



30 September 2014

Ministry of Home Affairs
28 Irrawaddy Road
Singapore 329560

Dear Sir/Madam,

Comments on the Remote Gambling Bill (“Draft Bill”)

About the Asia Internet Coalition

The Asia Internet Coalition (“AIC”) is an industry association formed by eBay, Facebook, Google, LinkedIn, Salesforce.com, Yahoo! Inc., and Apple. The AIC seeks to promote the understanding and resolution of Internet policy issues in the Asia Pacific region.

Summary

As an industry association representing global internet players, the AIC has worked to be a relevant partner to the Singapore Government during the development of regulations and measures pertaining to Remote Gambling. Members of the AIC are committed to comply with all applicable laws and regulations in all jurisdictions that members operate in, and will not knowingly facilitate or support online gambling in Singapore where it is illegal.

We also aim to be a partner for maintaining an enabling environment for technological innovation and development in Singapore. A number of our companies have engaged with government stakeholders like the Infocomm Development Authority of Singapore (IDA) on how Singapore can position itself to be a leading hub of digital innovation. Furthermore, some companies have, as part of their investment here, been planning to build a local games team. We therefore think it is important to discuss the potential limits that the Draft Bill may place on the rapidly growing online games economy in Singapore.

Based on the wording of the Draft Bill, we believe it may inadvertently go beyond prohibiting real money gambling online, which is the underlying intent of the Draft Bill and one which we support, and instead risk banning most online games. The definition of gambling encompasses “gaming” which in turn is defined as games of chance that utilize virtual goods and/or currency, thereby catching a much broader category of games than those involving traditional gambling. In fact, virtual goods and currency are integral to free-to-play games, which is the primary business model used by online game developers to generate revenue.



Our position on remote gambling

The AIC does not support remote gambling where it is illegal and blocking is already enforced by member companies in Singapore. We previously provided comments during the drafting process of the Draft Bill in February, when we noted our readiness to work with the Singapore Government to conclude an online gambling framework that balances Singapore's interests both socially and economically. It is from this perspective that the AIC offers its approach.

The AIC does not support or condone illegal activities. All member companies of the AIC exercise rigorous self-regulation and have clear internal policies and thorough compliance processes to combat the misuse of their platforms and services.

Activities such as online gambling lack a consistent legal position globally, with some markets adopting an "open market approach" and others adopting a more limited regulatory regime or even a full-on ban. Member companies that dabble in this space have adopted clear guidelines and measures to ensure that their services are restricted to users in locations where the activity is legal and that these are operated within the parameters of the law.

The AIC is supportive of the intention to support legislative boundaries with public education. The AIC supports the Singapore government's move to accompany legislative boundaries with stronger public education with regard to remote gambling and gambling simulation games. The AIC offers its full support to any public education efforts and would be open to partnering with the relevant stakeholders to ensure effective public education and outreach initiatives.

Comments on specific provisions

Section 4(3) of the Remote Gambling bill states, "*... a person plays a game of chance for money or money's worth if the person plays a game of chance and thereby acquires a chance of winning any money or money's worth, whether or not the person risks losing anything at the game.*"

The definition of "money's worth" includes "*anything recognised as equivalent to money and includes virtual credits, virtual coins, virtual tokens, virtual objects or any similar thing that is purchased within, or as part of, or in relation to, a game of chance.*"

"Games of chance" are defined by the bill to include a "*game that involves both an element of chance and an element of skill*" or "*a game that is presented as involving an element of chance.*"

While we support the overall intent of regulating online gambling, we would like to respectfully voice some concerns that the Draft Bill will in effect, ban a wide and



comprehensive range of online games that have nothing to do with what is traditionally considered to be gambling. The definitions of the Draft Bill, by encompassing games that rely on virtual goods and/or currency, would shut down the online games sector, which largely employs the freemium revenue model based off virtual goods and/or currency.

Freemium or free-to-play games are those in which access is free, but money is charged for proprietary features, functionality, or virtual goods. As consumers now expect and benefit from free instant access to games, which allows them to try out and experience a wide range of games without cost, this model is the overwhelming mechanism by which developers of online games make money to finance their work. **The virtual goods and currency employed in these games have no value outside of the game, but are used to enhance the player’s experience while providing the game developer a means to monetize on his or her creation.**

Any game that uses virtual currency and objects and that includes some element of chance would then be considered a “game of chance” played for “money’s worth,” even if there is no element of real money gambling. Such a broad definition would encompass popular social games like Farmville or Candy Crush, in which players use a combination of skill and chance and seek to win virtual goods which may constitute a fundamental element of the gameplay. Indeed, most games, including most online games, incorporate both a combination of chance and skill. The popular game FIFA 14, for example, involves the skill of the player in playing the game and chance in the random selection of the virtual good won by the player.

It would be a mistake to categorize all games that use virtual goods or currency and which involve a combination of skill or chance—the dominant model that makes online games financially viable—as gambling. In 95-99% of social games players pay no money, and out of those that do pay, 45% - 60% spend no more than US\$1-5 dollars per month.¹

We urge the government to consider the following two amendments that we believe more clearly targets remote real money gambling in Singapore, while avoiding the unintended consequence of putting the entire online gaming sector in Singapore at risk.

1. Revise definition of “gambling service” in Section 4(d) of the Draft Bill:

(d) a service for the conduct of a game of chance where the main objective of the game is played for money or money’s worth, and a customer of the service is required to give or agrees to give money or money’s worth to play or enter the game;

¹ The Freemium Monetization Model Revenue Split; Information Provided by the Casual Game Association (2012)



2. Revise definition of money's worth:

The Bill should also make clear that in-game spending, or purchase of, credits (for those won from mobile games that are a mixed game of skill and chance) are excluded from the definition of "money's worth" if they are spendable only within the service and not exchangeable for money or cash.

3. "money's worth" means ~~any thing recognised as equivalent to money or the equivalent of money~~ and includes virtual credits, virtual coins, virtual tokens, virtual objects or any similar thing that is purchased within, or as part of, or in relation to, a game of chance, but in all cases only if such virtual item or other thing can be redeemed for money or tangible merchandise;

Conclusion

Singapore is at the forefront of the digital economy and video games industry, and the MDA in developing the nation's Infocomm Media Masterplan is emphasizing private-sector-led innovation and development. We believe that new legislation should be carefully considered and harmonized with Singapore's objectives to remain a digital leader.

We are keen to work with the Singapore government to address the issues raised here and would welcome a meeting to discuss them in more detail. Should you have any queries or require any further information, please do not hesitate to contact chairman@asiainternetcoalition.org.

Thank you.