

# THE DEVELOPING INDUSTRY: KEEPING THE MOMENTUM

The online gaming market represents one of the fastest growing segments of the gambling industry. With the social network phenomenon spreading rapidly among youth and young adults, operators are experiencing new ground on which to tread. Today's reality makes the perception of a gaming industry limited to gambling on games of chance outdated. Times are changing, and games that players played purely for fun are now being played with added enthusiasm for the economic value attached to them.

**The gaming industry** is growing in such a way as to encompass games of pure skill, where no element of chance exists or where it is so minimal that it can never have any bearing on the end result of the game. In a world where social networks are blooming and where people spend more and more time socialising and playing multiplayer online games, it was perhaps foreseeable that games that offered no monetary prize would eventually be monetised. Suffice it to say that there are people who, as their full-time employment, play massively multiplayer online games to acquire in-game currency that other players purchase in exchange for real-world money (commonly referred to as 'Gold Farming'). Statistics further confirm this emerging market, with Casino City Press ranking two skill gaming websites at the top of its list of the leading 100 gaming sites worldwide. As new markets develop, so does the need to have such markets regulated.

Ever since it regulated remote gaming in 2004, Malta has tried to ensure that

it remains up-to-date with the evolving gaming industry and the developing market. The regulations presently in place set out the legal infrastructure necessary to operate a remote gaming website offering games of chance to its users under the strict and thorough supervision of the Maltese regulator, the Lotteries and Gaming Authority. The present regulations cater for the licensing of online lotteries, casino games, skill games with an element of chance, betting, betting exchanges, poker and P2P (among others). To operate under a Maltese remote gaming licence, applicants must undergo a comprehensive application process. The Maltese regulator's pragmatic approach and accessibility has rendered the application process efficient whilst ensuring that the applicant company has the infrastructure necessary to operate as a gaming operator.

## Black Friday

On April 15, 2011, a date which has become known as 'Black Friday', players who had trusted gaming operators with their money found themselves with serious uncertainties as to when, if ever, they would recoup their deposits. Since then, players have become far more aware of the risks they face when playing on less well-regulated websites. A well-regulated market gives players the confidence to trust operators with their money knowing that such operators have undergone a thorough licensing process and are subject to stringent regulations under the watchful eye of the regulator.

Whereas the regulation of gambling on games of chance was accepted by many in view of the element of chance that

existed, skill gaming operators could well harbour a certain degree of reservation with regard to the regulation of skill games. One supporting argument could be that it is the player's skill which is the determining factor of the result of the game. The counter argument to this would be that playing games of skill for a prize would also require players to deposit funds and to trust their operators with handling and safeguarding their balances. Player protection, which has been the cornerstone of the regulated gaming industry, would still be the basic principle on which any regulations would need to be formulated.

## Reassurances

The reality is that social gaming is on the increase and the repercussions of having an unregulated market are known to all. Regulation does not only serve to protect the players from abusive operators but also gives reassurance to investors that they are buying into a structured business within a regulated market.

Being the first EU Member State to regulate the remote gaming industry, we look forward to welcoming Malta's response to this new market.

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