Regulatory Oversight Podcast: **12 Days of Regulatory Insights - Day 12: Redefining Online Gaming**
Speakers: Stephen Piepgrass and Cole White
Date Aired: December 20, 2024

Cole White:

Hello and welcome back everyone to the final episode of Troutman's special holiday edition of the *Regulatory Oversight Podcast*, the "12 Days of Regulatory Insights." My name is Cole White, and I'm a member of Troutman's Regulatory Investigation, Strategy, and Enforcement, RISE Practice Group, and our nationally recognized State Attorney General team.

Before we get started today, I want to remind all of our listeners to visit and subscribe to our blog at RegulatoryOversight.com, so you can stay up to date on developments and changes in the regulatory space. Today, I'm pleased to be joined by my colleague, Stephen Piepgrass, to discuss recent developments in the online gaming industry.

Stephen leads the firm's RISE Practice Group and is also a member of our State Attorney General team. He represents clients in single and multi-state enforcement actions, including inquiries and investigations, as well as litigation involving state attorneys general and other state and federal enforcement bodies, with a special expertise in gaming. Stephen, thanks for joining me today.

Stephen Piepgrass:

Great to be with you, Cole.

Cole White:

Very excited for this conversation.

Stephen Piepgrass:

Me as well. I've very much enjoyed working with you over the years on gaming matters. As you know and as we have discussed many times, this is an area where the law is rapidly developing.

Cole White:

Absolutely.

Stephen Piepgrass:

It's an area where we're all seeing changes, innovations, and where technology is really moving things forward rapidly. It's, I think, a really fun topic of conversation that I hope our listeners enjoy.

Regulatory Oversight Podcast: **12 Days of Regulatory Insights - Day 12: Redefining Online Gaming**

Cole White:

Absolutely. It was an area I knew very little about before I had the opportunity to start working with you, so it's been a fascinating journey so far. To that point, I know you spent the last several years representing major players in this online gaming space. Can you give us an idea of how new technologies like artificial intelligence tools and cryptocurrencies are impacting the online gaming experience for players?

Stephen Piepgrass:

Absolutely. AI, machine learning is one area where we're seeing a great deal of impact on the online gaming space. I think this is an area where companies in that space are really just beginning to scratch the surface of its potential. AI allows companies to really tailor the experience of gamers and really on the fly make adjustments so that the gaming experience really meets the expectations of the players and keeps them gaming longer, which ultimately leads to them spending more money, which is the goal of the businesses that operate in this space.

That's one way AI is changing things and I think will continue to do so with tailoring the gaming experience to the gamer's desires. AI can also be used, though, to really predict and anticipate when gaming becomes a problem for particular gamers. It should allow those in the industry to identify problem gaming and take action where really when a player gets over their skits. I think in both of those ways, AI, machine learning are going to continue to transform the gaming experience.

Cryptocurrency, which you mentioned as well, opens up gaming to a lot of individuals who might not otherwise have the opportunity to play all across the world. That's an area, again, rapidly developing, rapidly changing, but it does provide access to those who wouldn't have it. It also raises its own series of regulatory challenges as well as regulators try to figure out how are funds being used in the gaming space. Obviously, there are always concerns about wire fraud and money laundering, anti-money laundering, AML laws that come into play, and concerns about how crypto might allow players and businesses to get around some of those. Again, this is an area that's very rapidly developing where technology is moving things forward and regulators are thinking about how do we go about addressing those issues.

Cole White:

Yes. Thanks for that breakdown. Really fascinating to hear the cutting edge of what industries deal with right now. I think it's a great example of how in almost every area AI can be used as a positive and a negative tool. You and I, along with our colleague, Michael Yaghi, recorded one of these episodes for the 12 regulatory insights on AI. I would encourage our listeners to go listen to that as well. It's a fascinating discussion.

Stephen Piepgrass:

Absolutely.

Regulatory Oversight Podcast: **12 Days of Regulatory Insights - Day 12: Redefining Online Gaming**

Cole White:

With that overview in mind, Stephen, I think you kind of set the stage for our next topic, which is talking about emerging trends. Can you give us some insight into some of the major trends that are emerging across the online gaming space?

Stephen Piepgrass:

Sure. To use the word emerging trends, one of those trends is merging of various traditional gaming and gaming in the sense of gambling activities and really the gamification of online gaming. Rewarding players not just with money but with badges, trophies, things like that that you see coming out of the traditional online gaming when we talk about Fortnite and those sorts of online games, and the emergence of that, and adding those features to games in the gaming sense, in the gambling sense.

We're also seeing the rise of social media influencers. That's been going on for a very long time, obviously having a major impact in the gaming space as well, live streaming with really novel concepts that may or may not be gaming, things like card breaking. We're watching as gaming is being transformed by technology, especially in the online gaming world.

Then another area where we are seeing development is gaming based around esports, not just betting on horse racing or basketball or football, as those who play do sports wagering or fantasy sports are used to. But also esports and gaming based on that, so really a emerging convergence in the gaming space.

One other area that I've been tracking closely, and I know many of our listeners are who are operating in this world, is the rise of micro betting, betting on particular, "Will this player catch the ball? Will this player make the next shot? Who's going to take the penalty kick?" The rapid decisions that take place during a game, not just betting on the spread or the ultimate outcome of the game.

Micro betting is one of those areas where technology, again, is pushing the envelope. The less latency in your connection, the better you are going to be at being able to beat the odds. Really having the ability to micro bet in real time is, I think, just over the horizon and in some areas is already happening. That leads to all sorts of other questions about, well, what about games that are played solely for the purpose of micro betting that may allow you to resolve some of the latency issues. Lots of really innovative things happening right now in the online gaming space being driven by technology.

Cole White:

That's really fascinating. I'm particularly fascinated by the concept of micro betting. Like you're saying, betting on the coin flip, betting on these few things that happen extremely quickly and in high volumes throughout a live sports event or something like that is really interesting. It's also fascinating to see the convergence of these traditional forms of gaming and the ways developers are implementing features like that, like you talked about.

Regulatory Oversight Podcast: **12 Days of Regulatory Insights - Day 12: Redefining Online Gaming**

I think part of that may be younger individuals. I guess my generation growing up a little bit who were more exposed and spent a lot of time with video games as kids, I think the developers of these games are recognizing that and recognizing that there are some tactics that they can use to keep our attention.

Stephen Piepgrass:

Absolutely. Anytime you can tap into a new market, businesses will find a way. Yes.

Cole White:

Yes, absolutely. Well, we're coming close to our time. We've had a few minutes left. My last question for you touches on some of what you just talked about. As we round out our episode, looking into the future for a minute, can you explain to us what is currently shaping the online gaming space today, and then what we can expect to see from regulators in the near future?

Stephen Piepgrass:

Sure. I think one area that we haven't had a chance to discuss yet is the rise of online social casinos and online sweepstakes casinos. When I think about gaming and new and innovative products, and this ties into the second part of your question about regulators and how they respond, one of the things I have often seen is that what is old is new again. There's nothing new under the sun. In this instance, that holds true.

Traditionally, when gaming entities want to get around gaming laws and prohibitions, they've thought about the traditional three elements that make up illegal gambling, unless, of course, it's authorized by statute; prize, chance, and consideration. In this case, you're seeing online casinos, online social casinos pop up that look to get around one element of those three prongs that make up otherwise legal gaming. Here in this case, it would be typically the consideration element with the addition of a sweepstake or perhaps prize if it's a social casino only. Of course, then there are questions about different ways in which you can play the games in those sorts of venues with typically gold coins that have one value and sweeps coins that have another.

That whole area of the law is very rapidly developing. What we have always seen is regulators often playing catch up as companies innovate and looking at ways that they might be able to employ laws that have been on the books for a long time to address those issues. In this case, it would not be at all surprising to see regulators grasping at older laws, laws that they're very familiar with, UDAP and some of the others, to try to address these issues.

The other thing, though, that we see in situations like this and we have historically is businesses, especially where there's a very lucrative market like there is here, wanting to come out of the gray and into the black and white, and looking for ways to try to actually create laws to regulate them. They don't want to necessarily remain in the gray space, even though that can be very lucrative. At the end of the day, they want to be seen as legitimate and be legitimized.

I think this is an area that's very rapidly developing, and it will be very interesting to watch and see what happens in the industry as some of the biggest players in the online casino world look

Regulatory Oversight Podcast: **12 Days of Regulatory Insights - Day 12: Redefining Online Gaming**

for ways to try to engage with regulators and with legislators, come out of the shadows, and come into really the mainstream of gaming. I think that's an area that we're all following very, very closely looking over the horizon.

Cole White:

Right. It really is amazing how regulators apply these old frameworks to these emerging technologies. It makes me think of emerging technologies all through history, when the TV was invented or when the radio first came around, how it impacted people's understanding of products and marketing and all these types of things. So fascinating to see that historical development.

All right. Well, I think that is all the time we have today. Stephen, I want to thank you again for joining me. This has been an awesome conversation. I know our listeners really enjoyed your valuable insights. I also want to thank our audience for tuning into this special holiday series. We hope you enjoyed these 12 episodes. Please make sure to subscribe to this podcast via Apple Podcast, Google Play, Stitcher, or whatever platform you use. We look forward to seeing you again next time. Happy holidays, everyone. Thanks again, Stephen.

Stephen Piepgrass:

Thank you, Cole. Great to be with y 'all.