



KYC in Gaming Industry

**Tackling fraud while giving
a seamless experience
to the players**

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Online gaming - a prospering industry

The internet has opened doors to a global and connected digital world. Just like in any other industry, the gaming industry is highly disrupted by digitalisation. In the entertainment and media industry, online gaming, in particular, is one such branch that has evolved over the past decade. **The entire worldwide Entertainment and media market is projected to grow \$2.2 trillion USD by 2021 [1].** Online gaming is an ever-developing and integral part of this global market.

The two largest regions known for gaming Asia pacific and Northern America accounted for 78% of global gaming revenues in 2017 [2].

Additionally, the global online gambling market revenues are expected to grow more than **74 billion USD by 2023**, at a compound annual growth rate of 10% [3]. Online gaming can be fun and it's attracting millions of new players every year. It contributes to 11% of internet traffic [4]. The financial impact of this trend is staggering, as a report by Javelin predicted that online wagers including sports betting, online casinos, and other such platforms will reach nearly **\$1 trillion a year by**

However, with 2.2 billion gamers online, nearly 60% of the traffic is cross border. Which makes it challenging to regulate the online gaming industry and to put a stop to cybercrimes [6].

In this white paper, we'll discuss the challenges faced by the online gaming industry and how technology could help in dealing with these challenges.

Market Challenges and Combating Fraud in the Online Gaming Industry

Online gaming and gambling industry is subjected to a lot of challenges. Out of these challenges, three issues are more pressing including customer experience, an increase in online fraud and ever-growing regulatory obligations that need to be fulfilled.

Fraud - an ever going problem for the online gaming industry



The online gaming industry is an enormous force to be reckoned with. Wistfully, where there is money involved there are also fraudsters looking to cash in; with 47 percent of the world's 2.2 billion active gamers spending money while playing, gaming is full of opportunities for scams [7]. Fraud is disruptive to the players and detrimental to gaming platforms. A gaming company with a reputation for putting out games that become infected with fraudsters will quickly find their player base shrinking as players get fed up with being scam targets and feel insecure while onboarding such platforms.

Fraud - An ever-increasing problem

1 One out of five gamers experiences fraud while playing games online.



2 33% of the gamers are reluctant to spend money online due to the fear of being scammed.



Young gamers (18-24 of age) are more vulnerable to frauds.

3

4 1 in every 20 new accounts created with an online gaming site is connected to a fraudster.



5 6% of young people have gambled online using a parent's account

Account takeover fraud

Account takeover fraud is the basic tactic fraudsters use to hide behind real accounts to engage in illegal activities like posting spam and scamming users. Many popular games are alleged for this kind of scams where fraudsters hack accounts and use them to send spam messages to random players with fake offers.

Identity theft

Identity theft is deemed as one of the major problems for the online gaming industry. These include cybercriminals using stolen identities to claim bonuses, placing fraudulent bets and opening new accounts. It doesn't just stop at this, over the last couple of years location spoofing is becoming a rising threat for the online gaming industry with an increase over **257% year over year [8]**.

The digitalised global space that online gaming operates in sees a high volume of cross-border traffic; it is challenging for the companies to meet geographic compliance requirements and other legal restrictions.

Chargeback abuse

Also referred to as friendly fraud, chargeback abuse occurs when a legitimate account holder will contact their bank or card issuer and deny making a payment to an online gaming site. Most of the chargebacks occur when underaged children use their parent's credit card or stolen credit card credentials are used for making purchases online. Since many online gaming platforms are located overseas or may not even be registered businesses, the card company will most often reverse the payment, leaving the gaming platforms empty-handed.

Even though gaming platforms can fight the chargeback claims but they could damage their business relations with the card issuers in case of too many claims. And losing the ability to accept credit card payments from a major issuer can essentially cost them a fortune. So in most of the cases, they have to bear losses instead of fighting back.

Credit card fraud

With ever-increasing cases of high profile data breaches, financial data including credit card information are becoming easy to access. Most of the cybercriminals use stolen card information to purchase gift cards or luxury items.

A stolen credit card is used to top up online gaming accounts and then the money is withdrawn using bitcoin which makes it difficult to catch the fraudsters.

Even though these are some common types of fraud that largely impact the online gaming platforms there are many that couldn't be identified.



Fulfilling regulatory requirements

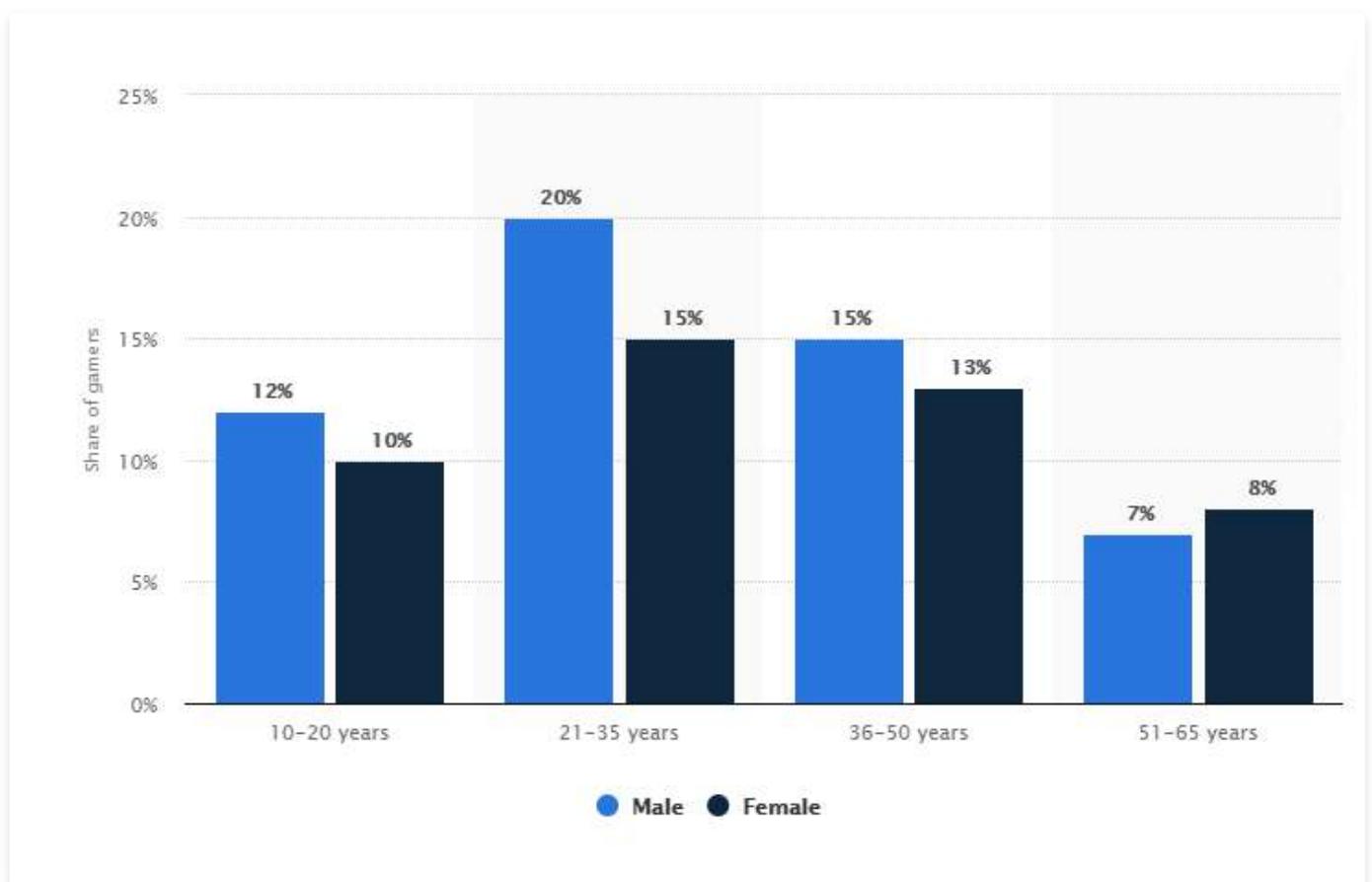


As online fraudulent activities are increasing, the regulatory authorities are also trying to make sure that the internet remains a safe place for the users. For the online gaming and gambling sector, businesses have to comply with strict age verification and KYC/AML laws, to protect their business and customers from fraudsters. For instance, the businesses have to comply with regional regulations across the globe such as [COPPA](#), [the UK gambling act](#), [FFDCA](#) and [NVP](#). Moreover, compliance with KYC and AML regulations help businesses gain credibility as a compliant entity.

Here are some of the regulatory requirements that are required to be fulfilled by online gaming and gambling platforms:

Age Verification - Protecting children and vulnerable

With the focus on teenage consumption of online age-restricted products and services increasing, age verification regulations are also tightening. According to a report, 50k children have been classed as having gambling problems over the last two years [9].



Source : [Statista](#)

Protecting the well being of minors online is ethical and legal responsibility for the regulatory authorities as well as responsible businesses. This is why many age verification regulatory acts have been devised over the years in many countries including; [COPPA and Betting and Gambling Act](#).

Anti Money Laundering - Keeping crime out of gambling

Online gamers increasingly use cryptocurrency and fiat currency to pay for in-game purchases. Regulators are concerned that these platforms are safe havens for the cybercriminals and money launderers to launder their black money. Keeping that in mind strict regulations are imposed on online gaming and gambling platforms all over the world. These regulations include [European Money Laundering Acts](#), Money Laundering Act 2017, Proceeds of crimes act, etc.

Fulfilling these regulatory requirements presents a huge challenge for businesses specifically that are operating globally. Obliging with all the regulations including international and local regulations is a cumbersome task for online gaming and gambling platforms which requires extensive resources, time and effort.

Customer experience

Great experience for the players is one of the essential things. According to IGN.com, players report that experience is one of the basic things for winning games [10]. That experience starts with onboarding a player and continues whenever they interact with the gaming platform. For online gaming players, the experience is all that matters and anything getting in the way of play is annoying for them even if it's the access protocols that take them to play.

For operators, enhancing gaming experience is important. It helps in creating players' trust on the platform and increases brand loyalty as well as market share. It is too expensive to attract the player only to lose them with a cumbersome verification experience.

These are some of the challenges facing the online gaming industry. But the question of dealing with these issues has grown complex. The puzzle is to achieve an efficient, swift and streamlined access experience while following regulatory requirements and mitigating fraud.

Technology + Gaming = Winning Streak



How do you add robust security on your platform while reassuring players that you are complying with KYC and AML regulations concurrently? It doesn't end here - how do you make customer onboarding and access frictionless? The answer to this is by using technology similarly as you used it in the first place for making gaming and gambling available online.

Bringing user authentication and verification online could help in solving many issues. Player verification technologies need to do more than just meeting [Age verification](#), [KYC](#) and [AML](#) compliance. The way you verify the identity of players can also have a great impact on player's experience, your platform's credibility and conversion rate. Delivering an enhanced player experience doesn't only rely on meeting security and regulatory objectives. You have to make them work in concert for an enhanced gaming experience.

From account opening to purchasing in-game merchandise, clocking a gaming experience that's fast, accurate and seamless is necessary. Online identity and age verification solutions based on AI technology are considered as the perfect solution for player verification. According to a study, these services help in reducing fraud by 20% and manual reviews by 70% [8]. Several [online gaming companies](#) perform online KYC/AML screening on their customers to meet regulatory obligations while providing seamless and secure user experience.

Today's technologically advanced solutions cover the bases to meet all regulatory requirements and streamline the customer experience. This creates a winning streak for player and gaming businesses and can save a considerable number of dollars.

Online identity verification has been a game-changing technology especially when it uses biometric-based [3D liveness detection](#) that scans a user's face and ensures the physical presence of the user at the time of verification while also reliably detecting spoofing of the selfie. Adding liveness detection is yet another safeguard against liveness spoofing — it's an important weapon in the operator's arsenal to mitigate growing frauds

With the AI-based identity verification solution, gaming platforms can now;

- 1 Carry out identity and age verification
- 2 Prevent frauds such as identity theft and account takeover
- 3 Reduce frictions and onboard more clientele



Winning partnership with Shufti Pro

With Shufti Pro's AI-based online identity verification solution suite, you can add a winning ingredient to your platforms by making the user experience seamless and mitigating fraud all while making KYC and Age verification an easy affair. Shufti Pro's identity and age verification solutions offer a swift and seamless verification in 15-30 seconds.

Shufti Pro's solution suite allows you to reduce manual processing time to 0% at economical costs.

Using identity verification you can easily verify the age and identity of the customer online by making sure that they are who they claim to be.



Verify age using ID document verification to detect that document is original and has not been tampered with.



Biometric facial recognition with 3D liveness detection ensures the document belongs to the person using it.



Identity verification to fulfil regulatory requirements and deterring fraud reduces the need for filling forms manually.

With a diverse clientele in different sectors, Shufti Pro has a deep understanding of the use cases and has the solutions to meet customers' needs and expectations. Shufti Pro's easy and seamless [API](#) can easily be integrated with your platform in a few minutes.



To learn more about how Shufti Pro can help you in tackling fraud and enhancing the player's experience contact our team.

[Contact us](#)

[Free Trial](#)

Have questions? Contact us and learn how we can help you.

 www.shuftipro.com

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Resources

- 1 <https://www.statista.com/statistics/237749/value-of-the-global-entertainment-and-media-market/>
- 2 <https://www.statista.com/statistics/343101/mmo-games-revenue-f2p-p2p-region/>
- 3 <https://www.globenewswire.com/news-release/2020/05/18/2034812/0/en/Global-Online-Gambling-Market-2020-30-COVID-19-Growth-Forecasts-Due-to-Global-Lockdowns.html>
- 4 <https://www.limelight.com/resources/white-paper/state-of-online-gaming-2019/>
- 5 <http://www.ioaa.co.in/images/EY-a-billion-screens-of-opportunity.pdf>
- 6 https://www.unodc.org/documents/commissions/CCPCJ/CCPCJ_Sessions/CCPCJ_22/_E-CN15-2013-CRP05/Comprehensive_study_on_cybercrime.pdf
- 7 <https://www.statista.com/statistics/748044/number-video-gamers-world/>
- 8 <https://www.casino.org/news/spoofing-is-now-the-online-gambling-industrys-biggest-cyber-headache/>
- 9 <https://hellosoda.com/wp-content/uploads/2019/05/HS-Use-Cases-Gaming.pdf>
- 10 <https://www.ign.com/>



Expanding services to 230+ countries and territories in a short period of time, Shufti Pro envisioned playing a pivotal role in creating cyberspace where every transaction is verifiable and secure. With enough experience in technologies like machine learning (ML), OCR, artificial intelligence, and Natural Language Processing (NLP), Shufti Pro strives to provide the best identity verification services to verify customers and businesses online.

Shufti Pro's cost-effective solutions help businesses to prevent fraud and illicit crimes that can ruin the integrity and brand reputation of your business. Our perfect solution suite consisting of KYC verification, AML screening, ID verification, Facial Recognition, Biometric Authentication, Video KYC, OCR, and KYB helps to improve your company's fraud prevention, Know your Customer (KYC) and Anti Money Laundering (AML) regulatory efforts by automating the workflow. With single API integration, Shufti Pro empowers you to verify customers with document checks from [3000+ ID](#) templates and business entities from [200 million](#) companies data.

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