Balancing Growth with Fraud Prevention & Compliance in Online Gaming

With **roughly 150,000 COVID relief checks** mailed out and Stadiums re-opening up to the public, we have entered into a golden age of sports betting. Advancements in digital technology mean people can now enjoy online gaming from anywhere, but this very growth has brought attention to two crucial issues: gaming fraud and noncompliance.

Gaming platforms across the US collect, store and maintain data from numerous people with two goals in mind: ensure they are the right age and guarantee they are who they claim to be. This strategy is simple in essence, but not as easy as one might think, thanks to the ever-lurking presence of inaccurate customer data and the fraudsters who can take advantage, using low-quality data for mischief.

Separately, even one of these issues is hard to deal with. Together they are deadly – threatening to destroy the reputation of your business and your relationship with present and future gamers. To protect themselves, gaming firms must institute security protocols that verify the user's identity.

The Game Is On!

In the wake of this COVID-19 outbreak, online gaming has gained traction as one of the best options for stay-at-home entertainment. The global gaming market was valued at USD 162.32 billion in 2020 and is expected to reach **USD 295.63 billion by 2026**. Defined as "'playing a game of chance on an electronic device that is connected remotely to a gaming system via a digital communication network" by the Gaming Standards Association, this industry's composition is incredibly varied.

This sector ranges from startups looking to propel market growth, such as **'The Forge Arena,'** a game made by rising eSports player Phoenix Rising Studio, all the way to releases like US cruise operator Princess Cruises' newest **onboard sportsbook for passengers**.

When it comes to online play, almost all events concerning player and game management happen without any physical interaction between player and operator – a welcome process for pandemic-fearing gamers. However, with less in-person contact, gaming companies have
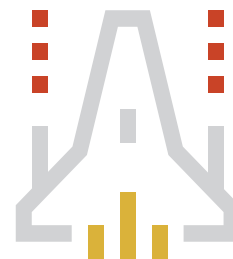
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to offer more by way of accessibility and functionality in order to power the best gaming experiences. Although the goal may seem simple – onboard 100% of as many legitimate gamers digitally as possible – there are a few key things getting in the way of success.

Too Much Friction During Onboarding

When inspiring confidence and convenience are key factors in successful customer acquisition, building a trustworthy, frictionless online experience is paramount. But this cannot come at the expense of speed and reliability, or you risk losing your customer for good. More than **25% of online gamers abandon the new account** opening process due to length and complexity. The stakes are high – gaming operators need to optimize player onboarding while complying with continually evolving regulations.

What happens if they don't? Let's paint a picture: For every new gaming site, users must create a new account with secure log-in credentials. Next, they must submit documentation for approval. This is often where friction gets introduced into the equation. Customarily, gaming firms will attempt to verify identities by scanning government-issued IDs. If that does not work, gamers can use some form of liveness detection such as photos, videos, or audio to confirm their identity. Unfortunately, these methods are difficult for online gamers and make easy targets for fraudsters.

If the applicant fails the initial verification, or if the process takes even one second too long, online gamers will abandon their budding account and move on to greener and much easier to access pastures. For gaming companies struggling to keep the balance between friction-free and secure, identity verification (IDV) solutions can be an easy way to ensure that you authenticate and sign up every valid applicant that comes through.

Gaming firms can take their identification methods one step further with the help of address verification tools. Type-ahead address verification works to increase sign-up rates by auto-filling forms during the registration process, decreasing data entry errors and accelerating the onboarding experience. By minimizing the number of keystrokes required, type-ahead address validation tools deliver a hassle-free customer experience – the better the experience, the happier the customer, and the longer your relationship with them.

Fighting Against Gaming Fraud

The explosive growth of gaming platforms during the pandemic has shown us that many users are seeking new outlets for entertainment and human connection. But for every customer that signs up, there are just as many fraudsters waiting in the wings to intercede. In the online gaming sector, deception has many faces: arbitrage, fake sites, account takeover (ATO), and more.

Gamers have become comfortable with the idea of using real currency to pay for in-game goods and add-ons. This practice acts like bait for fraudsters, inviting them to find new ways to commit fraud and identity theft. Let's take ATO, one of the most malicious (and most common) forms of fraud, as an example.

Cybercriminals revel in the chance to open new accounts, steal sign-up bonuses and make fraudulent bets using stolen or "spoofed" identities. The process is as easy as it is illegal:

1. Get access to victims' accounts

2. Make illicit changes to account details (password, address, etc.)

3. Carry out numerous unauthorized transactions

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It only takes three steps to ultimately cause serious financial loss, long-term damage to a company's brand, and damage to the consumer's accounts and identity. As such, gaming providers must implement vigorous cybersecurity measures to minimize vulnerability and fraud risk.

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. This issue can turn into a billion-dollar problem when fraudsters utilize bots and artificial intelligence (AI). Between **five to 15% of online gamers** are actually using bots. Implementing an ID verification solution is a guaranteed way to flag suspicious activity before any losses occur for your customers and your business. IDV lets you legitimize gamers' online status, using comprehensive data sources to extract and compare personally identifiable information (PII) and public data from user-provided documents like lease agreements and utility bills to complete their identity profiles.

The more information you can verify about a customer, the better. The addition of address verification (AV) tools can be a helpful component for defeating fraud. With the ability to verify millions of addresses in real-time, address validation helps companies accurately match customer address data to the right customer profiles.

AV can also ensure geographic jurisdiction requirements are met to help online gaming operators determine if players are where they claim to be and mitigate location spoofing attempts before any damage is done. Now, when a consumer changes their account's email address in your account management system, you do not need to wonder if they were truly the ones to initiate the request.

Noncompliance and Financial Penalties

Gaming firms are prime targets for identity fraud and other financial crimes, but cybercriminals aren't being left to run rampant. Institutions responsible for regulatory compliance are intensifying their efforts to prevent such illicit activity. Given the increased volume and volatility of compliance mandates, including KYC (Know Your Customer) and AML (Anti-Money Laundering), there can be severe financial penalties for failing to identify online gamers correctly.

In fact, the American Gaming Association (AGA) recently **updated its policies**. US online gamers are now unable to open an account without providing necessary PII details (i.e., legal name, address, and social security number). And to raise the stakes, no financial transactions can occur without proof of address and a government ID. Using this data, KYC procedures can help identify underage gamblers, expose fraudsters, and ultimately save you from being bogged down with fines. With potential revenue on the line, your decision to implement an online identity verification solution becomes even easier.

Gaming operators are legally obligated to verify elements like user identity, age, location, and others to protect their users and brand reputation. Legal online gaming rules and regulations vary state by state. Within this patchwork of laws across the country, how do gaming businesses create a streamlined experience for the customer? A toolkit equipped with identity and address verification solutions can help tick all of these boxes.

Complicated AML compliance demands place unwelcome pressure and frustrating delays on gaming firms that can impact their efficiency and productivity. IDV makes meeting KYC and AML compliance easy, and with the help of type-ahead address verification, gaming sites can help onboard new customers in a way that is secure, reliable, and compliant with necessary state regulations. Using proof of address as a form of identity verification helps businesses capture valid address data at onboarding, ensuring that their customer databases are clean from the get-go and meet all of the regulatory requirements for data quality.

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Verify Player Age, Improve Sign-Up Rates, Beat Cybercriminals

Using comprehensive identity verification methods, those in the gaming sector can streamline account creation and customer acquisition, avoid the risks of fraud and noncompliance, and confidently expand their online gaming customer base. But not just any set of data verification tools will do. Your identity and address verification choices must accelerate and enhance onboarding efforts through accurate customer data. Eliminating friction from the onboarding process via features like fuzzy matching and type-ahead will offer gamers and end users the ultimate customer experience. No need to make people jump through hoops – gamers can start making money faster, simpler, and safer than ever before.

Gaming firms that can master a layered approach of using multiple safety blankets of identity attributes alongside address validation will improve their ability to deliver friction-free identity verification at the speed that their customers expect.

Sign up for a demo to learn how IDology's digital identity verification solutions can help your online gaming business improve conversion rates, reduce abandonment and satisfy regulatory requirements, all in one go.

About IDology, a GBG Company
IDology offers real-time and on-demand identity verification and fraud prevention solutions for organizations operating in the digital environment. The IDology platform serves as a collaborative hub for monitoring and stopping fraudulent activity while also driving revenue, decreasing costs, and meeting compliance requirements.