The Regulation of Online Gaming Across Jurisdictions: Success, Standards and Stability

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Introduction

- 2005 - fifteen to twenty million online gamblers from United States
- Online gaming by U.S. players currently worth an estimated $9 billion
- 2006 - Security and Accountability for Every Port Act (SAFE)
- Unlawful Internet Gambling Enforcement Act (UIGEA)
- DOJ and “Black Friday”
Introduction

• UIGEA
• Purpose is to stop flow of money from gamblers to online casinos
• However this has not been the case
• People have found loopholes
An Analysis of Internet Gambling and its Policy Implications. (Stewart, 2006)

- 73 jurisdictions that have legalized and regulated online gaming
- Mostly Antigua, Malta, and Gibraltar
- Most looking for financial gain
- Gaming Act 2005 (UK) could shift locations
Literature Review

• Leading jurisdictions have created regulatory structures

• Most share various basic fundamentals
  ○ Identification and residence
  ○ Fair and approved technology
  ○ Minimum gambling age
  ○ Loss limits and betting limits
  ○ Anti-money laundering
The U.S. on Tilt: Why the Unlawful Internet Gambling Enforcement Act is a Bad Bet. (Alexander 2009)

- Predicted the UIGEA will fail to reign in online gambling.
- Argues that the U.S. federal government is treading an improvident course towards prohibition.
- Suggests the U.S. should abandon its current course and find ways regulate online gambling.
Literature Review

- **Four Phases of Internet Regulation.** (Palfrey 2010)

- 2005 to 2010 is known as access-controlled phase
- Main feature is a series of mechanisms to limit access or information
- Possible fourth phase: access contested
- Certainly true in online gaming
- Question is no longer if it should be regulated but how it should be regulated
- **Research question:** How should Internet gambling be regulated.
Methodology

- Research focuses on possible causes of growth, success, and stability.
- Units of analysis are the 73 jurisdictions (countries) that regulate online gaming.
Indicators of Success

- First experiment is a linear regression test between total gaming score and number of gaming sites.
- Independent variable: Total Gaming
- Dependent Variable: Number of Gaming Sites
### Linear Regression Between Total Gaming and Number of Gaming Sites

#### T Statistics in Parentheses

<table>
<thead>
<tr>
<th>Parameter</th>
<th>Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Constant</td>
<td>-56.381 (-3.379)*</td>
</tr>
<tr>
<td>Total Gaming regression coefficient</td>
<td>47.549 (6.294)*</td>
</tr>
<tr>
<td>R Square</td>
<td>0.358</td>
</tr>
<tr>
<td>Adjusted R Square</td>
<td>0.349</td>
</tr>
</tbody>
</table>

*p<.05
What game causes highest total gaming score?

- Difference of means test between total gaming and poker, casino, sports book, and lottery.
- Trying to find out which game has the biggest impact on total gaming score.
### Difference of Means

<table>
<thead>
<tr>
<th></th>
<th>With Game</th>
<th>Without Game</th>
<th>Mean Difference</th>
</tr>
</thead>
<tbody>
<tr>
<td>Poker</td>
<td>3.3500</td>
<td>1.3396</td>
<td>2.01035*</td>
</tr>
<tr>
<td>Casino</td>
<td>2.900</td>
<td>1.1860</td>
<td>1.71395*</td>
</tr>
<tr>
<td>Lottery</td>
<td>2.26671</td>
<td>1.2857</td>
<td>0.98095*</td>
</tr>
<tr>
<td>Sports Betting</td>
<td>2.3846</td>
<td>1.3235</td>
<td>1.06109*</td>
</tr>
</tbody>
</table>

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Indicators of Growth

- Dependent variable: Growth Per Year
- Independent Variables: Annual Licensing Fees, Start-up Licensing Fees
- Looking to see how different types of fees affect annual growth of gaming sites among jurisdictions.
- Expect to see negative relationship between the variables.
### Bivariate Correlation: Growth Per Year, Annual License Fee, Start-up License Fee

<table>
<thead>
<tr>
<th>Growth Per Year</th>
<th>Annual Licensing Fee</th>
<th>Start-up Licensing Fee</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pearson Correlation</td>
<td>-.183</td>
<td>-.597*</td>
</tr>
</tbody>
</table>

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Indicators of Stability

- Linear regression test to test stability of jurisdictions
- Dependent variable: Number of Years Gaming
- Independent Variable: Stability Score
## Linear Regression Between Number of Years Gaming and Stability Score

T Statistics in Parentheses

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<table>
<thead>
<tr>
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<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Constant</strong></td>
<td>.924 (.570)</td>
</tr>
<tr>
<td><strong>Stability Score regression coefficient</strong></td>
<td>2.857 (3.854)*</td>
</tr>
<tr>
<td><strong>R Square</strong></td>
<td>.240</td>
</tr>
<tr>
<td><strong>Adjusted R Square</strong></td>
<td>.224</td>
</tr>
</tbody>
</table>

*p<.05*
Conclusion

- For the most part there is statistical significance in the research
- However, research may only paint a broad picture.
- Variables such as tax statistics, employment statistics, number of players, etc. would be more helpful
Questions?