

Decentralization of the Gambling Industry Through Blockchain

DECEMBER 14, 2021

As we discussed in our prior post, [Blockchain and Cryptocurrency: The Future of Online Gambling?](#), the blockchain technology offers the online gambling industry security, privacy, efficiency, and cost-effectiveness. While some online casinos have authorized cryptocurrency payments, others have gone further by building platforms entirely on the blockchain.

Much like the rise in popularity of cryptocurrencies and blockchain technology in recent years, the online gambling industry has burgeoned as states continue to legalize gambling online, specifically sports betting activity. As of November 1, 2021, in 32 states and Washington, D.C., single-game sports betting is legally offered to consumers through retail and/or online sportsbooks.^[1] The global online gambling market is projected to increase from USD \$66.72 Billion in 2020 to USD \$158.2 Billion by 2028.^[2] In September, sports betting operator DraftKings made a USD \$22 Billion offer to acquire competitor Entain.^[3] This deal reflects the state of the industry—dominated by large, centrally-controlled corporations—but blockchain technology may serve to change this in the near future by offering decentralized alternatives. A decentralized gambling industry will serve both operators and players alike through reducing costs and increasing confidence in transactions.

WHAT IS BLOCKCHAIN?

Essentially, [blockchain](#) is a database that stores encrypted blocks of data chained together to form a single chronological ledger of transactions. Often, the data is distributed among a network to create a provable and immutable record of the asset's history that is accessible to the public. This creates a decentralized, digital record of all the transactions that take place using a particular digital asset. 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.”^[4]

WHAT DOES DECENTRALIZATION LOOK LIKE IN THE ONLINE GAMBLING INDUSTRY?

In a traditional online casino, players deposit funds to bet or play, and then withdraw the funds when they are finished playing or at a later date, relying on the operator's integrity to settle when they request a withdrawal. Moving the funds is expensive for the operator, so they tend to make it difficult or time-consuming for players to withdraw funds. According to Adriaan Brink, CEO of FUN Token (FUN), decentralization at its core is about reducing this custodial element of online gaming.^[5] As a first step, Brink plans to provide a mechanism for players to attach

their cryptocurrency wallets to the operator site, giving players absolute control over their funds at all times and making deposits and withdrawals seamless, cheap, and fast.^[8] He also points to potential future steps towards decentralization including “sports betting entirely on-chain and on-chain mechanisms for player lay-staking.”^[9]

By accepting the attachment of cryptocurrency wallets to gambling accounts, operators can allow users to stay anonymous, potentially only requiring an email address and a username. Users may be able to bypass disclosing personal information to the site for verification, as deposits from a cryptocurrency wallet are instantly verified by the public blockchain. Likewise, withdrawals from a gaming site can be instant, without the need for a third party to verify the transaction. A fully decentralized casino can offer increased odds to players offset by a reduction in costs by using cryptocurrencies with low fees to facilitate transactions. Some sites may also be able to fully eliminate the house edge in certain sports betting contexts by allowing true peer-to-peer transactions where users bet with one another, with no fee going to the “house.”

ARE THERE DECENTRALIZED ONLINE CASINOS IN OPERATION?

FUN Token launched its online casino, [DPLAY.Casino](#), in August with the goal of creating “the first properly decentralized casino.”^[8] In a public comment, Brink emphasized the importance of decentralizing the games and making them provably fair.^[9] The transparency of blockchain allows online gaming to be provably fair because the entire transaction history accessible on the ledger—the legitimacy of the game or transaction can be proven and users need not trust a third party to provide fair games.

FUN is not alone in the space. EarnBet.io has laid claim to operating “The First Fully Decentralized Casino” while Edgeless.io touts being “the world’s first Ethereum-powered crypto casino.”^[10] In reality, users wishing to game online with companies utilizing blockchain technology have a bevy of options. However, none have grown enough to rival the large players in the field, yet.

In June, Decentralized Gaming Technologies S.V. announced the August launch of Moonbet, a project aimed at bringing ownership of an online sportsbook and casino to the masses.^[11] Profits of the platform will be divided 50% directly into the wallets of Moonbet (MBET) token holders, with the remaining 50% reinvested into development, marketing, and operations to ensure the platform can compete with traditional online gaming brands.^[12]

“Currently, owning a casino or sportsbook is for global conglomerates or high-net-worth individuals that can put up the capital themselves, then receive all the profits,” said Jason Poprawa, founder and CEO of the Moonbet Ecosystem who has served as sportsbook and casino manager for a traditional online betting platform, adding, “With Moonbet, our community members receive regular profits, have a say in the project through community governance, and can be a part of all organic marketing initiatives.”^[13]

Moonbet’s Whitepaper mirrors the sentiments of Brink and others in the space, citing lack of transparency, potential manipulation of data, lack of user trust, and payment constraints as problems currently existing in the online gambling industry that can be solved using blockchain technology.^[14]

TAKEAWAY

While blockchain technology is not new, and major online casinos have long accepted cryptocurrencies as a form of payment, the industry has been slow to adopt the technology to address user concerns about security, privacy, efficiency, and cost-effectiveness. Industry trends indicate heightened interest in applying blockchain technology to these issues present in traditional online gambling sites, but it is unclear if mass-adoption of decentralization will become a reality. Ultimately, market participants will decide which platforms succeed. Only time will tell if the winners will be the large, centrally-held players or platforms with a truly decentralized operation and ownership like Moonbet.

Irrespective of the level of adoption, all online casino operators can benefit from the security, privacy, efficiency, and cost-effectiveness offered by blockchain technology. Increased transparency and user privacy may attract new customers who are otherwise distrustful of the industry in its current state. Lower transaction fees allow for lower costs for operators—and if they choose to pass the savings on—could result in better odds for players or increased promotional deals, serving to attract customers from rival sites.

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^[1] Interactive Map: Sports Betting in the U.S., American Gaming Association, <https://www.american gaming.org/research/state-gaming-map/>.

^[2] Here's a Look at the Top Trends Shaping the Online Gambling Market, Fortune Business Insights (August 9, 2021), <https://www.globenewswire.com/en/news-release/2021/08/09/2276847/0/en/Here-s-a-Look-at-the-Top-Trends-Shaping-the-Online-Gambling-Market.html>.

^[3] *What's Behind DraftKing's \$22 Billion Offer for Entain*, Yahoo! (September 22, 2021), <https://www.yahoo.com/now/behind-draftkings-22-billion-offer-175848519.html>.

^[4] 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/>.

^[5] Chris Jones, *Decentralization of gambling industry will help achieve its full transparency*, Coin Telegraph (November 8, 2021), <https://cointelegraph.com/news/decentralization-of-gambling-industry-will-help-achieve-its-full-transparency/amp>.

^[6] *Id.*

^[7] *Id.*

^[8] *FUNToken.io launches DPLAY.Casino*, ZyCrypto (August 24, 2021), <https://zycrypto.com/funtoken-io-launches-dplay-casino/>.

^[9] *Id.*

^[10] See Top 5 Truly Decentralized Casinos, Medium (March 23, 2020), <https://medium.com/best-bitcoin-casino/top-5-truly-decentralized-casinos-afc8e742f996>; see also Here's a Look at the Top Trends Shaping the Online Gambling Market, *supra* note 3.

^[11] *Moonbet Brings Decentralization to the World of Online Gambling via Blockchain Technology*, PR Newswire (June 10, 2021), <https://www.prnewswire.com/news-releases/moonbet-brings-decentralization-to-the-world-of-online-gambling-via-blockchain-technology-301309641.html>.

^[12] *Id.*

^[13] *Id.*

^[14] Moonbet Whitepaper, The World's First Community Driven, Decentralized iGaming Ecosystem 9 <https://www.moonbet.org/doc/Moonbet%20Whitepaper%20v2.3.pdf>.

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Tyler Boyce

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