



GAMING & HOSPITALITY LEGAL NEWS

NEVADA LEADS THE WAY ON ESPORTS WAGERING

by Greg Gemignani, Kate Lowenhar-Fisher, Jennifer Gaynor, and Jeff Silver

Perhaps the hottest topic in gaming today is the growth of professional esports. Esports are – essentially – professional video game tournaments and contests. Audiences for such tournaments have been filling stadiums in Asia and Europe for the last few years. The phenomenon is just beginning to gain popularity in the U.S., but the acceptance of esports as a spectator event is growing rapidly.

To put esports popularity in perspective, the League of Legends Championship Finals drew 43 million unique online viewers while Major League Baseball's World Series drew about 40 million viewers, and the final game of the NBA Championships drew only an estimated 31 million viewers. Viewership of the League of Legends Championship was primarily through online streaming rather than terrestrial or satellite television.

As with other competitive spectator-driven events, wagering is occurring on esports. Estimates vary widely, but the worldwide esports betting market is likely measured in the billions of dollars, with wagering occurring primarily in Asia and Europe. However, at a recent esports seminar in Las Vegas, an analyst from the United Kingdom estimated that illegal wagers from the U.S. were rising in correspondence to the rising popularity of the activity.

The offshore sportsbooks taking wagers from U.S. patrons are generally operating in violation of state and federal laws. However, there are few legal and regulated outlets for such wagering within the U.S. In light of such growth and opportunity, Nevada is positioning itself to be the premier destination for esports events and esports wagering.

In 2016, Governor Brian Sandoval convened the Gaming Policy Committee, a group of gaming industry leaders, regulators, and educators, to study and make recommendations regarding how the state should respond to new and emerging forms of gaming. After holding four public hearings throughout 2016, the Committee recommended that the state embrace esports events and continue to enhance its laws and regulations relative to esports wagering.

Recently, Nevada regulators entered into a memorandum of understanding with the ESports Integrity Coalition ("ESIC"). ESIC is an organization formed last year with the assistance and support of game publishers and streaming entities to monitor professional esports athletes, their play, and public betting patterns and to investigate potential allegations of doping, all with the goal of preventing cheating and match fixing. ESIC's relationship with the Nevada Gaming Control Board to share information is likely to play a role in maintaining the integrity of esports contests.

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In Nevada, esports wagering may be conducted through businesses with a sports pool license. To take wagers on such events, a sports pool operator must apply to have Nevada regulators evaluate and approve wagering on the particular event. Nevada regulators will analyze the event for integrity, verifiable outcomes, independent determination of outcomes, compliance with other laws, and whether such wagering is compatible with the policies of the state. With such an evaluation, Nevada regulators have already approved wagering on events held or



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sponsored by MGM and The Downtown Grand in Las Vegas. With new facilities dedicated to esports constructed in downtown Las Vegas, and increased interest in holding events at other large casino arena venues, it is expected that the wagering requests will increase.

In a nod to the growing importance of esports in Nevada, the state legislature, which meets for 120 days in odd-numbered years and is currently in session, is considering legislation that is likely to have an impact on the types of wagers that may be taken on approved esports events. Senate Bill 240 would modify the Nevada statutes regarding pari-mutuel betting to make it clear that Nevada's sports pools may utilize the pari-mutuel system for wagering on events other than just animal racing and sporting events, which may include esports events.

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