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>> Letter from the Editor

International Developments in Online Gaming

By Sue McNabb



Sue McNabb

This issue of *Casino Lawyer* focuses on international developments in online gaming. In the United States, some gaming jurisdictions exhibit a dearth of legislation on this current hot topic. The quest for Internet gaming legislation in Louisiana is illustrative.

In 2013, the Louisiana legislature passed HCSR 1 which requested a study of Internet gaming with the objective to educate the members on the feasibility of Internet gaming in Louisiana. Shortly before the 2014 session began, the Louisiana House committee on criminal justice, which hears gaming related bills and proposals, and the Senate judiciary committee held a joint meeting which was attended by many gaming attorneys and industry executives. The net result of the study and the committee hearing was an acknowledgment that gaming under Governor Bobby Jindal will not expand, a promise made by the Governor to the voters during his first campaign. Even with the clever argument that Internet gaming is not an expansion of gaming but merely a "different delivery system," any hopes of approving Internet gaming in Louisiana during the current session died.

The present situation in Louisiana is that even if the legislature would approve Internet gaming, Governor Jindal would likely veto the measure. Thus, Louisiana continues to be one of many gaming jurisdictions in the United States hovering around the periphery of Internet gaming in a "wait and see" mode.

This issue of *Casino Lawyer* includes articles featuring international and United States jurisdictions that address a wide spectrum of attitudes toward Internet gaming, ranging from proactive regulations that welcome online gaming to jurisdictions, such as many in the United States, that have adopted a prohibition approach. The articles address regulatory issues related to Internet gaming that are of concern to all gaming jurisdictions.

A profile on New Jersey provides an informative analysis of growth in the state's nascent online gaming market. In 2011, Governor Chris Christie vetoed early Internet gaming legislation, but in 2013 Governor Christie signed legislation that legalized Internet gaming in New Jersey. The authors

discuss the emerging symbiotic relationship between Internet gaming and bricks and mortar casinos.

On the International front, Singapore's position on remote gambling is evolving. The article on the development of legislation in Singapore suggests parallels between the United States attitude of "a general prohibition with exemptions" as opposed to the United Kingdom's "approach of liberalised regulation."

Bulgaria is the jurisdiction featured in the Eastern European update, citing the country as a well-regulated and welcoming jurisdiction for online operators. According to the author, Bulgaria's new gambling taxation regime gives the country "a significant advantage" over all other Eastern European gambling jurisdictions. The update on gaming in Spain provides an overview of online gaming history and development of the Spanish market. The article analyzes gaming regulation and the present economic crisis facing land-based gaming in Spain and the issuing of new online licenses. Next, the European Parliament's very recently issued anti-money laundering and terrorist financing directive is analyzed in an article on the Fourth EU Directive. The vulnerabilities of Internet gaming and measures directed to manage the risks associated with the market are discussed in detail.

In the Indian Gaming economic update, a yearly feature contributed by Dr. Alan P. Meister, Indian Gaming is compared to other gaming segments discussing the recent slower growth of the Indian Gaming market segment.

The 2011 United States Department of Justice Wire Act memorandum, which ostensibly

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Sue serves on the board of directors of the Louisiana Association on Compulsive Gambling and was formerly a member of the board of the National Council on Problem Gambling. She also serves on the board of the Louisiana Center for Women in Government and Business and was recently appointed by Governor Bobby Jindal to serve on the Louisiana Women's Policy and Research Commission. She received the IMGL president's award for 2013.

A TIE THAT BINDS

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resubmit for approval all the technical information specified in Regulation 14.030. Additionally, treating each multi-jurisdictional progressive prize system as a new inter-casino linked system triggers several other procedural steps that the Nevada Board considers important. These steps include the applicability of minimum system standards in Regulation 14.045, the field trial requirements of Regulation 14.080, and compliance certification mandates of Regulation 14.090.

This approach by the regulatory agency means that each system will be fully vetted in public hearings before the Nevada Board and Nevada Commission. Following these procedures also will mean operators face an application approval process that will take at least four to six months based on typical processing history.

BITCOIN

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In October 2008, Satoshi Nakamoto issued a paper titled "Bitcoin: A Peer-to-Peer Electronic Cash System", describing Bitcoin as allowing payment transactions to go from one person to another without the intervention of a financial institution.⁶ A described benefit of using Bitcoin is the lack of a fee, as imposed by banks and processors for the use of credit or debit cards or other cash alternatives. However, there is a fee imposed by the exchanges, which is smaller than those of financial institutions, still allowing a financial benefit from the use of Bitcoin.

Bitcoin is a shared public ledger of software code, comprising a block chain consisting of the entire history of Bitcoin and each of its transactions. The code is "mined" by powerful computers computing an algorithm to establish a valid sequence. The entire block chain must be correct to add to it, thus ensuring validity to the code sequence. The longer the block chain, the more robust the computing power that is needed to compute the current algorithm and create new Bitcoin. This is an additional security feature to ensure validity. There is a limit to the amount of Bitcoin that can be created, established at 21 million Bitcoin (BTC). It is anticipated that the last block in the chain will be computed in 2140, so the amount of useable Bitcoin will increase but

Impact on the industry and gaming public

Authorizing these systems was viewed by Nevada's regulators as important to maintaining global leadership in gaming entertainment technology development and deployment. This step also is consistent with Nevada's support of multi-jurisdictional interactive gaming like poker, where state collaboration in forming liquidity through common wagering pools mutually benefits the participating jurisdictions.

Practically, the systems are a technology product facilitating increased play of wide area progressive slot machines. That play, in turn, drives taxable gross gaming revenue, machine unit production and patron traffic at casinos.

These marketplace attributes are important in each of the jurisdictions. The systems will become yet another tie that binds the private and public participants in the evolution of global gaming competition. ♣

be limited.⁷

Users of Bitcoin can acquire BTCs by mining Bitcoin themselves, which takes considerable computing power and currently is attempted only by links of robust scientific computer systems, by buying them from exchanges, which operate similarly to financial institutions in being outlets for trading Bitcoins or by accepting BTCs in exchange for the sale of goods or services.

In practice, one needs a Bitcoin wallet as an application on a computer, to store and validate the person's supply of Bitcoin. Like any wallet, it should be secured, which is done by having a private key, or encryption code, known only to the owner. When one trades or uses Bitcoin, the transfer is made by sending an amount of BTC to the receiver's wallet and providing a secure code to access the bitcoin by the receiver. Once transmitted, the transaction is complete and irreversible. The history of the transaction is added to the block of code, adding a level of security to code.⁸

With the currency crisis that has taken place especially in some European countries in the past several years, Bitcoin has been more positively received and is beginning to attain some recognized status as a viable currency. Numerous online enterprises have accepted Bitcoin as payment and more and more "bricks and mortar" locations are amenable to Bitcoin technology.⁹ Unfortunately, the uncovering of Silk Road as an online criminal enterprise



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The views expressed in this article are those of Mr. Reaser and Ms. Hoffman, and should not be attributed to any client of Lionel Sawyer & Collins.

EDITOR'S LETTER

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opens the door for intrastate Internet gaming, also has potential opportunities for land-based gaming. A new development in Nevada is featured in an article which discusses the use of multi-jurisdictional progressive prize systems, an expansion linking slot machines among casinos beyond the Nevada state lines.

Another new development in Internet gaming in the United States focuses on interactive and interstate gaming. An article discusses another area where the 2011 Wire Act memorandum creates a potential minefield of legal issues. The article analyzes the conflicts found when client-server based gaming crosses jurisdictions with different laws and varied interpretations of the laws.

This issue also contains an excellent article on conflicts of law in transnational contracts with a recommendation of how gaming attorneys can avoid potential problems with conflicting laws in diverse jurisdictions.

Next, a discussion of ethics in the gaming industry emphasizes four industry segments that face various ethical issues: manufacturers, promoters, compliance committee members and regulators.

Finally, the spring issue of *Casino Lawyer* includes a thorough explanation of Bitcoin with a discussion of legal and regulatory issues related to this "most notable form of virtual currency."

As always, *Casino Lawyer* appreciates the International Masters of Gaming Law members and other contributors to the legal journal in promoting the IMGL objective of legal education in the gaming industry. *Casino Lawyer* extends special appreciation to advertisers whose generosity assists the journal in publication and distribution to over ten thousand international recipients. ♣