

Lotteries have Expanded Responsible Gaming Protections as Their Online Product Offerings have Grown, But Illegal Operators Without Such Protections Are Still Allowed to Operate

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Laws passed in many states in recent years have expanded the scope of state lottery product offerings and the channels through which lottery products are delivered. For example, lotteries in Connecticut, Montana, Oregon, Rhode Island and the District of Columbia operate sports betting, and approximately a dozen state lotteries offer lottery products via mobile applications and online web sites (not counting state lotteries that offer only draw games by subscription or offer games online only via a third party courier service).

In connection with these expansions of product and channel offerings, laws and regulations have correspondingly expanded the state lotteries' responsible gaming and problem gambling resource commitments. Because of the player-related data that is available in connection with mobile and

online lottery play, protections and resources can be brought to bear that are unavailable in the traditional, bricks-and-mortar lottery world. As noted at a roundtable discussion at the 2021 Public Gaming Research Institute ("PGRI") conference in Nashville ("Nashville Panel Discussion"), "the use of credit cards [in a lottery transaction] transforms the transaction from an anonymous cash purchase, in which nothing is known about the player, into a record and data-point that can help the player be more aware and manage play more responsibly. Decisions on both the lottery and player sides will be more informed from that data."

In order to purchase digital lottery products in the states that offer them, a player must first open an online account with the lottery, providing their name, age, email, phone number and other personal information, and the player must fund the account, providing

personal bank account and/or electronic card information; all the provided information is checked and verified by a third-party secure vendor. Then, when purchasing a digital lottery product, the player's location within the applicable state is checked and confirmed as well. Finally, all lottery wagering transactions are recorded and logged. As a result, lotteries offering digital products have a complete history of each player's digital lottery product purchase and play activity that can be used to strengthen their interventions and messaging toward healthy play.

The question, of course, is whether this data is actually being used to help those players to keep their gambling safe and to assess players for at-risk behavior that may lead to gambling problems. The evidence so far suggests that it is, certainly by U.S. lotteries that offer digital instant lottery games online.

For example, regulations in Connecticut (applicable to “electronic wagering platforms,” which include iLottery games and lottery sports betting, and apply also to commercial sports betting operators), require that mobile and online wagering platforms operating in Connecticut, among other things:

- Allow prospective patrons to place themselves on a voluntary self-exclusion list and thereby be prohibited from establishing an internet gaming account or participating in wagering on internet games or retail sports wagering;
- Allow patrons to establish daily, weekly, and monthly wagering limits;
- Allow patrons to establish daily, weekly and monthly deposit limits;
- Allow patrons to establish limits on the time they can remain logged-in to the lottery’s electronic gaming platform; and
- Notify the patron when his/her lifetime deposits exceed \$2,500, and thereafter prevent the patron from wagering until the patron acknowledges the notice and affirms that he/she has the capacity to establish responsible gaming limits (failing which, the account shall be closed), and repeat such notification every six months thereafter.

Similar responsible gaming measures are in place in other states in which the state lottery offers electronic instant game products via a website and/or mobile app, such as Michigan, New Hampshire, Pennsylvania, Rhode Island, Virginia and Washington D.C. Indeed, Virginia establishes a maximum deposit amount during any 30-day period, regardless of player preference.

However, detailed means of protection such as these are not available to those who participate in illegal, unregulated online gaming in the United States. While unregulated online gaming operations are often criticized for not paying taxes or otherwise contributing to good causes, it is not noted as often that they also lack the robust player protections required of legal state lotteries and licensed and regulated commercial operators offering their products online. Still, illegal, unregulated operators continue to operate with remarkable freedom in the United States. For example, notwithstanding the lack of protections and regulation, and failure to contribute to state revenues or good causes, H2 Gambling Capital Director David Henwood estimated in December 2021 that the \$1.4 billion in projected gross gaming revenue from legal U.S. sports betting for 2021 would be just 8% of the estimated \$17 billion in annual revenues from offshore states accepting wagers from U.S. players. In other words, in regard to online sports betting, far more (almost nine times more) is wagered via

unregulated channels lacking robust player protection than is wagered via licensed and/or regulated means which address responsible gambling seriously.

More can and should be done to shut down online gaming operators taking wagers from players in the United States illegally. In a letter to Attorney General Merrick Garland dated April 13, 2022, the American Gaming Association (“AGA”), which represents the U.S. casino industry) sought the support of the Department of Justice in enforcing U.S. federal laws against illegal operators offering gambling products in the U.S. The AGA wrote:

[A] vast illegal sports betting market continues to exist through offshore websites, which have established well-known brands ... that operate with a high degree of visibility and are readily accessible to every American with a smart phone or Internet connection. These illegal sites also enjoy many competitive advantages that allow them to offer better odds and promotions and ignore any commitment to responsible gaming because they do not pay state and federal taxes or have comparable regulatory compliance costs and obligations. ...

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Similarly, illegal online casinos operate openly and often target U.S. customers through paid advertising. These illegal sportsbooks and casinos create numerous societal costs. In addition to violating the law, the games offered by these sites do not meet testing or regulatory standards to ensure fair play and payouts, age-verification, or security of personal and financial data. Jurisdictions with authorized gaming implement rigorous responsible gaming protections and widely offer self-exclusion lists to assist users who may have difficulty controlling their play – but clearly the illicit platforms do not implement such lists and as a result, the most vulnerable users are likely to end up using these options. Illicit gambling operations have also been known to at times simply disappear, walking away with their customers’ funds in

the process. Our current state-based licensing and regulatory regime ensures this cannot happen in the legal market.

[T]he pervasiveness of this illicit activity requires more sustained attention and action from the Department. While prosecutions and convictions may be difficult to secure, the AGA firmly believes that the Department can make a strong and meaningful statement by investigating and indicting the largest offshore operations that openly violate federal and state laws. This action would provide much-needed clarity that these websites are criminal enterprises, which can help to deter the American public from visiting these sites and prompt businesses to take appropriate action to ensure they are not supporting them.

Further, more can be done by all stakeholders in this regard. In addition to seeking increased enforcement efforts from the Department of Justice, state lotteries can push for enhanced efforts by state law enforcement authorities to act against illegal operators. (Most illegal operators do not have assets or personnel in the United States, however, making enforcement actions – such as those recently taken against illegal lotteries operating in Spain, Portugal and the UK – difficult.) State lotteries can also increase their cooperation with their nonprofit State Councils (that operate as Affiliates to the National Council on Problem Gambling in 35 of the 48 states with legalized gambling), to educate prospective players about the dangers associated with illegal gambling operations and encourage regulated gambling and their related responsible gaming services. The illegal market benefits no one but the illegal operators themselves.

In summary, while the advent and expansion of online gaming provides enhanced opportunities to protect players and promote responsible game play, the policies and procedures required of U.S. state lotteries and licensed commercial operators in the U.S. will not be effective overall if the majority of online gaming occurs via illegal, unregulated sites and mobile applications which do not offer robust protections or, in some cases, any protections at all. More should be done by federal and state law enforcement authorities, as well as other industry stakeholders, to stop illegal operators from taking wagers from persons in the U.S. As stated by Richard Bateson, Chief Commercial Officer, JUMBO Interactive, at a recent PGRI panel: “We know what works to promote purchases and we also know our at-risk players. How do we help this small population? It’s actually easier with digital than at retail. We owe it to our players and communities to offer safeguards that will protect them.”

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Call for Participation - Women's lottery leadership programme in Europe 2022-2023

"WILL continues to grow, creating a path for talented and passionate women to realise their full potential in the lottery sector. Both mentors and mentees will benefit from this experience and contribute to build an environment that not only accepts diversity, but also celebrates and promotes it," Stéphane Pallez, EL 1st Vice-President and CEO of La Française des Jeux (FDJ)

Please send an email to the WiLL coordinator (Melissa.Jacquierioz@european-lotteries.org) confirming your interest in the programme along with your resume by 30 September 2022. Too, see page 37 of this issue for more on the EL and its WiLL initiatives.

Camelot withdraws National Lottery appeal

Camelot will withdraw its appeal over lifting of an automatic suspension, allowing the Gambling Commission to grant the licence to Allwyn Entertainment UK. Instead, Camelot will pursue a damages claim over the National Lottery licence award.

Danske Spil grows first half revenue despite lottery and sports decline

Australian government commences wide ranging online gambling inquiry

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The Dutch Gambling Authority, Kansspelautoriteit (KSA), has announced that its research programme into problem gambling will commence later this year.

Mauritius: Small lottery big impact

WLA member Lottotech Ltd. has become the first lottery in the African region to obtain the WLA responsible gaming certification level 2, 3 and then 4 twice.

Singapore among jurisdictions most opposed to online gaming

Almost six in ten Singapore adults think online gambling should not be allowed, the fourth highest globally.

The Burkinabè National Lottery renovates infrastructure in Loubila to the tune of 580 million FCFA (\$900,000)

Kyrgyzstan – A bill legalising gambling in the country has been signed into law

Ireland appoints Anne Marie Caulfield as CEO of first gambling industry regulator

Peru's Gaming Regulator Fines More Than 30 Casinos Over Violations

IGT PlayDigital Grows Partnership with SKS365 Group via Expanded Content Agreement in Italy

IGT PlayDigital has grown its partnership with SKS365 Group through an expanded multi-year content agreement. SKS365 Group is the international sports betting and gaming operator of Planetwin365 casino and one of the largest operators in the Italian market.

Greek OPAP H1'22 Gross Gaming Revenues (GGR) landed at €899.3m vs €570.1m in H1'21, higher by 57.7% on the back of retail estate being fully operational throughout 2022 and resilient demand

INTRALOT Group announces financial results for the six-month period ended June 30th, 2022

Macau Gambling revenue falls short of expectations – not only due to the pandemic but also to mainland China's anti-gambling measures

¹Andrew Crowe, Senior Vice President, Business Development, Sightline Payments, at PGRI's 2021 Nashville Conference Roundtable Discussion "Data and the "Digital Mentality" are Re-Shaping Lottery's Future." (the "Nashville Panel Discussion"), reported in Public Gaming International, March/April 2022, p. 57.

²Connecticut Department of Consumer Protection regulations at 12-865-13(p).

³See the Michigan Lottery's responsible gaming information at <https://www.michiganlottery.com/responsible-gaming>.

⁴See the New Hampshire Lottery's responsible gaming information at <https://www.nhlottery.com/iLottery-Games/iLottery-FAQs#How-to-Set-Deposit-Limit>.

⁵See the Pennsylvania Lottery's responsible gaming information at <https://www.pailottery.com/p/responsible-gaming-policy/#:~:text=By%20law%2C%20players%20must%20be,and%20ages%20of%20all%20players>.

⁶Rhode Island Lottery Rules and Regulations, Rule 20.26, at <https://rilot.com/content/dam/interactive/ilottery/pdfs/about-us/RILotteryRules.pdf>.

⁷See <https://www.valottery.com/aboutus/faq> "Can I exclude myself from buying games online?" and "Is there a limit to how much I can deposit into my account wallet?"

⁸See DC Lottery's responsible gaming information at <https://dcilottery.com/en/view/responsible-gaming>.

⁹See the Virginia Lottery website at <https://www.valottery.com/aboutus/blog/gamingcontrols> explaining that a player may not deposit more than \$5,000 in any 30-day period, and that such maximum deposit amount can be lowered at the player's discretion.

¹⁰While some purport to offer an opportunity to self-exclude, most leading unlicensed sports betting sites reported to be taking wagering from players in the U.S. do not offer other detailed protections. See, for example, certain terms of use at <https://www.bovada.lv/responsible-gaming>, <https://www.betus.com.pa/terms-conditions/> and <https://help.betonline.ag/knowledge-base/responsible-g/>.

BetUS Other than an opportunity to self-exclude, Bovada offers none of opportunities to set limits on deposits and wagering sessions.

¹¹See Mr. Henwood's remarks quoted in Action Network, "Despite Growth, Legal Sports Betting Still Just a Fraction of Illegal Market," by Ryan Butler, last updated December 11, 2021, at <https://www.actionnetwork.com/general/despite-growth-legal-sports-betting-still-just-fraction-of-illegal-market>.

¹²See letter from William C. Miller, Jr., President and CEO of the American Gaming Association to Hon. Merrick Garland, Attorney General, U.S. Department of Justice, dated April 13, 2022 (the "AGA Letter") at https://www.americangaming.org/wp-content/uploads/2022/04/AGA_DoJIllegalGambling-4.13.22.pdf.

¹³See AGA Letter, pp. 1-2.

¹⁴See "Illegal Lottery Operations in Spain, Portugal and UK Come to an End," by Erik Gibbs in casino.org, June 30, 2022 at <https://www.casino.org/news/illegal-lottery-operation-in-spain-portugal-and-uk-comes-to-an-end/>.

¹⁵Richard Bateson, Chief Commercial Officer, JUMBO Interactive, at the Nashville Panel Discussion, reported in Public Gaming International, March/April 2022, p. 57.