

## **To Protect and Serve**

***eGaming Review: December / January – 2007***

eGaming has grown dramatically since its inception in the mid 90's. There are currently thousands of lucrative sites operating worldwide with a combined turnover of several billion US dollars. It is clear that this industry is not a short-term fad that will simply fade away or die out completely.

Although the prolific growth of the industry presents an array of dilemmas and questions for Government regulators, jurisdictions from around the world such as Australia, Alderney, the Isle of Man and the Philippines have demonstrated that legal eGaming can be safely and effectively regulated.

The question remains that with all of these positive examples of success to draw upon, why is the industry now faced with a full prohibition in the US?

The recent US ruling poses a significant problem for software suppliers and operators alike, particularly those with a dependency on the US market for their revenue. A number of organizations have already begun to uproot either part or all of their US operations, and the rest are tackling tough choices about how to move forward while treading lightly so as to face as little negative impact as possible.

Furthermore, on the flip-side, US Government regulators are now faced with the daunting, if not impossible task of enforcing these laws over the most fundamentally open communication medium known worldwide; the Internet.

The future may seem uncertain, but all hope is not lost, as politics and legislation can sometimes change faster than the weather!

The fact is that the regulation of legal eGaming in the US could be a feasible reality. In examining each of the dilemmas and questions facing regulators, solutions readily present themselves.

### ***Player Fairness***

Regulators want to know that the games operating within their jurisdiction accurately follow approved rules and expected payouts, and that the players will be properly paid for their winnings. In this regard, the eGaming industry is no different from the traditional 'bricks and mortar' gaming industry, with the key exception being that programs on a remote server process and determine the game outcomes and transmit this data to the player's computer.

This exception should pose little concern for regulators. Since a game is a game whether it runs on a slot machine or over the Internet, game fairness and payment confidence can be assured by implementing technical standards similar to those already enforced in traditional gaming environments.

With eGaming, assuring the ongoing integrity of the games is a little more complex, but the fact remains that there are proven technologies that can be used to accomplish this. It has been proven by legal eGaming jurisdictions around the world that enforcing appropriate standards allows regulators to provide an appropriate level of assurance.

Of course, regulation without teeth is meaningless! The cornerstone of eGaming regulation, as with traditional gaming, is enforcement and independent testing to certify compliance.

### ***Player Protection***

Many US States believe that the best way to protect their citizens is to ban eGaming altogether. As a result, national prohibition laws have been passed.

The problem is that someone has yet to determine a reliable method of 1) technically preventing eGaming sites from operating, and 2) enforcing a ban on eGaming sites that operate in nations that are extrajurisdictional to the prohibition.

Some argue that these laws actually put citizens who wish to gamble at increased risk by forcing them to wager on sites hosted by unscrupulous operators in unregulated jurisdictions. Advocates of prohibition seem to have lost the plot when it comes to understanding that their citizens are best protected by being able to gamble at a regulated site, where concerns for fairness and player protection are adequately addressed, rather than being forced to gamble on sites where such assurances may not exist.

### ***Social Challenges***

In addition to the challenges of game fairness and player protection, there are also very important social challenges to be considered. These include the prevention of underage gambling and the minimization of problem gambling.

There is a well-publicized myth that eGaming is conducted in the privacy of one's home without restriction or exclusion. This may be the case in unregulated jurisdictions, but not so under the guidelines of a strong regulatory regime.

Under regulation, there are stringent procedures that must be closely followed by operators. These include account establishment procedures such as identity, age and location verification, as well as access procedures such as usernames and passwords.

In addition, since all players must be uniquely identified before participating, regulators can impose requirements to help players limit their own gambling losses. In many regulated jurisdictions, players can set self-limitations on bets and deposits, and even impose temporary or permanent self-exclusions on their eGaming account.

These harm reduction methods are supported by many of the world's leading experts on problem gambling, who agree that regulation will serve to protect the public better than prohibition.

### ***Criminal Activity***

No one wants a repeat of the US prohibition era of the early 20<sup>th</sup> century, which proved ineffective at restricting the consumption of alcohol, and consequently resulted in a financial boom for illegitimate suppliers. Accordingly, many suggest that the US prohibition on eGaming will only benefit unscrupulous operators.

The issue of 'shady' operators in unregulated jurisdictions has been an industry concern for some time. Also legitimate, are concerns about the use of eGaming sites for money laundering. Without regulation in place, these allegations continue to negatively impact public perception of eGaming. However, legalizing and regulating eGaming significantly reduces the opportunity for criminals to capitalize on these ventures.

Verifying the probity of eGaming operators is not particularly different from the same assurances sought in traditional gaming environments, where unscrupulous operators will fail to pass exhaustive probity checking. Probity of operators keeps out the undesirable element, and account establishment and tracking controls make eGaming sites the last place one would want to launder money.

## ***Integrity of Systems***

An eGaming site, like any other Information System (IS), must be secured through comprehensive operational controls both from outside and from within. This protection includes proper administrative controls, technical controls, and physical & environmental controls.

Fortunately, there are readily available methodologies to ensure IS security, just as there are existing methods for regulators to verify compliance with appropriate standards. In this regard, the eGaming industry is no different from any other high-security business, such as eBanking and eCommerce.

With a veritable army of IS security specialists flooding the market today, combined with libraries of appropriate technical standards, eGaming operators and regulators alike have all the tools and resources they need to lock down and protect their sites.

Again, by implementing and enforcing these standards, regulators can assure the level security and integrity necessary for a safe and secure eGaming operation.

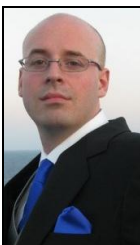
Many operators with a potential interest in eGaming in the US are sitting around, playing the waiting game to see what happens next. For those individuals, it is important to remember that the market is evolving at light speed.

In the Internet world, product life cycles are short, often measured in months or even weeks, yet the necessary technology can take years to develop and implement. Caution is sensible, but being too cautious could mean missing the boat!

The superiority of regulation over prohibition is a fact not lost on many jurisdictions worldwide, where paramount concerns for fairness, player protection auditability and integrity are successfully addressed. Even if the US market fails to recognize this, there are a vast number of alternative regulated jurisdictions waiting to receive applications from potential new operators!

The bottom line is that the eGaming industry does not look as though it will disappear any time soon.

### **Bio**



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