

## A message from the President



Our 2018 Conference plans are in full swing and it looks like it will be another great conference!!! Please mark September 17-20, 2018 on your calendar and plan to attend the eighth

annual IAGR Conference in Copenhagen, Denmark.

Vice-President Trude Felde and Past President and IAGR Patron Birgitte Sand as Conference Committee Co-Chairs are working together with Committee members and Trustees Paul Newson and Audrey Robinson as they continue to develop the agenda.

To date, they are looking at including topics related to the regulation of evolving and emerging technology used by land-based and online operators, sports betting, responsible gambling and much more. Please let Trude ([tfe@lotteritilsynet.no](mailto:tfe@lotteritilsynet.no)) or Birgitte ([bs@spillemyndigheden.dk](mailto:bs@spillemyndigheden.dk)) know if you would like to see other topics addressed, if you would like to make a presentation or if you would like to be part of a panel discussing any of the above-noted topics. Your participation and willingness to share your experience is encouraged.

### IMGL and GLI

We are also pleased to be working again with the International Masters of Gaming Law (IMGL) and Gaming Laboratories International (GLI) in development of the program. We are planning to host an IMGL Masterclass for a

half-day during the conference and another half-day GLI Regulators Seminar similar to the successful one offered in Johannesburg last year.

In addition, local organizers are working to arrange our annual pre-conference fun and networking golf event. Details will follow soon. I encourage all of our regulatory members and those involved with the gaming industry to attend what will definitely be an educational and informative conference.

Remember, every organization is entitled to name one Jurisdictional and up to four Ordinary members, all of whom can register at the conference member rate. Please complete and submit your 2018/19 Membership Renewal Form and dues by the July 31 deadline to ensure you receive the correct rate.

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## New jurisdictional member

During the past year, the Board has been very active in promoting membership in IAGR and presentations have been made at several conferences and forums. I am pleased to welcome the **Gaming Board for the Bahamas** as our newest member and look forward to their active participation in our organization. IAGR welcomes members from all regulatory agencies as we all share similar interests and objectives which are to ensure that the gaming market is well regulated and that players are protected.

## Strategic planning

The Board has been extremely busy since the conference in Johannesburg. Under the direction and leadership of Trustee Paul Newson (Australia) and our Communication Lead, Cyrrhian Goldstein, the Board has committed to the development of a Strategic Plan to guide the organization for the next few years. Consequently, the Board has embarked upon a thorough assessment of the organisation's strengths, weakness, opportunities and threats as we go through this process.

## Trustee update

I am pleased to announce that Trustee Blair Cairncross (New Zealand) has returned to active duty as a Trustee on the IAGR Board. Blair had requested, and received, approval from the Board for a leave of absence from his position as Trustee due to extenuating circumstances which required his temporary secondment outside of the gaming regulatory field.

It was with regret that the Board had to accept the resignation of Trustee Fortune Sekgaphane (South Africa) in January of this year due to a change in employment. Fortune has been a Trustee representing the African region since October 2014 and was recently re-elected. Fortune was active on the Multi-Jurisdictional Business Form Sub-Committee. However, as he is no longer employed as a gaming regulator, he was required to submit his resignation in accordance with our Bylaws. His knowledge, experience and contribution to the Board will be missed. We wish him well in his future endeavours.

The resignation of Fortune, coupled with the departure of Nick Tofiluk last October, now leaves the Board with two vacancies to fill. Although we still have twelve Trustees, a full complement of fourteen is desired. I encourage you to consider offering your time and expertise to serve on our Board when the Call for Nominations is released within the next few months.

I hope to see you all in Copenhagen!

Dale Fuga  
President, IAGR

## IAGR Conference 2018 – Copenhagen, Denmark

# IAGR

International Association  
of Gaming Regulators

Copenhagen 2018  
Conference

September 17-20



The 2018 IAGR Annual Conference and Business Meeting will be held over September 17-20 at the Hotel Scandic Copenhagen in Denmark and is to be hosted by the Danish Gambling Authority.

This important event allows the opportunity for IAGR Members to meet, to exchange views and information, and to discuss policy and emerging issues with representatives from the international gambling industry.

### Hotel booking is open

The [Hotel Scandic Copenhagen](#) is a centrally



Hotel Scandic Copenhagen

located, contemporary hotel with views of the Lakes and Copenhagen skyline. The hotel is within walking distance of shopping and many

of the main attractions and sights in Copenhagen such as Amalienborg Palace (home to the Royal family), the Marble Church, the Danish Royal Opera, the Ny Carlsberg Glyptoteket Art Museum, the National Museum of Denmark, the Tycho Brahe Planetarium - and many more notable places of interest.



Typical accommodation at the Hotel Scandic Copenhagen

### Hotel room block deadline

A small hotel room block has been reserved and is now open. Booking instructions may be found on the IAGR [HOTEL](#) webpage. The types of rooms available depend on the dates selected as not all rooms are available on the first and last dates.

The hotel will begin to release the room block by **June 15** so attendees are encouraged to book their rooms early to take advantage of the special block.

## SCHEDULE OVERVIEW

### Monday, September 17

- Delegate Registration
- Conference Day One, Half-Day
- IAGR Board of Trustees meeting
- Welcome Reception

### Tuesday, September 18

- Conference Day Two
- Afternoon City Tour

### Wednesday, September 19

- Conference Day Three
- Gala Dinner

### Thursday, September 20

- Conference Day Four, Half-Day

Please note that the exact format of the conference has yet to be finalized; in particular, Thursday's half-day program may be replaced by a full day of activities.

## An exciting, magical Conference

This year's conference in Copenhagen will have the fairytales of Hans Christian Andersen as a recurring theme.

H.C. Andersen was a Danish poet and author who is world famous for his fairytales. He was born in 1805 in Odense on Funen, and died in 1875 as a recognized poet, honorary citizen of Odense and friend of The Danish Royal Family. 'The Little Mermaid', 'The Ugly Duckling' and 'Clumsy Hans' are just some of the many famous stories that H.C. Andersen created during his adventurous life.



The magnificent Copenhagen Town Hall

## Opening Reception

The Danish Gambling Authority will welcome you with an Opening Reception at the Copenhagen **Town Hall** and with the old – and very special – tradition of serving 'Town Hall pancakes'.



Inside the Copenhagen Town Hall

A lovely evening is planned to welcome attendees to Copenhagen to officially start the week's activities.

## Gala Dinner

The IAGR Gala Dinner will be held in the H.C. Andersen Castle in the enchanting Tivoli Gardens, also



The H.C. Andersen Castle

Gardens, also within walking distance of the conference hotel. Entrance to the dinner also allows you to

experience the beautiful gardens on your own. The Host Jurisdiction is planning a special evening to bring the fairy tale history of Copenhagen to life!

Tivoli covers approximately 83,000 square meters. The Alley opened in 1952 and is styled like a fantasy Danish market town, full of detail and well suited to the mood of the



The enchanting Tivoli Gardens

small street, with the shops on one side cut into the side of the roller coaster mountain. Tivoli was purely

a summer pleasure until 1994, when 'Christmas in Tivoli' opened for the first time. Since 1997, the entire gardens are in use during the Christmas season. Games have been part of the Tivoli experience since 1843 with raffles and wheel of fortune booths at most market fairs. Some of Denmark's first slot machines were introduced in Tivoli in the 1920s. Tivoli obtained a national license for online gambling in 2012 and an international license followed in 2014.

## About Copenhagen



**Copenhagen: The ancient capital of Denmark – but also a vibrant modern city**

Although the actual date of Copenhagen's founding has been lost in the mists of time, a key milestone was in the year 1160 AD when King Valdemar gifted the city to Bishop Absalon as a token of his gratitude.

Copenhagen is now a vibrant, modern city with plenty to offer visitors:

- The City is a must-visit destination for foodies, attracted by the new Nordic food movement that has influenced and created a flourishing restaurant scene in the city. New Nordic Cuisine hit international headlines when Noma was appointed the World's Best Restaurant in 2010, 2011, 2012 and 2014.
- Cycling is Copenhageners' preferred way to get to work or school, and sustainability and renewable energy influence several aspects of life in the metropolitan area. An array of wind turbines near downtown Copenhagen delivers clean energy to businesses and homes, and if tempted, you can

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take a dip directly in the clean waters of Copenhagen Harbour – under the watchful eyes of professional lifeguards.

- Copenhagen is an attractive cruise ship destination and turnaround point in the Baltic Region, and was expected to attract 850,000 cruise visitors by the end of 2017.
- With the busiest airport in Scandinavia serving close to 80,000 passengers a day and more than 29 million passengers in 2016, Copenhagen is an international hub with more than 160 direct flights to long- and short-haul destinations. The airport is situated close to the city centre – only a short, inexpensive ride away by train or metro.
- At 1.2 million inhabitants, Copenhagen is the largest city in a metropolitan area that stretches as far as southwestern Sweden. Home to 3.9 million people, Greater Copenhagen is also referred to as the Øresund Region, taking its name from the narrow stretch of water that separates Denmark from Sweden.

- **Currency: Danish Kroner (DKK)**
- **Language: Danish**

**The Danish Gambling Authority looks very much forward to welcoming you to Copenhagen September 17-20 2018.**

## **What would you like to see on the IAGR Conference 2018 Program?**

The Program Co-Chairs, Trude Felde, and Birgitte Sand, seek your input to identify those topics and issues that are a current priority for your jurisdiction and that you feel would be of interest to conference attendees.

Should the range of subjects identified exceed the available time to be included within the main conference programme, we may be able to connect similarly interested members to make their own arrangements during the time we have together.

If you have ideas for session topics, would like to be a speaker on the program or have suggestions as to who might be an interesting and willing speaker on the topic you identify, please send an email directly to Copenhagen 2018 Conference Sub-Committee Co-Chairs TrudeFelde at [tfe@lotteritilsynet.no](mailto:tfe@lotteritilsynet.no) or Birgitte Sand at [bs@spillemyndigheden.dk](mailto:bs@spillemyndigheden.dk).

# JAMAICA<sup>®</sup> HOME OF ALL RIGHT

While planning is underway for this year's event in Copenhagen, IAGR is also looking ahead to schedule its next international gathering. The Annual Conference and Members Business Meeting rotates among the five regions of the globe represented by our diverse membership. The Caribbean, Central and South America region is next in line in 2019.

The IAGR Board of Trustees is pleased to announce that IAGR 2019 will convene in **Jamaica**.

In 1494 when Christopher Columbus landed on Jamaica's shores, he was enraptured by the beauty of the island that is the third largest in the Caribbean, and the largest of the English-speaking countries in the region.

From that time until today, millions of visitors to Jamaica have been charmed by all that this Caribbean island offers including its spectacular scenery, delectable cuisine, friendly people and pulsating entertainment. The 'land of wood and water' is home to world class athletes (*Usain Bolt*), music (*Bob Marley*), Blue Mountain Coffee and Appleton Rum.

In Jamaica there is something for everyone to enjoy. Whether you are a culture seeker, heritage connoisseur, adrenaline junkie, or



**Devon House, the 19<sup>th</sup> century home of George Stiebel, the first black millionaire in the Caribbean**

Photo Credit: Source Flickr Photo by KatieTheBeau

nature lover there is a unique experience to be found in every corner of the island. In the south east, the capital city Kingston is the centre of business and commerce. Over in the north west, Montego Bay is the main entry for leisure visitors who come to enjoy the sun, sea and sand.



**Dunns River Falls**

Photo Credit: Source - Wikimedia Commons; Photo by D Ramey Logan

Jamaica's gaming regulators - the **Betting Gaming and Lotteries Commission** and **Casino Gaming Commission** - look forward to welcoming you to Jamaica in September/October 2019.

## IAGR – Statistics Sub-committee update



Birgitte Sand, Chair of the IAGR Statistics Sub-committee and IAGR Trustee since 2011 reports on the findings of the first gambling regulation survey carried out in 2017, based on

answers from IAGR members.

The 2017 survey, the first of its kind and believed to be the largest voluntary international exchange of data between gambling regulators, drew responses from 37 IAGR jurisdictions. We received many of the responses by the published deadline but some required extra effort by members of the working group to elicit a return. We eventually received responses from more than half of IAGR jurisdictions, for which we are very grateful. We had hoped for even more answers but the survey was quite comprehensive and we all have a busy working schedule where surveys can be hard to prioritise, especially when it's a new project and you don't have any prior results to refer to.

Also, this first survey was a learning process for the Sub-committee and we will be certain to reflect that when reshaping the survey for 2018. We have already disclosed some primary findings at the IAGR conference in Johannesburg in October 2017, but since then we received a few more responses and the final results from the survey have now been analysed, with the final report scheduled for publication and distribution to

IAGR members in the coming 4-6 weeks depending on remaining issues such as design.

The report presents the findings both in text, tables, charts and diagrams and covers:

- permitted/prohibited gambling games
- regulatory powers held by members
- quantity of employees in gambling jurisdictions
- license models for different types of gambling
- post-tax revenue destinations
- gambling-related crime concerns and
- future trends/most pressing challenges

The bulk of the report sets out the varying market structures in place within the IAGR membership. Noteworthy findings included, for example, that while online betting is legal in the majority of jurisdictions that responded, this is not the case for online casinos. Members are also more likely to regulate markets where a higher age limit has been set for access to casino games than for either betting or lotteries.

I do hope that not only the respondents but all IAGR members will enjoy reading the report and find it useful and perhaps be inspired to explore some of the results even more by reaching out to fellow members to exchange and share knowledge and experiences regarding their regulatory models.

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## The IAGR 2018 gambling regulation survey - coming up soon!

Based on the value and awareness that the 2017 survey will hopefully create regarding what the collection and publication of statistics can mean for an organisation like IAGR, we persuaded the IAGR Board of Trustees to make the Sub-committee a permanent one. Consequently we are already deep into using the findings from the 2017 survey to help design the 2018 version. The survey will be restructured to improve usability and provide a clearer structure for respondents. Greater focus will also be placed on questions such as fighting illegal gambling and how regulators approach the issue of responsible gambling, which have both proved to be important issues for IAGR members.

The survey will be sent to IAGR members shortly, with the findings due to be presented at the IAGR annual conference in Copenhagen in September 17-20 2018.

Special thanks go to the respondents and members of the Sub-committee

None of this would have been possible without the responses submitted by IAGR members from across the globe. Once again a profound thank you to all members that responded to our survey and endured our many reminders - together with great members of the Sub-committee we have created the first gambling regulation survey of its kind and made way for more to follow - to me it's a professional dream come true!

Looking at the work done by the Sub-committee so far I thank all members for spending time and putting an effort into the make of the survey, but a few members

stand out, and I would like to make reference especially to the excellent work done by James Green of the UK Gambling Commission for his efforts in compiling this report, and the work carried out by Michael Herborn of the Danish Gambling Authority. Both contributed immensely to the report itself and took care of planning matters. Alongside James Green and Michael Herborn, in 2017 we also had members from Norway, Massachusetts, and Holland, and I am delighted to announce that these members have now been joined by colleagues from both South Africa (Gauteng and Mpumulanga), Ghana, and Australia for work on the 2018 survey.

For more information about the work of the Statistics Sub-Committee, or how to become a member, please contact Birgitte Sand of the Danish Gambling Authority ([bs@spillemyndigheden.dk](mailto:bs@spillemyndigheden.dk)) or Michael Herborn of the Danish Gambling Authority ([mh@spillemyndigheden.dk](mailto:mh@spillemyndigheden.dk)).

### Members of the Statistics Sub-Committee:

- Birgitte Sand, Chair (Denmark)
- Beatrice Baiden (Ghana)
- Carla Bastos (Mpumulanga, SA)
- Gayle Cameron (Massachusetts, US)
- Trude Felde (Norway)
- Flóra Felso (Netherlands)
- James Green (Great Britain)
- Shaila Hari (Gauteng, SA)
- Michael Herborn (Denmark)
- Laurie Korpi (Australia)
- Joan Matsumoto (Massachusetts, USA).

## IAGR - Technical Standards Sub-Committee update

The Technical Standards Sub-Committee is responsible for establishing common technology-based standards for regulators. These standards serve to create a common understanding and to set expectations for our IAGR members and participating jurisdictions. The standards are not intended to be a universal approach as each jurisdiction may have its unique requirements, national laws and international obligations. However, the Committee draws upon the experience and expertise of its membership to develop good practices in key areas which any jurisdiction can adopt should they choose to do so.

### eGambling Guidelines

This year the Technical Standards Committee is chaired by New Jersey Division of Gaming Enforcement Director and IAGR Trustee, David Rebeck, and is comprised of regulators from the United States, United Kingdom, South Africa, Norway and Denmark. The committee is currently updating the eGambling guidelines which were originally published on the IAGR website in 2008. These guidelines are designed for regulators new to online gambling in order to provide a checklist of regulatory requirements a jurisdiction should consider when regulating this activity. The committee will update these standards in an effort to address advancements in technology, evolving regulatory concerns and current good practices relevant to this subject matter.

The committee has been holding monthly teleconferences since July 2017. In this time, the committee has updated 11 chapters of the eGambling Guidelines which focus primarily on customer protection, player verification, responsible gaming, generation

of random outcomes, game disclosures, account creation, advertisement, system logs, as well as system security. The committee plans to complete its review and update the final chapter in the next month.

The 2008 version of the eGambling Guidelines is currently available to all Members on the IAGR website (located under *Membership* on the navigation bar). When the current project has been completed, the updated guidelines will be published on both the website and within the Members' Portal with an announcement emailed to all IAGR Members.

### Multi-Jurisdictional Test Framework (MJTF)

A smaller 'pilot group' of members reliant on outsourced testing for game fairness was also created in order to develop and agree on common standards for test houses and the testing they conduct on the games utilized for the online environment including their random number generator. Work has been progressing on the MJTF by the pilot group (Alderney, Denmark, Isle of Man and Great Britain), which intends to update the version to include online game testing in the coming month.

### Committee Membership

- Chairman: David Rebeck, Director, New Jersey Division of Gaming Enforcement (USA)
- Mark D'Andrea, formerly Advisor to the Gambling Commission (UK)
- Jamie Wall, Senior Officer, Gambling Commission (UK)
- Susan Hensel, Director of Licensing, Pennsylvania Gaming Control Board (United States)

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- Vusi Mtsweni, Department Manager, Mpumalanga Gambling Board (South Africa)
- Jacob Bork Klitgaard, Chief Advisor, Danish Gaming Authority (Denmark)
- Eric Weiss, Deputy Executive Director, New Jersey Division of Gaming Enforcement (United States)
- Afshien Lashkari, Senior Engineer, New Jersey Division of Gaming Enforcement (United States)
- Shaila Hari, Deputy Chairperson (South Africa)
- Mariah Echele, IAGR Secretariat (United States)

#### Multi-Jurisdictional Testing Framework pilot group:

- Mark D’Andrea, Advisor, UK Gambling Commission
- Jacob Bork Klitgaard, Chief Advisor, Danish Gaming Authority
- Neil Howard (Alderney Gambling Control Commission)
- Mark Rutherford (Isle of Man Gambling Supervision Commission)

#### New IAGR Members

IAGR is pleased to welcome new Jurisdiction **Gaming Board for the Bahamas** to membership since the previous newsletter.

## How Trustee Susan Hensel is giving back to her Alma Mater

The following article was first published on January 27 2018 in GGB News, the weekly e-newsmagazine of Global Gaming Business. Permission has been given to IAGR to publish this article in full.



When Susan Hensel was a little girl her father would rush over to her and say “You are going to be on the TV someday,” and then he would lift her up, carry her over to their console

television and set her on the top of it. Hensel’s father was apparently somewhat prophetic for following Hensel’s graduation from the University of Wisconsin she went into the broadcast news business for television station WISN TV, the ABC affiliate in Milwaukee, Wisconsin; she later moved to Central Pennsylvania where she was an on-air TV personality with WHP TV, the CBS affiliate in Harrisburg, Pennsylvania, the state’s capital.

During her stint at WHP TV Hensel decided that she wanted something with more upward mobility than being an on-air TV personality and she took a job as a deputy press secretary for the state of Pennsylvania, being quickly promoted to executive assistant to the head of the Department of Labor and Industry. To further satisfy her goal for advancement, she enrolled in Widener University Commonwealth Law School, located in the state’s capital.

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She kept her day job with the state and attended law school at night, and recalls that sleep during this period of her life was a true luxury. Four years after starting law school Hensel received her Juris Doctorate and passed the Pennsylvania Bar. She then moved into the office of Inspector General as an attorney and press secretary for the state of Pennsylvania.

In July 2004, the state of Pennsylvania passed its Gambling Act and by then Hensel was serving as an assistant general counsel in the Governor's Office. She was then appointed special assistant of the Department of Revenue and became the first person in the state to work on gaming implementation before the creation of the Pennsylvania Gaming Control Board. Several months later she became the first employee of the nascent PGCB. That agency now numbers just under 300 employees, and Hensel serves as its director of licensing.

Many also know Hensel for her involvement in the International Association of Gaming Regulators (IAGR) where she served two terms as president and now serves as a Trustee. Never one to sit still, Hensel has also published a number of articles on gaming and is often sought out to speak on gaming and its regulation at conferences and events around the world.

In 2017, Hensel decided she wanted to give something back to her law school, so she returned to Widener to see if she could teach a gaming law class. The school was most receptive and so she set out preparing for the task, and one of the first calls she made was to Anthony Cabot, of counsel, Lewis Roca Rothgerber & Christie. Hensel reports that Tony was most helpful and that he shared a great deal of advice on developing her syllabus and lectures. For her textbook, she used *The Law of Gambling and Regulated*

*Gaming*, authored by Anthony Cabot and Keith Miller.

She was also able to secure the services of a number of guest lecturers including Dave Rebeck, director of the New Jersey Department of Gaming Enforcement; Lloyd Levenson, an experienced private sector gaming attorney with Cooper Levenson; Elizabeth Lanza, director of the Office of Compulsive and Problem Gambling and Paul Mauro, director of the Bureau of Investigations and Enforcement, both from the PGCB; and Richard Schuetz, recently having stepped down as the executive director of the Bermuda Casino gaming Commission and a former gaming executive. Hensel found that the class was a great deal more work than she had ever dreamed, but also that it was a great deal of fun. She especially liked the interaction with the law students, for as she states: "You can think you know a topic, but to stand before a group of law students and explain it, and then get questions, well, that is challenging. Teaching a class forces a person to think more deeply about issues, and it forces a person to really learn."

The state of Pennsylvania is now going through one of the most significant expansions in the history of gaming in the U.S., and Hensel is looking forward to being involved and tapping into her broad network of contacts around the world as the state launches new gaming products. She is also hoping to continue working with Widener, for as Hensel says: "With the substantial expansion in gaming in Pennsylvania I want to help ensure that the state has a group of well-trained lawyers with a fluency in gaming. Widener gave me the opportunity to learn the law and contribute to the state. I want to stay involved and help return that favor."

## Membership Dues Renewal

### Membership Dues renewal notices for July 1st member year

The dues renewal notices for member year July 1, 2018 - June 30, 2019 will be distributed in early May to accommodate the varied payment cycles of our Jurisdictional Members. Each Jurisdiction will have the opportunity to confirm or update its roster of enrolled individual members for the new year.

### NEW to watch for ...

Please take note of a [new section on the Membership Renewal Form](#) regarding third party emails.

A Member survey was conducted in 2017 to collect member feedback about emails promoting [non-IAGR](#) activities or services. These non-IAGR promotions may include other industry conferences, special discounts on industry publications or other matters of potential interest to the regulatory community. In consideration of the survey responses, the Membership Renewal Form now includes a section for Members to expressly indicate their preference to opt in or to opt out of such third-party emails on an individual basis as some Members may choose to receive such promotions and others may not wish to receive third party emails.

This new Opt-in/Opt-Out election does [not](#) affect official IAGR Member email communications as all members are automatically on the Membership mailing list to stay informed regarding member activities, reports and news.

However, any promotional emails from [third parties](#) for conferences, reports, special

discounts or benefits to regulators or other services will only be emailed to those who specifically opt-in to receive such communications.

Please watch for your dues renewal notices to arrive soon!

## Blurred Lines: loot boxes – when gaming becomes gambling

**The last couple of years has seen the lines between the worlds of traditional video ‘gaming’ and traditional ‘gambling’ beginning to blur as developments in the former change what used to be a pure skill-based experience, into one which is increasingly linked to gambling.**



**Here, Christina Thakor-Rankin, Principal Consultant at 1710 Gaming, shares her thoughts on this important topic.**

Last year the talk was all about skins, free or paid-for cosmetic in-game goods which did not impact on the performance of the player or the game, but which could be exchanged for real cash outside of the game, either at an online skins exchange site, or more invidiously, converted to cash or cash equivalent which could then be used to place bets and gamble on skins-betting sites.

This year, the talk has moved onto another free or paid-for in-game goods: loot boxes.

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It is important to note that skins and loot-boxes are not the same thing: whilst one facilitates gambling - the other **is** gambling.

### A quick recap

For those in need of a quick reminder: skins or cosmetic (decorative) enhancements have been around for years and are either earned by playing the game, or for those in a hurry, simply bought as an in-game purchase for real cash, and historically have had no value outside of the game to which they apply - beyond status and bragging rights.

The game-changer came with the game Counter Strike Global Offensive and the launch of an associated skins exchange site which for the first time ever enabled players to exchange (buy or sell) skins which they had either earned or bought in the game. Suddenly, something which was nothing more than an aesthetic or decorative asset with no value outside of the game, became something which had very real cash value, both within, and more importantly, outside of the game.

In theory, and one of the stated reasons for the exchange was that it would add to the game experience by allowing players to act out the scenario of trading goods on a black market.

The reality is that it spawned a new cottage industry and the creation of 'virtual convertible goods' – effectively a new form of unregulated currency.

The impact of this was two-fold. Firstly, any player, including pre-teens and teens who had previously spent several hours a day playing the game for just fun, could now play the game as a means of generating cash – any 'skins' accrued or earned from playing the game normally could now be converted into real hard cash on the exchange sites.

Secondly, the creation of a new form of currency created the opportunity to diversify into markets where activities using regulated currencies are prohibited, such as betting and gambling.

If the arrival of Bitcoin and other cryptocurrencies saw the launch of hundreds of unregulated, but not necessarily illegal, Bitcoin betting and gambling sites, so the arrival of virtual convertible goods launched hundreds of skins-betting sites, but without the challenge, complexity and hassle of mining and crypto-currency wallets and exchanges, making it easier to understand and use, and freely accessible to a new audience of young and impressionable minds to whom betting and gambling could be presented as cool and an easy way of making money.

Skins allowed gaming to take an attribute of gaming and adapt it to the world of gambling via a bridging mechanism. What loot boxes do however, is take the principles of gambling (chance and prize or win) and drop them straight into the world of gaming without any adaption.

### What is a 'loot box'?

So, what is a 'loot box'? Loot drops have been around for some time. The original aim of the 'loot drop' is to reward players for playing by randomly dropping them a free in-game item, to drive engagement and stickiness. The monetisation of this simple free reward and retention mechanism is today's loot box.

A loot box contains a random selection of in-game items and content. Some of it could be a skin – a cosmetic item which is nothing more

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than aesthetic or decorative, or it could be new outfits, weapons, instruments and strategic devices for a character which could enhance the character's abilities or impact on that character's performance, which normally could only be earned as a skill-based reward by playing and getting better at the game.

The introduction of the paid-for loot box has serious ramifications on the world of both gaming and gambling.

Firstly, it takes one of the oldest forms of gambling and places it right at the heart of gaming. A loot box is like buying a raffle ticket. The player pays a fixed amount for a ticket, or in this case a 'loot box' without any indication of what that box might contain. If they are lucky, the box will contain something which is relatively rare and valuable, useful to the player or an item which is relatively popular, and can be sold or exchanged. If they are not so lucky the box will contain items which are nothing more than low value skins or items which are so common as to be practically worthless.

Just like a raffle, or hitting a spin, a player could spend \$10 and get exactly what they wanted on the first hit; or they could spend \$100s and never get anything of actual value, the value of the contents of the loot box being significantly less than the cost of purchase even. In short, the player pays a consideration and takes a chance of an outcome where the prize is determined randomly and could be a 'win' for the player if the box contains something they wanted, or a 'loss' if the contents turn out to be worthless to them. This is basically gambling.

### **The appeal is to a broad spectrum of ages**

Unfortunately, loot boxes are not limited to over-18 games. They are included in and form an integral part of games which are designed

to appeal to a broad spectrum of ages, such as Star Wars: Battlefront II, where loot boxes can be bought using an in-game currency called Crystals, which themselves are either earned through play, or purchased at a cost of around \$5 for 600 Crystals to \$100 for 12,000 Crystals.

Further, the application, mechanism and motivations behind a loot box mirror those of traditional slot games, packaging the loot box and its opening in such a way as to emulate the same emotional and chemical reactions as a big win or triggering a bonus round or feature in a slot game – the aim is to make it compelling, or addictive.

And whilst adults have been gambling for years, the issue here, and something which makes is slightly more concerning than skins betting - more than the fact that this feature is in games which appeal, and are designed to appeal to youngsters, and where the cost of a loot box is earned by play or at a relatively modest purchase price – loot boxes, or gambling, seems to be presented in this context as a legitimate and acceptable means of fast-tracking a player's progress in the game.

### **A risky message**

The implied message is that gambling is a quick and easy route to success. This is a risky message to send out to anyone at any time, but to do it within the context of an activity which is supposed to be nothing more than a game is arguably both dangerous and irresponsible.

By introducing loot boxes, game developers have also introduced the concept of 'pay to

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win' – the more loot boxes a player 'buys' the greater their chances of 'winning' contents which will help fast-track their progress.

For traditional gamers this pretty much ruins the game, the point of which is skill not gambling, so within the gaming community a backlash is building. This is already having an impact with some game developers going back to loot boxes which contain only skins or cosmetic items and nothing which could materially impact or aid the progress of the player.

Unfortunately, the genie that is the lucrative new revenue stream of paid-for loot boxes is well and truly out of the bottle, and is unlikely to simply fade away, resulting in a very dangerous situation where youngsters are being led to believe that not only is gambling ok, but potentially, a necessary and integral part of success and progression in the game.

For those jurisdictions where betting and gambling fall under regulation, and which define consideration or prize as 'money or money's worth', or gambling as having an element of randomness or chance, both skins and loot boxes are already covered by regulation - permitted or prohibited. There are also those jurisdictions where video gaming has been so much a part of the national culture for so long, such as China, Japan, and South Korea, and where authorities have introduced laws that attempt to regulate loot boxes or specific forms of 'gacha'.

Regulated jurisdictions notwithstanding, this still leaves a large part of the world where the law is silent on the concept of 'money's worth' or virtual goods, and in a digital world where the imposition of hard borders is virtually impossible, regulators can only do so much to guard against youngsters accessing loot boxes.

## Long-term solution

The long-term solution lies with the game developers themselves, and fortunately, many are already realising that a pay-to-win mechanism goes against the very nature and purpose of the skill-based game.

*In the meantime, the best we can do is ensure that regulators continue to regulate and make the public aware of the risks hidden within an activity which on the face of it looks harmless, but which could be breeding a new generation of young gamblers.*

## IAGR email communications

We wish to remind our members of two actions that will help you stay current with IAGR email communications:

- Please **approve** IAGR's official email address [iagr@iagr.org](mailto:iagr@iagr.org) to avoid our Member email communications from being blocked or rejected due to security settings within your organization's spam filters. If this is not an option due to the organization's IT policy, you may wish to consider providing an alternate email such as a Gmail address or other similar personal email address to insure that you receive all official IAGR communications.
- IAGR Members also have the ability to [update your own email addresses](#) when consolidation or other forms of

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re-organizations occur which result in changes to the corporate email format. The link “*change your contact details*” appears at the bottom of any IAGR email communication to manage such changes. If for any reason this link does not appear or if you have challenges in making such updates to a new email format, please notify the Secretariat at [iagr@iagr.org](mailto:iagr@iagr.org) who will make the change manually.

## News round-up

Here are just some of the headlines that have been making global news from across member jurisdictions and their governments over the past few months:

[UK Gambling Commission advises Government to limit FOBT slot stakes to £2](#)

[UK guarantees Gibraltar access to gambling market till 2020](#)

[Google bans bitcoin ads as well as some gambling adverts](#)

[New gaming bill to be tabled in Maltese Parliament](#)

[The VCGLR launches new audit process for gaming machine data](#)

[Latest report on gambling in Sweden shows rise](#)

[UNICEF urges Australia to get tougher on gambling](#)

Remember, if you want to promote a news item from your jurisdiction on the IAGR website, email [media@iagr.org](mailto:media@iagr.org).

## Use the IAGR website to promote your message

Does your regulatory agency have a job opening? A request? Or a proposal? Or some other announcement?

If so, send the item to IAGR Communications at [media@iagr.org](mailto:media@iagr.org) for posting to the News section on [www.iagr.org](http://www.iagr.org).

It won't cost you a thing!

Be sure to include in your listing any deadlines by which a response is needed.

## If you missed our Blockchain webinar ....

An [audio file](#) is now available. Or follow the link from the home page, via 'Expert information' or the 'Webinars' section on the website.

On April 18, we ran a webinar, led by Christina Thakor-Rankin, Principal Consultant, 1710 Gaming Ltd, which was entitled: 'Is Blockchain keeping you awake at night? Understanding the risks and opportunities.' The webinar covered security and stability of blockchain and cryptocurrencies and the impact of blockchain on current and future laws and regulations relating to crime, sources of funds and data protection. It posed questions such as where regulation should lie and which authorities are currently regulating cryptocurrencies. It approached the question of whether gaming regulation can be assisted by blockchain technology as well as how 'smart contracts' work in an online gaming environment.