SKIN GAMBLING

January 30, 2018

HB 2881 | Public Hearing
House Committee on Public Safety

Washington State
GAMBLING
COMMISSION

WHAT ARE SKINS?

Skins are virtual items that can be used in games like Counter-Strike: Global Offensive (CS:GO). They change the appearance of a player's weapon or equipment. The skins simply change the appearance of weapons, having no effect on the functionality or power of the weapons.

CS:GO's AWP (Arctic Warfare Police) sniper rifle is shown in its original state and with various skins.

HOW DO PLAYERS GET SKINS?

Players can get skins in a variety of ways. In CS:GO, players can acquire skins by:

- Receiving them while playing the game
- Receiving them as a promotional giveaway
- Trading skins with other players
- Purchasing skins on third-party marketplace sites

HOW DO PLAYERS BET SKINS?

To understand how skins work, it's important to think of skins as simple units containing value – like a poker chips.

Like poker chips, CS:GO skins can be traded between players and the house. This functionality enables skins to serve as a currency that can be used for wagering in any type of gambling activity you can imagine. Here's how it works:

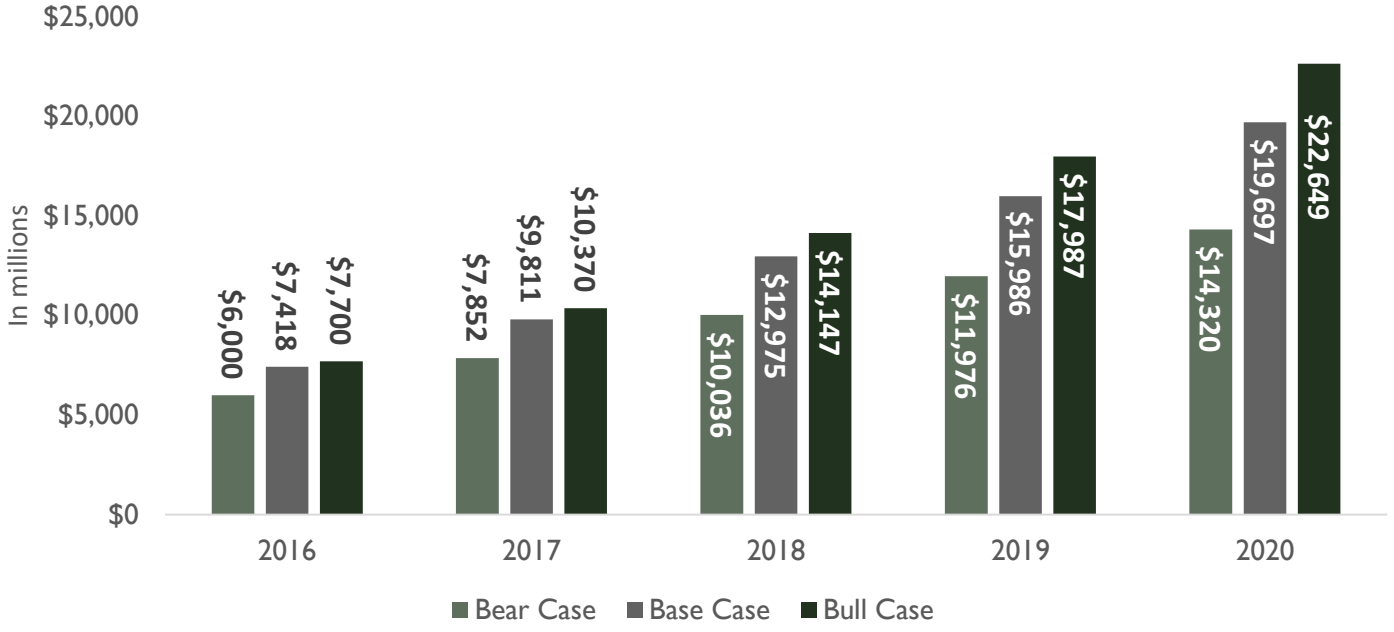
1. Players "deposit" skins at a skin betting site (sportsbooks, roulette, etc.).
2. They gamble using their deposited skins.
3. If they win, they're paid in additional skins, which they "cash out" by requesting that the skin betting site transfer skins back to the player.
4. Once players have skins in their Steam account, they can:
    - Leave the skins in their inventory; OR
    - Use the skins to change the appearance of their weapons; OR
    - Trade skins with other players; OR
    - Sell skins on the Steam marketplace for Steam credit (not cash) that can be used to buy other skins and games via Steam; OR
    - Exchange skins for cash on third-party sites outside of Steam.

SKIN GAMBLING INDUSTRY

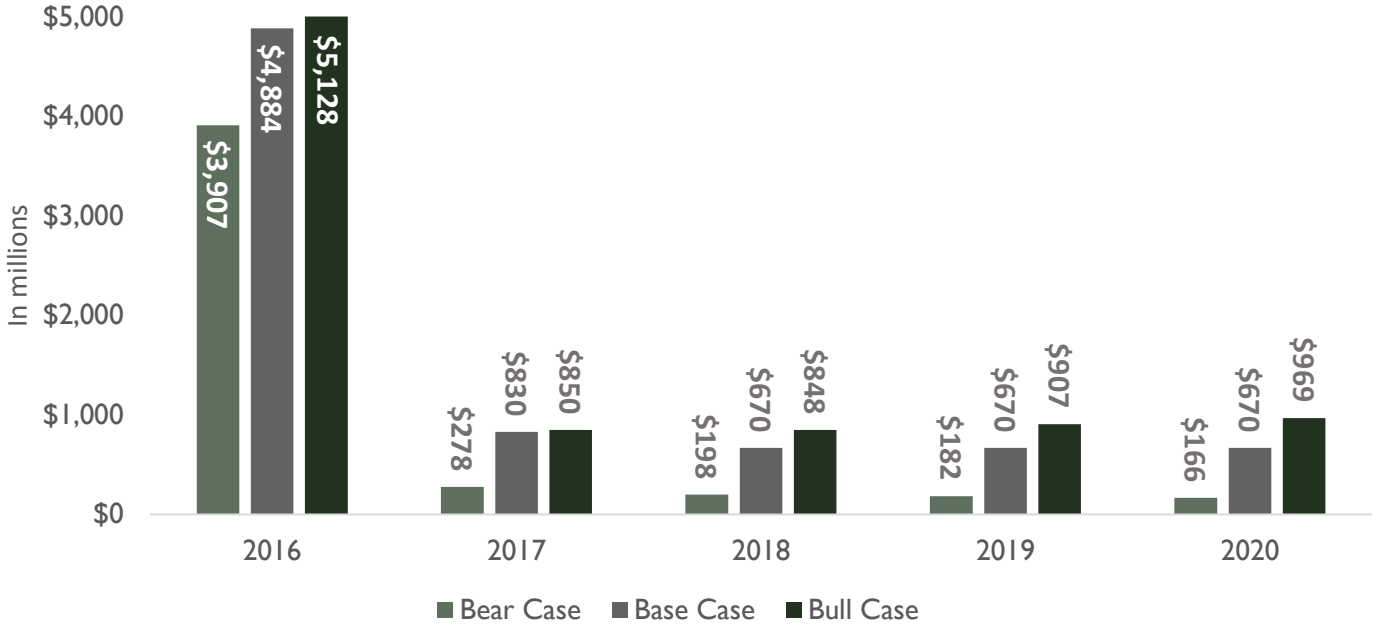
According to industry experts Narus Advisors and Eilers & Krejcik Gaming, $5 billion was wagered in skins in 2016. While about 40% are bet on esports matches and tournaments, roughly $3 billion worth flows to a darker corner of the Internet – one populated by fly-by-night websites that accept skins for casino-style gaming.

In a May 2016 report, Narus Advisors and Eilers & Krejcik Gaming estimated that the skins gambling market size would reach $19.7 billion by 2020. In July 2016, Valve -- owner of CS:GO and Steam -- announced its intent to crack down on the use of its platform to facilitate skins gambling. As a result, an updated outlook was released in September 2016, which dramatically reduced the estimated size of the skins gambling market to $670 million in 2020.

May 2016: Skin gambling on esports - Market size outlook



Sept 2016: Skin gambling on esports - Market size outlook



Source: Narus Advisors and Eilers & Krejcik Gaming

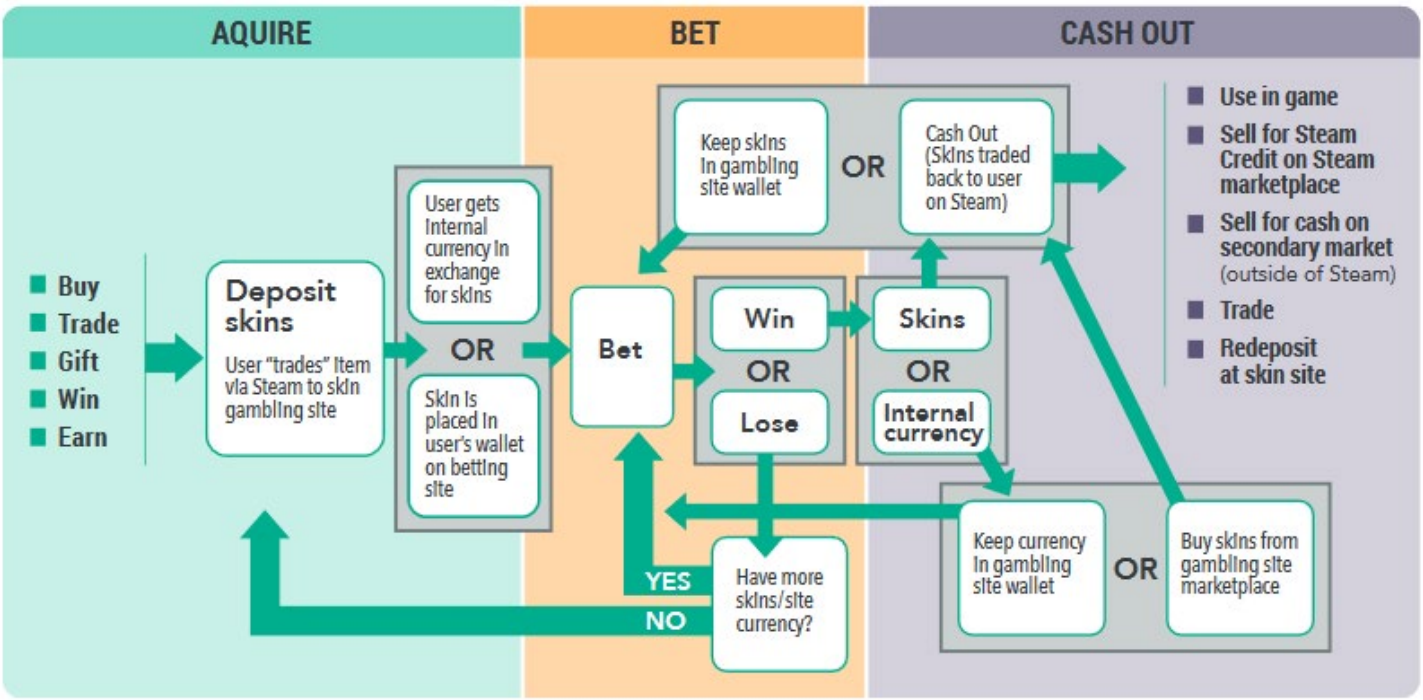
FEDERAL GAMBLING LAWS

The **Unlawful Internet Gambling Enforcement Act (UIGEA)** makes it illegal for businesses to accept payment over the Internet for a bet or wager that is otherwise unlawful under state law.

The **Illegal Gambling Business Act (IGBA)** is not Internet specific, but makes it unlawful for a person to take part in an illegal gambling business.

The **Wire Act** outlaws the use of telephones or other wire devices to transmit bets or wagers on sporting events.

INFOGRAPHIC: SKINS GAMBLING PROCESS



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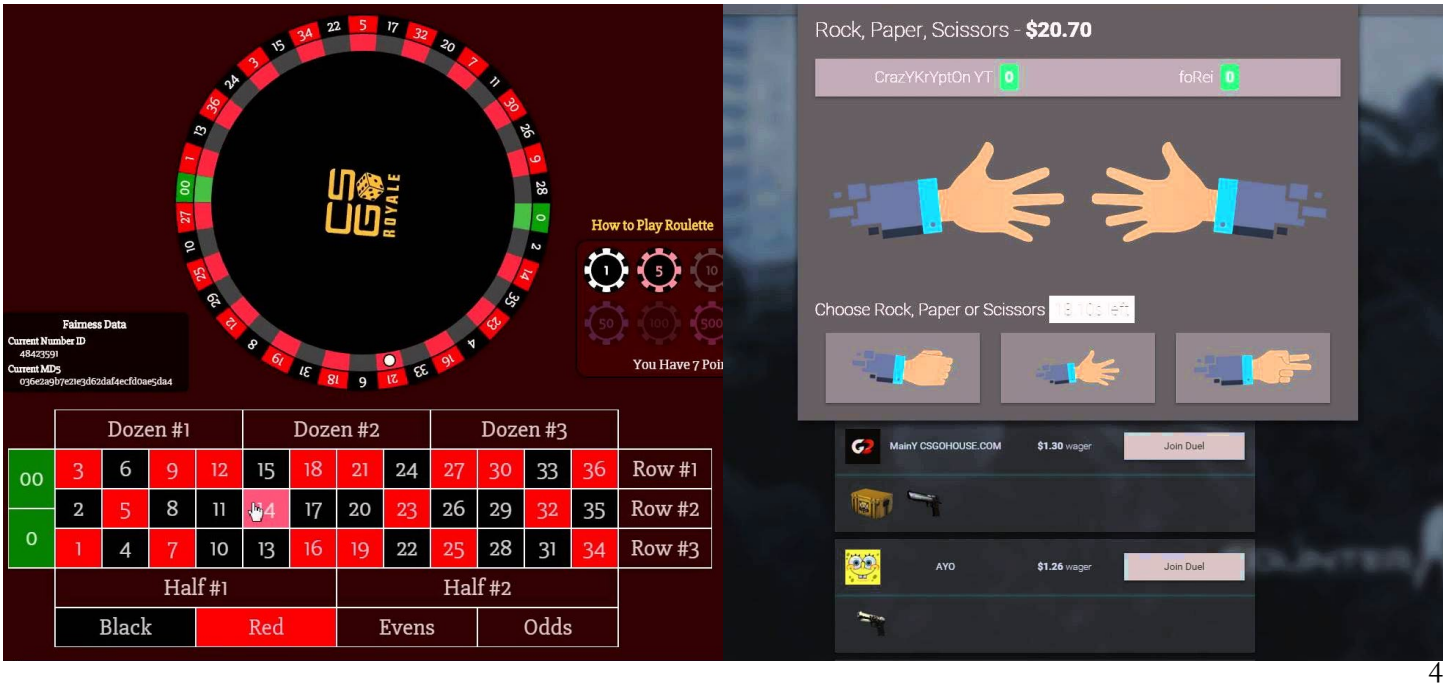
THIRD-PARTY SITES: GAMBLING ACTIVITIES