THE FUTURE OF DIGITAL IDENTITY IN REGULATED GAMING
The regulated gaming industry in Canada is fundamentally changing. Gamers today are taking their bets away from physical card tables and casino slots to digital platforms. To meet customer demand, service providers are starting to offer a wider variety of gaming options on their platforms, provide more tailored experiences, and generate larger payouts to remain competitive.

As regulated gaming moves online, platforms face a new frontier of unique challenges. Canadian gamers have access to a variety of regulated digital games such as lotteries, slots, tabletop games like poker and blackjack, and sports betting through both government organizations and international private operators. These digital offerings are vulnerable to an entirely novel approach to criminal activity, so service providers must try to stay ahead of the curve in order to maintain the integrity of their platforms.

Regulators are also coming to terms with this emerging landscape. With no accepted legal definition of digital gaming, Canadian lawmakers are struggling to modernize a fractured set of legal frameworks designed for the norms of traditional gambling. Additionally, regulators must balance seemingly contradictory mandates to both protect their citizens’ sensitive information, and at the same time enable private industry innovation. In a relatively nascent landscape, both private industry and regulators must implement improved security and data protection procedures to keep up with the rapid pace of innovation.

The effective digital transformation of regulated gaming will require regulators and private industry to work together. Identity verification is at the core of all processes for digital gaming providers, from user onboarding for regulatory compliance to payment verification for prize payouts to network security against synthetic accounts. Stakeholders will have to successfully coordinate the integration of new technologies and incorporate more robust digital identity practices to build trust into emerging services. These initiatives will enable companies to correctly identify good and bad actors, all while preserving the privacy of users on their services.

In this whitepaper, we’ll outline the most pressing identity challenges regulated gaming services are facing today and provide insights into how more robust identity practices can help address them. We’ll also look at what’s next in the regulated gaming industry, and how regulated gaming providers can capitalize on this rapidly evolving space with the help of secure digital identity networks like Verified.Me, by SecureKey Technologies, Inc.

1https://iclq.com/practice-areas/gambling-laws-and-regulations/canada
Globally, the online gambling market is expected to surpass CAD$1.3 trillion by 2021, with mobile devices originating 49% of all analyzed gambling transactions. However, while traditional gambling consumption has stalled, online and mobile gaming has grown in popularity. The global market for online gaming was valued at CAD$48.5 billion in 2014 and is expected to grow to CAD$105 billion in 2020. Additionally, online gaming today accounts for over 11% of total internet traffic.

The transition towards online gaming is reflected in Canadian market trends as well. In Canada, gambling generated CAD$14.8 billion in 2018, with average annual growth of only 0.4% from 2013 through 2018. The Ontario Lottery and Gaming Corporation (OLG) is the largest provincial gaming provider in Canada. Of its four main offerings (lottery, charitable gaming, land-based gaming, digital gaming), digital gaming growth in FY 2019 of 25.72% far outstripped the other categories, more than doubling the second fastest growing service (lottery at 10.26%). Quebec’s 2017 land-based casino gambling sales growth of 2% was outstripped by online and mobile gaming sales growth of 5%.

This rapid growth from physical to digital presents myriad identity-related challenges including account takeover, age and geographic verification, and gambling-specific fraud.

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3[https://www.lawsociety.bc.ca/Website/media/Shared/docs/practice/checklists/A-1.pdf](https://www.lawsociety.bc.ca/Website/media/Shared/docs/practice/checklists/A-1.pdf)
The current state of digital identity for Canada’s regulated gaming industry is manual and siloed, leaving it vulnerable to emerging digital attack vectors. Absent of the Canadian criminal code licensing requirements, there are few legislative requirements directly governing digital identity standards.\(^7\)

Moreover, international organizations are not subject to Canadian-specific regulations and are able to offer a wide variety of games with more attractive bonuses and convenience. The lack of specificity addressing the legality and requirements for online gaming providers results in a large efflux of cash from the country—the Canadian Gaming Association estimates that Canadians spend about $4 billion a year with offshore gaming sites.\(^8\)

The industry must improve verification methods, tighten fraud detection and prevention, and streamline user experience across online gaming offerings on digital services. These changes will help companies reduce their time spent on regulatory compliance, prevent successful perpetration of fraud, and capture market share in the burgeoning digital gaming industry. Below are some of the key challenges services and regulators face in the market today.

\(^7\)https://www.gamblinglaws.org/ca/
\(^8\)https://www.gamblinglaws.org/ca/
Digital gaming services are experiencing high volumes of fraud at account signup. In 2017, one in every 20 new account creations in online gaming services was found to be fraudulent. Synthetic identity fraud is used to take advantage of sign-up bonuses to subsequently facilitate activities such as gnoming, in which multiple accounts are used to artificially drive up jackpots, and chip dumping, where multiple fake accounts deliberately lose to one specific account. Services such as Verified.Me would be able to verify the authenticity of identities to minimize the likelihood of synthetic account creation.

Online gaming sites also face the risk of account takeover fraud, in which an unauthorized third party gains access to a legitimate user’s account. The rise in account takeover attempts is largely attributed to the increase in availability of identity attributes after a series of high-profile data breaches over the past few years, lucrative sign-up bonuses offered by services, and the growing prevalence of online gaming. Account takeover can be mitigated with more robust digital identity verification and authentication flows to prevent financial and data loss for both providers and customers.

Digital gaming services must conduct identity, age, location, and payment verification for all consumers of online gaming products to comply with provincial regulations. This verification process, however, still relies on copies of physical identity documents to complete transactions. Uploaded documents are typically transmitted to third-party providers to determine veracity and eligibility before users are allowed access to online services. This process is used by both government-owned corporations as well as private international online gambling websites through third-party providers including credit card companies (Visa, Mastercard) and payments facilitators (PayPal, Interac).

Additionally, gaming consumers are often required to manually upload proof for each digital gaming services they use. Users must scan and upload documentation such as driver’s licenses, bank statements, and utility bills, all of which can be easily forged and compromised. In the absence of remote, digital identity proofing options, this roundabout identity verification process an unnecessary amount of administrative overhead and fraud risk. A more robust digital identity network could help gaming services verify only the information they need (e.g. is the user over 18? Does she reside in Ontario?) with user consent, eliminating the need to store or sharing copies of sensitive personal information.

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9 https://chargebacks911.com/online-gaming-fraud/
10 Some features not yet available
11 https://www.threatmetrix.com/info/2017-gaming-gambling-cybercrime-report/
While provinces set age minimums for gambling, actual age verification is conducted at the discretion of retailers who sell lottery tickets and other in-person gaming services. This check usually entails a manual review of government-issued photo ID such as a driver’s license, although some retailers have implemented gaming kiosks that require authentication by logging into verified accounts before providing access to services.\textsuperscript{12}

However, for manual retail checks, age requirements become a challenge to enforce. For example, following British Columbia’s implementation of the ID25 policy of requiring age verification for customers who appear 25 years old or younger, mystery shoppers discovered that more than half of retailers were not conducting such checks for young-looking customers.\textsuperscript{13} Depending on the province, infractions result in monetary penalties or, in the case of repeat offenses, contract suspension and eventual termination.

Furthermore, clerks responsible for conducting age verification are not typically experts in document forensics and verification, allowing for easier perpetration of fraud with physical documents in retail transactions. More comprehensive digital identity options would remove the need for retailers to rely on error- and fraud-prone manual identity attribute checks.

Gaming sites do not share verified identity attributes with one another, creating significant friction for customers in the account creation process and losing out on potential new users looking to explore new gaming offerings. For each site, users must create a new account with separate log-in credentials and re-submit documentation for approval. In addition to creating friction for users, this lack of portability also raises breach risk and network liability by requiring each site to collect and store sensitive data.

The lack of interoperability is a significant deterrent for consumers to try out new platforms. A study by Jumio reported that more than 25% of online gamers abandoned the new account opening process due to length and complexity.\textsuperscript{14} 39% of the respondents indicated a preference for mobile gaming, but 29% of that group also reported being discouraged by the sign-up process. A service like Verified.Me could allow customers to share personal information with strong consent through a web flow to multiple gaming platforms, saving all parties time, money, and stress.

\textsuperscript{12}https://www.agco.ca/content/13-kiosks
\textsuperscript{14}https://www.jumio.com/about/press-releases/online-gambling-report/
So what does better identity for the regulated gaming industry look like? With improved identity infrastructure, digital gaming platforms and physical gaming institutions alike have the opportunity to reduce administrative overhead, mitigate fraud and compliance risk, and improve user experience to grow customer bases in the future. Below, we’ll discuss the primary improvements institutions should prioritize in order to transform identity flows in regulated gaming from the current state to a more secure, streamlined, and profitable experience.
As the digital gaming industry grows in popularity and market capitalization, providers should look to improving the verification and authentication methods used by their online platforms. Implementation of innovative digital identity verification and authentication would minimize reliance on physical documents for digital gaming sites. For physical providers, digital age and residency verification would remove reliance on retailers’ ability to determine the authenticity of government-issued identification.

Verified.Me helps provide assurance that personal information is accurate and genuine by leveraging trusted sources such as financial institutions. This alleviates the time and labour required for providers to conduct verification, reducing administrative costs and overhead, and could facilitate product offerings such as online license applications for horse race betting and guest accounts for gaming platforms.

**Customer Account Setup & Age Verification**
Provincial requirements of all regulated gaming in Canada call for, amongst other things, age and residency verification. Gaming providers have an opportunity to modernize their digital infrastructure to transition from the current state of manual verification to a network that automates the process. Furthermore, gaming providers must adhere to the data privacy laws governing the province in order to prevent the abuse of their customers’ sensitive information.

The Verified.Me service provides identity attributes such as age and residency and removes the responsibility of storing personally-identifiable information from the providers. Subsequently, users are protected from potential data loss through cybersecurity breaches. Verified.Me can also provide additional PII and support for KYC/AML requirements for FINTRAC compliance, as well as improving the payout process by enabling services such as direct deposit to the customer’s financial institution. Verified.Me is PIPEDA-compliant, and all participants in the network are contractually obligated to comply with all relevant legislation.

Growth in digital gaming consumption also drives proliferation of attacks targeting online gaming services. Globally, one out of every 23 digital gaming transactions is fraudulent, with attack rates of 5.6% for all account creation transactions and 4.6% for all payments transactions. As such, providers must implement robust cybersecurity measures to minimize network security vulnerability and gaming fraud risk.

Verified.Me can help gaming providers detect synthetic account creation and account takeover attempts by requiring institutionally-backed identity attributes. This not only reduces the potential for monetary losses but also raises customer trust in the provider.

PORTABILITY AND IMPROVED USER EXPERIENCE

Users are increasingly turning to online gaming but are frustrated by burdensome onboarding flows and lack of portability between gaming providers. Efficient and secure verification would improve user access, onboarding, and cashing out. Improving the user experience by reducing the complexity and length of the onboarding process and implementing transferable identity attributes will help digital services attract new customers and prevent account creation abandonment.

Verified.Me allows consumers to easily provide identity attributes without the manual process of scanning documents and speeds up the approval process for smoother onboarding. The service is also interoperable between digital gaming providers and drastically decreases the friction for consumers looking to explore new digital gaming services. Through the implementation of Verified.Me, operators may provide returning users with optimized authentication through a single set of credentials, to rather than separate credentials for each additional gaming service.

Recurring user sign-in

[Images of mobile screens showing the verification process]
Gaming providers should build robust digital identity infrastructure to keep up with growing demand for online and mobile gambling. Simultaneously, providers must fortify their platforms to secure against malicious schemes like synthetic identity fraud and account takeover.

The digital evolution of regulated gaming is just beginning. Gaming providers should also maintain a pulse on the burgeoning eSports market; global revenue has already surpassed CAD$1.3 billion in 2019 and is projected to grow to CAD$2.36 billion by 2022.\(^6\) The projected total amount wagered worldwide on esports betting is CAD$31 billion.\(^7\) The eSports market represents a new source of revenue for the gaming industry, but gaming providers should take note that existing legislation does not address esports gambling and anticipate additional regulation to develop as the market grows. The mass appeal of esports will increase demand for more comprehensive identity and access management services in the coming years.

Verified.Me offers a robust mechanism for implementing stronger digital identity processes for the evolving regulated gaming sector. The Verified.Me service was developed in cooperation with seven of Canada’s major financial institutions – BMO, CIBC, Desjardins, National Bank of Canada, RBC, Scotiabank and TD. The Verified.Me digital identity network can make it easier for Canadian gamers and gaming services alike to help verify user identities to ensure safety, compliance, and legitimate payments. Verified.Me adds strong registration and account recovery services that improve identity verification at onboarding while reducing long-term operational costs and liability. Utilizing a service like Verified.Me can empower gaming services to embrace opportunities for innovative digital gaming options while keeping users and institutions safe.

\(^7\)https://www.statista.com/statistics/618985/espots-betting-market-revenue-worldwide/