

Blockchain and Cryptocurrency: The Future of Online Gambling?



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Blockchain technology is emerging as a game-changer in a wide variety of markets. As we explained in our prior post, [Understanding the Intellectual Property Value of NFTs](#), blockchain technology is the basis for creating non-fungible tokens, or NFTs, which have experienced astounding growth in areas ranging from art to music to video games. This article discusses how cryptocurrency and blockchain technology are potentially disruptive technologies for the online gambling industry.

What is Blockchain – a Brief Overview

In its simplest terms, blockchain is a decentralized, digital record of all the transactions that take place using digital assets. It is a database that stores encrypted blocks of data chained together to form a single chronological ledger of transactions. In many cases, the data is distributed to create an immutable record of the asset's history that is accessible to the public. The overall purpose of blockchain is to “let people—in particular, people who don't trust one another—share valuable data in a secure, tamperproof way.”¹

Application to Cryptocurrency and Gambling

Blockchain set the table for the emergence of cryptocurrencies, which are decentralized digital assets that leverage blockchain technology to ensure security and prohibit double-spending. While cryptocurrency first emerged years ago, the recent wide-spread public adoption has driven its growth. Many industries have benefitted from the convenience and access that cryptocurrencies provide through user-to-user payment systems. The \$60 billion online gambling industry is particularly well-suited to capitalize on the trend.²

Benefits to the Industry

The gambling industry has already embraced digital payment methods.³ Blockchain and cryptocurrencies can greatly expand this trend. As we explain, this technology can advance mission-critical objectives of the online gambling industry, including the security, validity, anonymity, and cost-efficiency of the industry's core transactions.

I. Security and Validity

Blockchain technology in online gambling provides an added layer of protection for users because the databases record all transactions and store the information in a decentralized ledger. This technology prevents the prevents the illegal trading of digital assets and reduces the risk of both hacking and payment duplication.

II. Anonymity and Privacy

Data privacy is a concern for many online gambling users because websites commonly require them to disclose personal information, which creates hesitation among individuals who worry about how and where their data will be stored. Cryptocurrencies provide an opportunity for websites to eschew requests for detailed information because transfers of cryptocurrency are immediately validated by the public blockchain. This protection of user information further reduces the risk that personal data will be compromised.¹⁴

III. Efficiency and Access

Relatedly, crypto-accepting gambling websites can provide users with a streamlined registration process because of their ability to operate without unnecessary personal information.¹⁵ As a result, these crypto-friendly websites may be better positioned than their non-crypto-accepting competitors to attract potential users, who can begin playing immediately upon providing only an email address and a username.

IV. Instantaneous and Cost-Effective Transactions

Blockchain technology and cryptocurrency in the gambling industry also provides efficiency through instantaneous transfers. When online gamblers deposit cryptocurrency into a gambling platform, they do not need to wait for a bank or third-party company to verify the decentralized transactions, which are not currently controlled by a central authority. Instead, the blockchain immediately verifies the transaction and the platform learns instantly whether it is valid.¹⁶

The decentralized nature of cryptocurrencies also makes them more cost-effective than other sources of payment like credit cards or bank transfers. Many cryptocurrencies—including Bitcoin—have no hidden transaction fees. Utilizing this form of payment benefits both the user and the platform, who avoid incurring costs accompanied by traditional payment methods.

Takeaway

Overall, while blockchain technology and cryptocurrencies are not new, the gambling industry is in its infancy in terms of market adoption and implementation. Market participants will continue to drive the wide-spread adoption of the crypto asset class, which in turn will result in a broader use of blockchain technology and different methods of utilization that can advance the gambling industry considerably. Of course, these benefits do not come without challenges, both technical and regulatory. Stay tuned for our follow-up article regarding the regulatory challenges the online gambling industry will face as it inevitably moves towards blockchain and cryptocurrencies.

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Recognizing that emerging industries require bespoke lawyering, Mike Tomasulo and David Enzminger formed and lead Winston's Videogame, Gaming & Esports Group to provide comprehensive legal solutions to companies in these industries. This multidisciplinary group includes more than 60 lawyers across 10 practices working seamlessly to assist companies in these industries in all areas, including managing IP portfolios, assisting esports companies establish global sports leagues, selling franchises, and developing proactive legal solutions for issues that arise from league operations. We represent videogame publishers in antitrust matters and represent both rights owners and gaming companies in licensing issues for game content. In addition, our team helps electronic game clients prepare for all types of regulatory and public scrutiny issues, such as corporate governance, data privacy, and harassment/discrimination claims that are sure to come as the industry continues to grow in both size and influence.

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¹ Mike Orcutt, *How Secure is Blockchain Really?*, MIT Technology Review (Apr. 25, 2018), available at <https://www.technologyreview.com/2018/04/25/143246/how-secure-is-blockchain-really/>.

² *Online Gambling Market Size*, Grand View Research (Apr. 2020), available at <https://www.grandviewresearch.com/industry-analysis/online-gambling-market>.

³ Emerging companies like Cash2Go, for example, structured their business product behind the thesis that digital payment solutions would be a driver in the industry. Further information on Cash2Go is available at <https://cash2gocard.com/>.

⁴ *The Future of Blockchain Technology in the Gambling Industry*, Chipin, available at <https://www.chipin.com/future-blockchain-technology-gambling-industry/>.

⁵ *Anonymous Gambling in Bitcoin Casinos*, CoinGambling, available at <https://coingambling.info/news/anonymous-gambling-in-bitcoin-casinos/>

⁶ *The Future of Cryptocurrency in Online Gambling*, BlockchainNews (June 11, 2021), available at <https://www.the-blockchain.com/2021/06/11/the-future-of-cryptocurrency-in-online-gambling/>.

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