

Skins-Betting Crackdown Cheers Legitimate E-Sports Operators

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Valve Corp's crackdown on websites offering so-called skins betting on e-sports could help spur growth of licensed betting in the industry by removing a potential source of scandal, industry officials say.

Washington State-based Valve this week issued 23 cease and desist orders to third-party websites that use its games software platform Steam to enable gambling on e-sports with skins, or decorative weapons covers.

The step goes a long way towards easing concerns that growth of legitimate betting on e-sports was imperilled by the potential for scandal erupting from the unlicensed sites, which some say facilitate cheating and underage betting.

"The sort of thing the UK Gambling Commission, Isle of Man, Malta and Nevada have been worried about may have gone away overnight," said Ian Smith, one of the founders of ESIC, the recently-launched Esports Integrity Coalition.

Licensed betting sites "would wish to distance themselves from sites where age verification and KYC (know your customer) procedures are sketchy or are non-existent", Smith said.

Valve's clampdown will be "absolutely helpful" to the growth of e-sports because the fact that sites were "open to minors, promoted deceptive schemes and some were ... absolutely cheating consumers" would have "certainly led to federal and state enforcement", said Jeff Ifrah, a Washington, D.C.-based gambling lawyer.

"Any law-enforcement initiative would have undoubtedly negatively impacted the industry at large," he said.

Valve's move to crack down on betting on its Counter-Strike: Global Offensive game using skins follows the filing of two class-action lawsuits against it, and was followed by Twitch, the biggest games-streaming site, which banned broadcasters from streaming content that violates Valve's terms of service.

"If you fail to do this within ten days, Valve will pursue all available remedies including without limitation terminating your accounts," Valve said in warning letters posted by recipients on Twitter.

At least 80 licensed operators offer betting on e-sports today, up from 15 eight or nine months ago, and one five years ago, according to Sportradar.

But there is potential for greater growth.

E-sports, in general, should generate an estimated \$892m revenue this year, but only about 7 percent of that comes from e-sports betting and fantasy sites, according to New York City-based SuperData.

In the US, e-sports has been embraced as a potential way to attract so-called millennials, especially young men, who otherwise shun casinos.

About 61 percent of the US e-sports audience is under 25, and it is 85 percent male, according to SuperData.

Nevada and other officials welcomed Valve's clampdown.

"Cracking down on any form of illegal gambling is a good thing," said Seth Schorr, chief executive of Fifth Street Gaming, which has applied for a licence to offer e-sports betting at the Downtown Grand, the casino that the company manages in downtown Las Vegas.

"Under-age gambling and unregulated gambling with no guarantees of integrity to the player is illegal and unethical," Schorr told GamblingCompliance.

"I'm watching the story and obviously feel that any crackdown on illegal, unregulated gaming is a good thing," said AG Burnett, chairman of the Nevada Gaming Control Board. "I think any legitimate operator has those same concerns."

"This should help reassure bettors about the integrity of the matches," said Alex Ingot of Sportradar, which tracks betting on both legal and illegal websites to detect betting discrepancies that could indicate cheating.

The skins-betting websites offer players a chance to bet their skins on matches, or gamble them on a range of casino-style or even coin-flip games.

Several of those sites, however, have been identified as being owned by the YouTube or Twitch broadcasters which promoted them, an apparent violation of Federal Trade Commission endorsement rules.

Ifrah said a skins-betting scandal could have had impact far beyond just the e-sports betting impact, as some consumer advocacy groups have claimed the sites offered illegal gambling because the skins had real-world value.

"If a court were to agree with this allegation, the consequences for virtually any site offering free-to-play games, such as social casino and social poker games, would have been potentially life ending," he said.

"By enforcing its terms of service and shutting down the ability to bet or wager with its skins, Valve will likely shut down these illegal gambling allegations," Ifrah said.

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