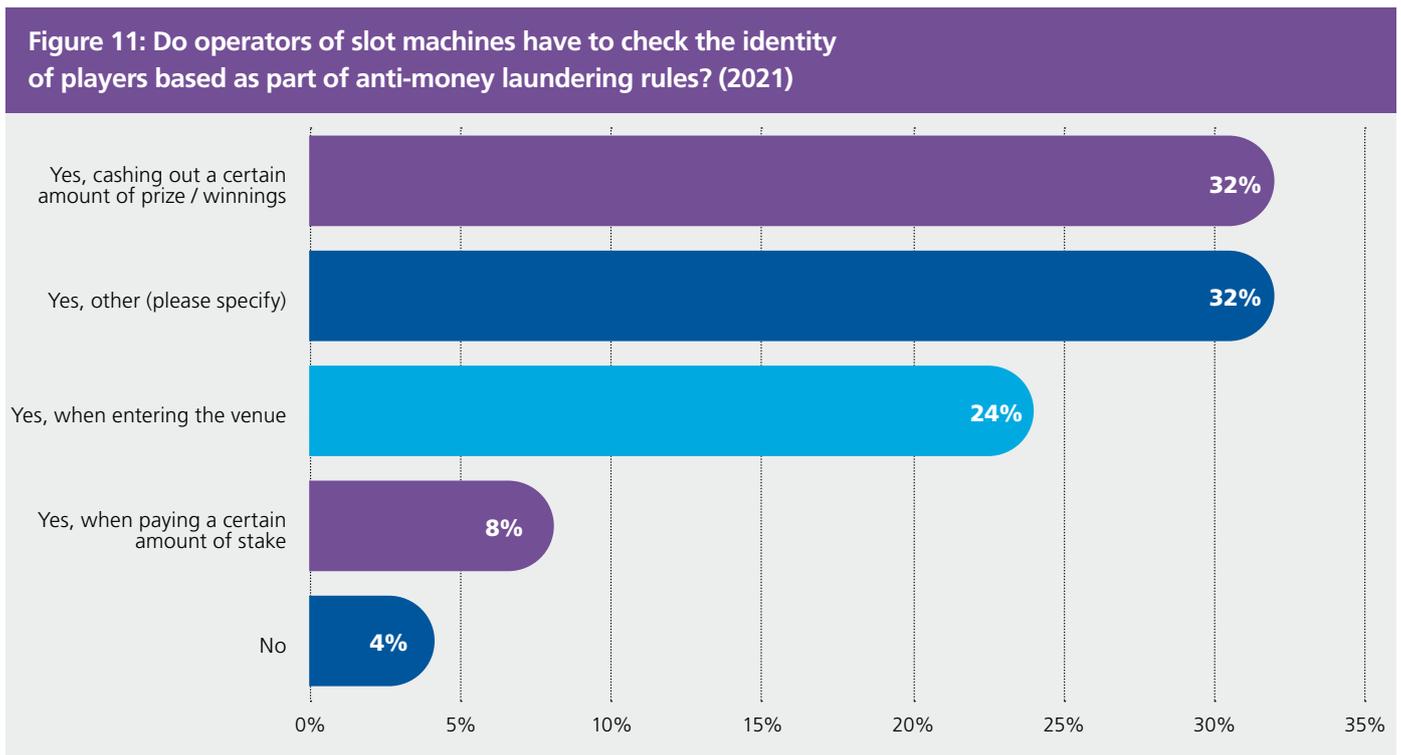
Figure 10: What responsible gambling measures are required by regulators on gaming / slot machines in your jurisdiction? (2021)



7 RESPONSIBLE GAMBLING AND ANTI-MONEY LAUNDERING (CONTINUED)

7.3

Identity checks. International regulators have told us that money laundering is their top gambling-related crime concern. Our recent *Anti-money laundering* report showed that 6 in 10 regulators are currently developing anti-money laundering legislation; while our *COVID-19* report indicated that some regulators introduced additional player protection measures in response to the pandemic. Given the interest in this important topic, we wanted to know if identify checks of slot machines players are carried out as part of customer due diligence. The data shows that in 32% of jurisdictions operators must check the identity of players when they cash out a certain amount of prizes / winnings, 24% when players enter a venue, and 8% when a player pays a certain amount of stake. A further 32% of jurisdictions require operators to apply different measures, such as the player needing to use a registration or loyalty card.

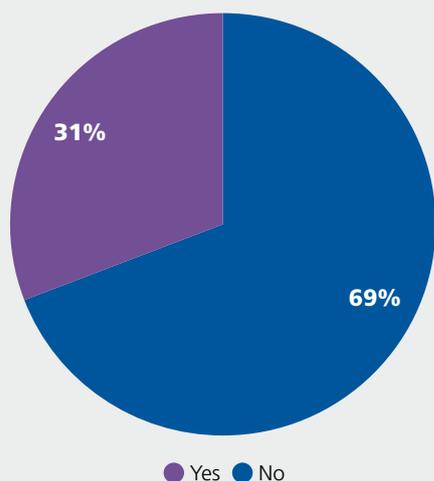


8 LINKING OF GAMING MACHINES

8.1

Linking of gaming machines for regulatory compliance or tax collection. Around a third (31%) of respondent jurisdictions require that some, or all, gaming machines be linked via the internet (or intranet), to a regulatory compliance or tax collection system (not just an in-house control system). Of the other two-thirds (69%) who do not require gaming machines to be linked to the internet, 12% are planning to introduce this requirement, in some form, within the next 2 years.

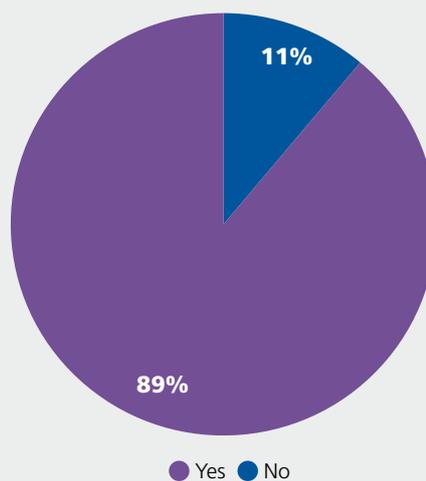
Figure 12: Does your jurisdiction require that some, or all, gaming / slot machines be linked via the internet (or intranet), to a regulatory compliance or tax collection system? (2021)



8.2

Linking of gaming machines for accumulated or progressive prizes. In most jurisdictions (89% of respondents), regulators allow gambling operators to link gaming machines to allow players to play for an accumulated cash prize or progressive jackpot. Linking machines for accumulated prizes or jackpots is not allowed in 11% (or 1 in 10) jurisdictions.

Figure 13: It is allowed for gaming / slot machines to be linked to enable an accumulated cash prize or progressive jackpot? (2021)

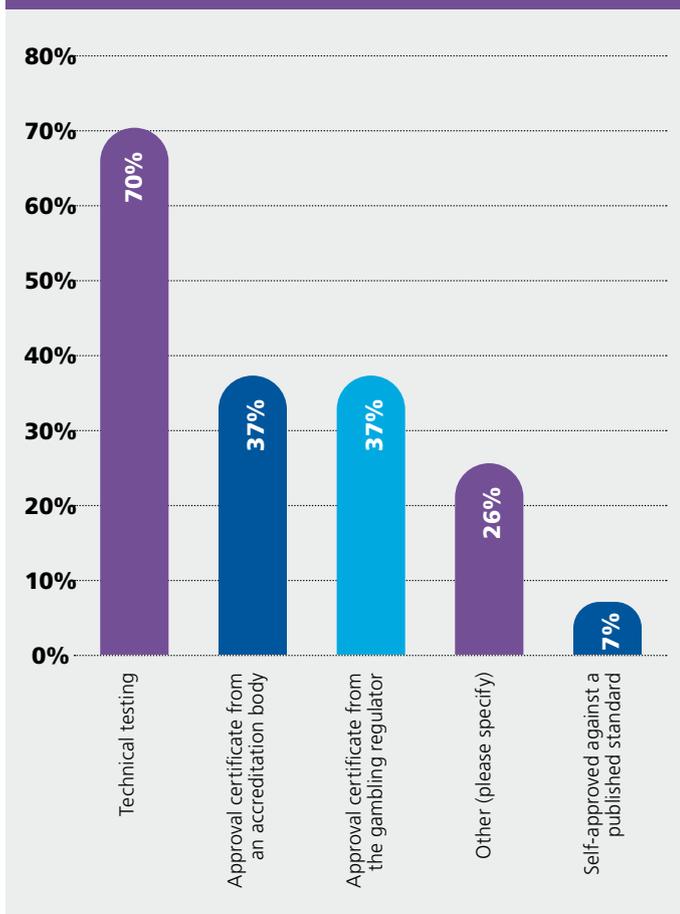


9 TECHNICAL COMPLIANCE AND TEST HOUSES

9.1

Technical compliance requirements. To ensure gaming machines are operated fairly, most jurisdictions require operators to adhere to various forms of technical compliance requirements. The most common requirements are for machines to be subject to technical testing by specialist laboratories or test houses (70% of respondent jurisdictions). Others require gaming machines to have approval certificates from an accredited body (37% of jurisdictions), or approval certificates directly from the gambling regulator (37% of jurisdictions). Just 7% of jurisdictions allow operators to self-approve their machines against a published standard.

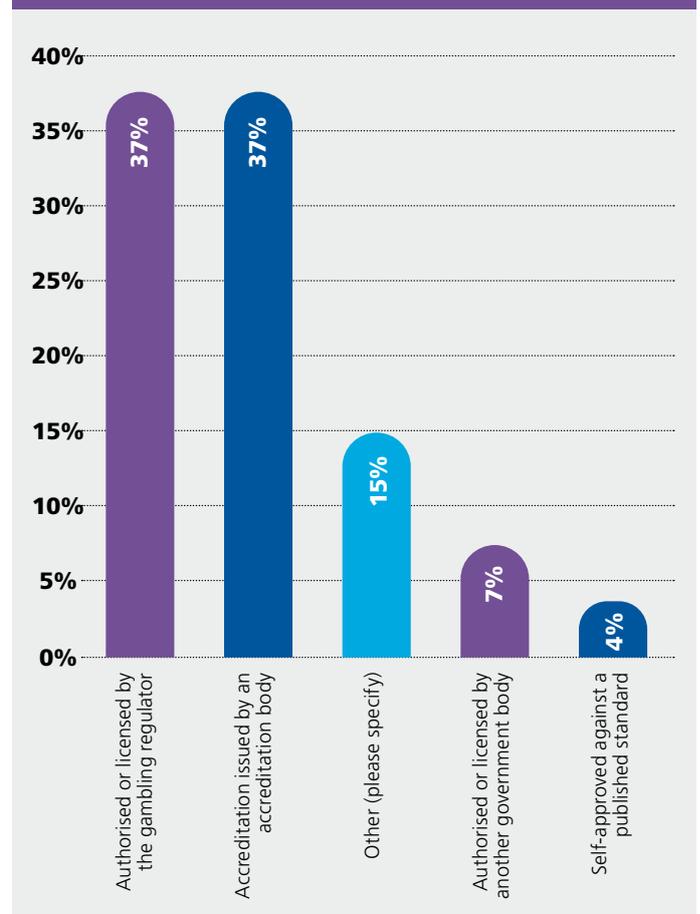
Figure 14: What type of technical compliance requirements are required for gaming / slot machines in your jurisdiction? (2021)



9.2

Test house authorisations. In jurisdictions which require gaming machines to be tested by specialist laboratories or test houses, the two most common permissions needed by test houses are: authorisation or licensing by the gambling regulator, or by a specialist accreditation body (each adopted in 37% of respondent jurisdictions). In 7% of respondent jurisdictions, test houses are authorised by another government body. In a separate 7%, test houses are allowed to self-accredit against a published standard.

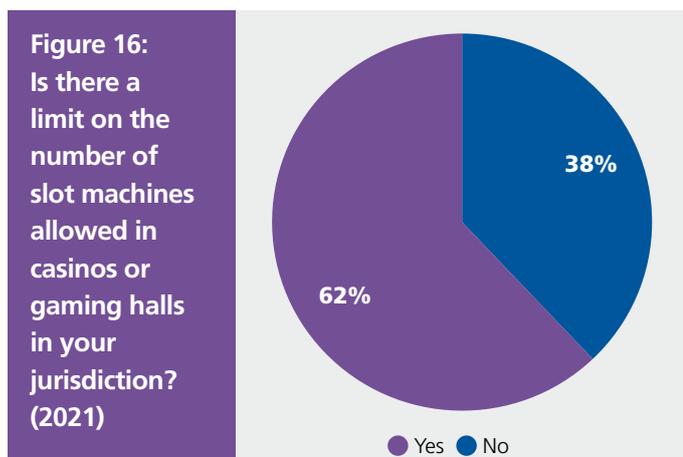
Figure 15: What permissions do laboratories or test houses for gaming machines need, to be allowed to test slot machines in your jurisdiction? (2021)



10 OTHER TOPICS OF INTEREST

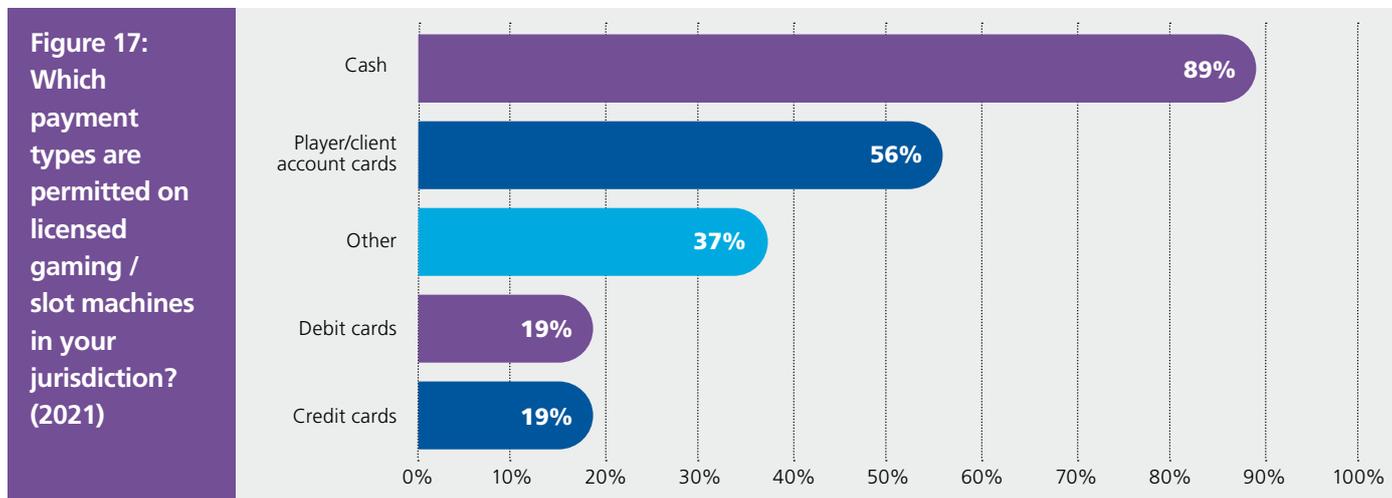
10.1

Limits on numbers of slot machines. We found that around two-thirds (62%) of respondent jurisdictions apply restrictions on operators on the number of gaming machines a venue may host. The nature of these restrictions vary significantly, with limits relating to the size, nature, and location of the venue. The other third of jurisdictions (38%) told us they do not impose restrictions on gaming machine numbers in venues.



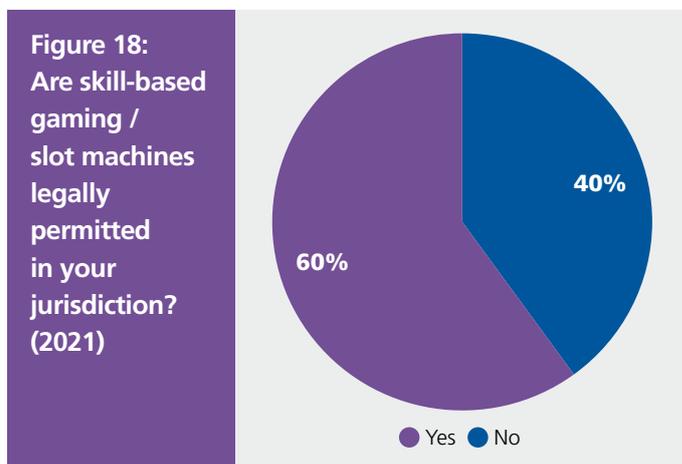
10.2

Payment types. We asked regulators to tell us which payment types they allow operators to use on their gaming machines. The most common payment types are cash (used in 9 in 10, or 89% of respondent jurisdictions) and player / client account cards (56% of jurisdictions). Debit and credit cards are each allowed in a fifth (19%) of jurisdictions. Other payment types in use are digital wallets, tickets, and vouchers. These are used in just over a third (37%) of jurisdictions.



10.3

Skill-based gaming machines. In our *Gambling Regulation – Global Developments 2019* report, regulators told us that skill-based gambling was an emerging trend of concern. Within this topic, skill-based gaming machines are an innovative product. They typically combine skill and chance within a hybrid game. When they involve chance, these machines normally fall under the jurisdiction of gambling regulation. With traditional gaming machine revenue seeming to peak in many jurisdictions, skill-based gaming machines are proving attractive, particularly to younger players. From this year’s mini-survey, we found that skills-based gaming machines are legally permitted in 60% of respondent jurisdictions.



ACKNOWLEDGEMENTS

The survey was designed and produced by the IAGR Statistics Sub-Committee, comprising of:

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(The Danish Gambling Authority)

We are also grateful for the support and assistance of the Gaming Regulators European Forum (GREF) who we partnered with to produce this report.

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).

OTHER PUBLICATIONS

Our other publications are available on the IAGR website (see Membership_Statistics Survey).

Recent survey reports include:

IAGR Anti-money Laundering (December, 2020)

COVID-19 (August, 2020)

Gambling versus gaming (May, 2020)



**International Association
of Gaming Regulators**

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