INCREASE PLAYER LOYALTY AND GROW REVENUE WITH KYC & AML BUILT FOR iGAMING

Learn how the latest advances in AI-assisted KYC and AML can help you win and keep more customers on your iGaming platform

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Since its beginnings in 1994, iGaming has experienced impressive growth across multiple continents. However, that astounding rise has not come without challenges. Even as it evolves to embrace the next technological transformation brought about by mobile technology and cryptocurrency, the industry is being pressed from both sides by the double pincers of advancing regulation and increasing focus from sophisticated cybercriminals.

To stay compliant with regulatory requirements and protect customers, iGaming companies are adopting digital Know Your Customer (KYC) and Anti-Money Laundering (AML) protocols, but that can also come with problems. Implementing a clunky KYC/AML solution in a highly competitive space can send your player base fleeing to competitors. Further, if the solution isn't configured correctly, it can increase an organization's vulnerability to criminal activity.

In this paper, we provide a brief overview of the industry, the major challenges facing it, and a best-in-class solution that can ensure your company stays compliant and that your customers stay safe.

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iGaming: A Thriving, Growing Industry

2.2 billion virtual gamers
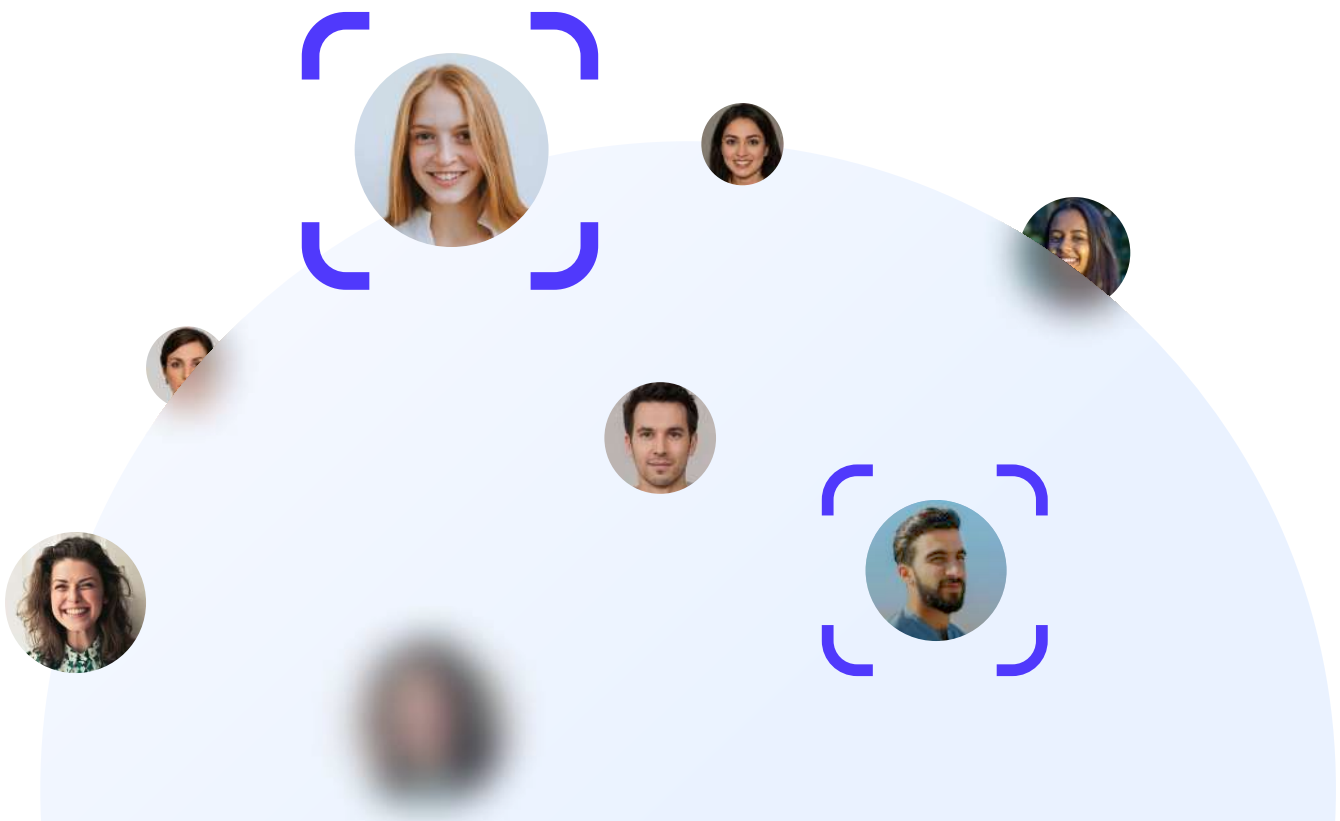
Since the first online gambling and betting site went live 30 years ago, the number of virtual gamers has swelled to over **2.2 billion** people. This dramatic growth has been principally driven by the introduction and mass adoption of mobile devices over the past decade.

In concurrence, the ubiquity of mobile technology has also necessitated an expansion of the definition of "iGaming". Previously, the term was reserved solely for traditional games of chance like poker, slots, and sports betting that moved to a digital environment. Post-mobile, iGaming now includes **eSports**, mobile gaming, and betting on the outcome of competitive digital game play.

114.4 billion
2028
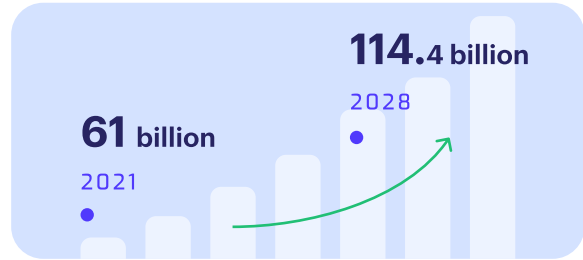
61 billion
2021

The size of the global online gambling and betting market amounted to over **$61 billion** USD in 2021, and the industry is projected to reach **$114.4 billion** USD by 2028. This growth represents an impressive increase of just over **86%**.

With the opening up of new markets in **North America** and continued expansion of mobile devices in **Africa** and **Asia**, iGaming is destined to enjoy sustained significant growth for many years to come.

Like every other industry, gambling and sports betting experienced a setback due to COVID-19. Multiple land-based gambling venues like bingo halls, casinos, bars, horse racing tracks, and poker rooms were forced to close. Conversely, this led to increased adoption of iGaming as players shifted towards online gambling. Post-COVID, the industry is sustaining this surge in online gambling.

Along with mobile technology, cryptocurrency and blockchain have indelibly impacted iGaming. For operators, blockchain allows for easier cross-border payments, more secure payments, and increased transparency in gambling activity. For players, the speed of transactions, ease of use, and the opportunity to earn assets that have real-world value make cryptocurrency highly attractive. This shared positive sentiment between players and operators has translated into the mass adoption of cryptocurrency in online gambling.

The legal status of iGaming is still developing, following different timelines worldwide. For instance, after a significant legislative setback, the United States has only recently begun to slowly allow online gambling back into the country on a state-by-state basis.

Meanwhile, other countries like the United Kingdom have had regulated online sports betting, casinos, and poker sites since the early 2000s. In many parts of Africa and Asia, both online and offline gambling are heavily restricted or completely banned, yet the activity still takes place, leading to a burgeoning underground market.

The expansive nature of the iGaming industry and its lucrative underground market pose challenges for operators and regulators. With **60%** of its traffic being cross-border, the sector is proving difficult to fully legislate while online gaming operators are in a constant battle to thwart cybercriminals and meet changing compliance requirements in various geographies.

Biggest Challenges Facing New and Established iGaming Companies

The impressive gains realised by the iGaming industry haven't come without challenges. Criminals also exploit the same benefits offered by advancing digital technology. As quickly as new security measures like Biometric Authentication or alternative financial models like cryptocurrency are adopted, fraudsters get to work figuring out ways to take advantage of them. Given these realities, below is a list of significant areas of concern for the iGaming industry.

Digital fraud

Long gone are the days when online casinos and sportsbook operators had to worry about things as simple as underage players gaining access to platforms or chargeback abuse. With the massive industry growth, the stakes are higher, and the sophistication of criminals has advanced in tandem.

As digital transformation has swept the gambling industry, AI-assisted anti-fraud and KYC tools like biometric identity verification are becoming widespread. Unfortunately, another AI-driven technology has recently entered the digital arena — **deepfakes** — a type of photo or video mimicry used to thwart biometric ID systems. According to a recent **security report** by Shufti Pro, synthetic identity fraud has more than doubled since 2021.

In addition to ID fraud, iGaming businesses must also contend with a steep increase in other types of cybercrime like spoof attacks, digital relay attacks, and money laundering attempts using cryptocurrency. In a report by API security firm Akamai, API attacks targeting vulnerable points where two platforms integrate increased by **167%** through the pandemic.
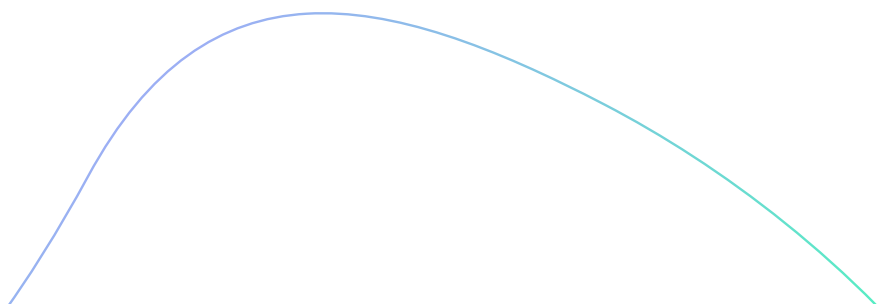
Forecasted synthetic ID fraud cost for businesses in 2023:

$2.43 billion

(Aite Group)

Synthetic identity fraud losses for U.S. banks and financial institutions in 2020:

$20 billion

Cryptocurrency

As covered earlier in this paper, cryptocurrency brings many benefits to iGaming, like rapid transaction settlement and the ability to easily accept cross-border payments. Unfortunately, like iGaming, it's an under-regulated industry haunted by scammers, money launderers, and hackers. This means its adoption can introduce a host of new problems for iGaming companies.

For example, the cryptocurrency exchange FTX **recently collapsed**, creating what looks to be the most extensive financial loss in the short history of the cryptocurrency market. As with other nefarious happenings in the crypto space, criminal misconduct appears to be the cause of the catastrophe. This event and a string of others have created over a million global victims and billions of dollars in losses.

Bad players thrive in under-regulated spaces where transacting large sums of money is a daily norm. It's not surprising that direct connections have been drawn between crimes in the crypto industry and similar improprieties in iGaming, like the **Ultimate Bet Scandal** that cost poker players over $50 million dollars USD. Inevitably, these events, along with the persistent threat of money laundering and the increased use of cryptocurrency to **circumvent sanctions**, draw the attention of legislators. This leads to higher scrutiny, often resulting in regulations that can either help or hamper a growing industry.

Regulation and Over-Regulation

The iGaming market is often characterized as a "wild west" space. A vast majority of its activity takes place in regions where there is slim to zero legislation to govern it. As headline-making scandals like those discussed above create a collective of vocal victims demanding action, governments step in to institute rules and guidelines that ostensibly create a more controlled environment.

Given the extent of criminal activity that blooms in an unregulated environment, having legal measures in place to protect players is necessary; however, such efforts in the absence of a nuanced hand can lead to over-regulation. This occurs when legislators create so many obstacles for customers and providers that both parties are driven out of licensed markets.

This is precisely what occurred in the United States. In 2006 the **Unlawful Internet Gambling Enforcement Act** (UIGEA) **was passed**, effectively killing online gambling in the U.S. for over a decade. Companies like *Excapas Software* — the parent organization behind Ultimate Bet, were driven into unregulated markets. Opponents of UIGEA argue that it did not actually stop fraud in iGaming. Instead, it created more victims since the Ultimate Bet scandal occurred after the business moved to an unlicensed territory.

Non-Compliance

More governments are seeking to collect taxes from iGaming outfits and crack down on illegal activity; this means KYC and anti-money laundering mandates will only continue to increase. As these requirements become implemented **worldwide**, a gambling proprietor may flirt with the idea of ignoring regulation and continue to operate as usual.

Whilst it may be daunting for some companies to meet the ongoing cost associated with running a compliant gaming business, noncompliance costs are comparatively much higher. In a recent effort to clean up online gambling, Spanish authorities levied over **$86 million** in fines against several gaming companies. In an example involving money laundering, 888 UK Limited was fined the equivalent of **$10 million** by the UK Gaming Commission. March of 2023 saw the UK Gambling Commission charge two of Kindred Group's brands with penalties for failure to uphold social responsibility and AML compliance; Red32 was fined **£4.19 million** and Platinum Gaming was fined **£2.93 million**. The Gambling Commission also imposed an astronomical fine of **£19 million** on the William Hill group for the same reasons; WHG International was fined **£12.5 million**, Mr. Green was fined **£3.7 million** and William Hill Organisation was fined **£3 million** – all of which were allocated to socially responsible causes. In yet another example, Norwegian regulators imposed a **daily penalty** of **£98,902** ($116,930) against an online gambling company accused of operating illegally within its borders.

Beyond the cost of meeting or failing to meet regulatory requirements, a company must also account for any loss resulting from a damaged reputation. A reputable iGaming company values its relationship with its customers. It prioritises fostering trust and providing platform users with fair play and a secure environment. Should any of these aspects of the brand promise be broken, a company will rapidly bleed players to competitors who are able to offer a safer experience. Furthermore, a business can face expensive lawsuits if private customer data is compromised due to a cybersecurity breach.

KYC and anti-money laundering mandates
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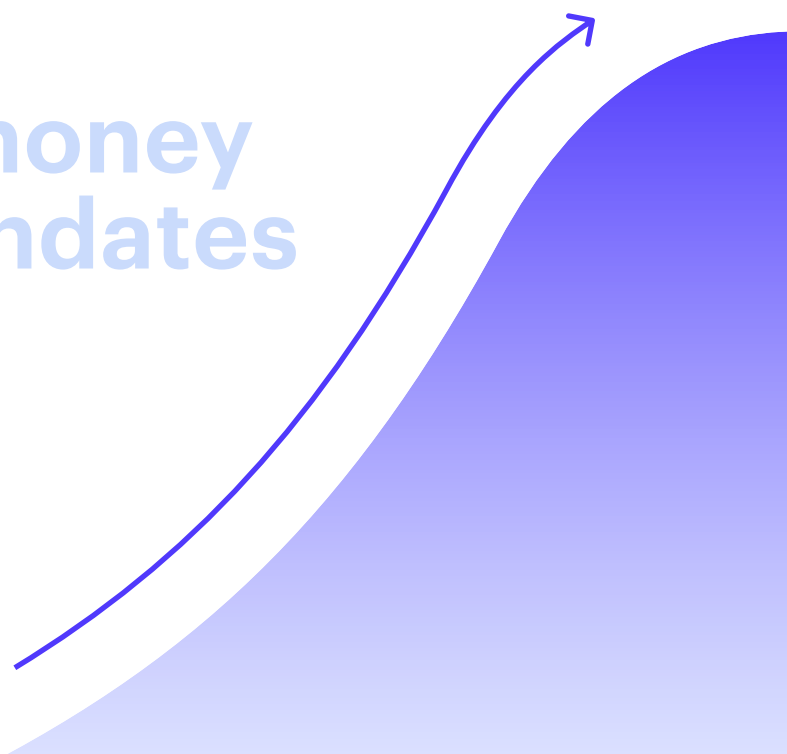
Striking a Balance – Keeping Players Safe and Happy

Implementing robust anti-fraud measures puts your company in a good light with regulators, improves your ability to continue conducting business, and protects your players. The key to managing this necessary process relies on striking a balance between effectiveness and seamless integration of KYC and AML protocols into the customer onboarding process.

As buying, selling, and accessing entertainment through online venues has advanced, so have customers' expectations for their experience with a brand. While the world grappled with a global pandemic, one takeaway that became abundantly clear was that companies that embraced digital technology and optimized customer experiences (CX) were able to survive and thrive better than their competitors.

The iGaming market is highly competitive. To stay relevant, operators must offer CX that keeps players engaged and satisfied. As testament, a recent consumer survey conducted by Broadridge Financial Solutions showed that **77% of customers** of customers are willing to spend more money with companies that provide a positive customer experience. Additionally, focusing on creating a positive onboarding flow can dramatically reduce the rate at which existing customers eventually stop using an iGaming company's platform.

Tapping into customers' willingness to spend means your gaming platform needs to be accessible on mobile devices, easy to navigate, and as free as possible of any obstacles between players and the gaming experience they seek. As of 2019, mobile phones became the primary method of accessing online gambling platforms, with **50%** of all online gamblers accessing iGaming platforms via their mobile devices. Younger age groups are more likely to gamble online through their mobile phones, with **76%** of 18–24-year-olds and **72%** of 25–34-year-olds doing so. While KYC and AML are critical to ensuring player safety, they also have a tendency to increase the onboarding time for new players.

As pressure mounts for cybersecurity tools to be incorporated into online gambling platforms, the speed and efficacy of the onboarding process will be pivotal. Ultimately, it will become a major deciding factor between which online gaming companies can retain the most players.

What iGaming Companies Need to do Right Now to Secure Their Future

New and established iGaming companies can't afford to be idle if they plan to have longevity in this market. They have to be proactive on various fronts, including providing a safe, compelling player experience and running a legal organisation accessible in multiple markets.

♥ Provide Players With What They Want

Online gamers make up around 11% of all Internet traffic, and they range in age from 18-80, with roughly 50% falling within the **21-29 range**. Younger players may be interested in traditional games of chance like poker or slots, but a significant number of them are also coming into iGaming via new verticals such as competitive eSports and cryptocurrency.

To thrive, an iGaming company must:

✓ Stay ahead of players' demands for new and evolving gaming opportunities	✓ Make sure its apps and website user interfaces are fast and easy to navigate
✓ Maintain desktop and mobile access to online venues to reach the broadest player base	✓ Implement KYC & AML processes that are unobtrusive and tie in smoothly with the onboarding process

🛡 Keep Players Safe, Stay Ahead of Regulation

Unfortunately, the amount of money transacting in iGaming attracts significant criminal activity. This requires any serious online gaming operator to treat the potential for cybercrime as a real threat. Proprietors in this space must stay vigilant and informed on developments in local legislation that may impact their business. If operating globally, they must be aware of regulatory actions that are unfolding in every region where they have representation.

Implementing robust KYC & AML solutions is a must. Not only is it legally required by a growing number of jurisdictions, but it's also a moral and practical obligation for a business operating in a high-risk market. Additionally, best cyber security practices don't end there; operators must be able to observe player activity in an unobtrusive way that allows them to monitor for elicit activity by any suspicious accounts that managed to pass onboarding security measures.

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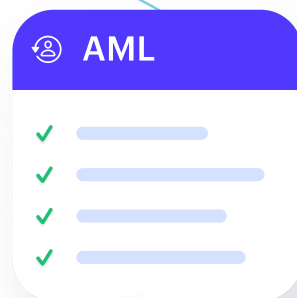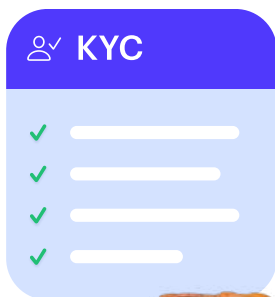
Pick The Right RegTech Solution

All software solutions are not created equal. Given the gravity of the consequences if criminal activity takes place on an iGaming platform, or an online gambling company breaks the law, it's critical that you make the right choice in what regulatory technology (RegTech) you choose to deploy.

Some operations may opt to take on the task of building their own bespoke solution. This can be a high-risk and expensive venture. If the focus of your business does not revolve around building robust RegTech solutions, there is an increased risk that an in-house system will not be kept optimised. Still, some companies may choose to cobble together a tech stack from several providers. This approach can create multiple vectors for API attacks and present a host of other vulnerabilities.

You also need to consider your customers' experience when selecting your KYC & AML solution—making the wrong choice here can introduce unnecessary friction into your onboarding flow that chases players away to eager competitors.

The ideal compliance solution should be single-platform, developed by RegTech experts acquainted with the needs of the iGaming industry, and able to accomplish the following goals:

Protect your business from criminals and your customers from fraud	Help your company easily comply with changing global regulations
Provide real-time analytics about threats and notification of potential breaches	Provide a seamless, trustworthy, and user-friendly experience

Shufti Pro, Developed for Quick & Easy KYC & AML

Shufti Pro has provided best-in-class compliance software to companies in high-target industries like Fintech, Medtech, blockchain, and online gaming for a half a decade. We emphasize deploying a cost-effective, robust anti-fraud system that integrates smoothly with clients' existing technology stack.

While KYC & AML is a necessity, it shouldn't be disruptive. With that in mind, our solution is designed using the best practices in customer-centric, human-centred UI design. This means **our anti-fraud software actually helps boost customer onboarding by as much as 40%**.

Shufti Pro is an artificial intelligence-based solution that effectively meets every online gaming operator's obligations by providing the following:

Speed – Real-time KYC verification in 10 seconds or less with **98.67%** accuracy

Global Coverage – Available in **150+** languages and AI models trained with **10,000** government approved ID documents

Agile – Can be customised to fit your brand, location, and customer experience requirements

Quality Data – Access to **1700+** global watch lists

Compliance – Adheres to even the strictest KYC/AML regulations in over **230** countries and territories

Lean – Operates smoothly with older client and server devices and in low-bandwidth scenarios

Flexibility – Can be deployed as an on-prem or cloud-based solution

Shufti Pro allows iGaming companies to perform real-time ID vetting with document verification and facial recognition, as well as AML screening checks. The advanced ID verification system is designed using a combination of Artificial Intelligence (AI) and Human Intelligence (HI) and also provides operators with real-time player/customer behavioral metrics for next-level security.

Shufti Pro has quickly become a trusted industry leader and partner to hundreds of businesses globally. To see why our solution is a **#1 choice** in compliance and regulation, request a demo today.

Manage Customers & Verify Players with Shufti Pro's Global Trust Platform

Developed by RegTech experts with extensive knowledge and experience in the iGaming sphere, Shufti Pro's revolutionary suite of **KYC tools** effectively promotes a secure gaming experience for players whilst delivering a quick and efficient onboarding experience with real-time verification.

Our Revolutionary Verification Solutions For iGaming Allow You To:

Restrict Under Age Access

Implement robust KYC and Customer Due Diligence (CDD) procedures to restrict minors from illegally accessing online gaming and gambling services.

Eliminate the Risk of Financial Crime

Ensure blacklisted players do not access your iGaming platform via ongoing AML Screening and duplicate account detection to ensure utmost security.

Identify Cybercriminals

Practice Enhanced Due Diligence (EDD) for players from high-risk jurisdictions and report suspicious activities instantly to the appropriate regulatory authorities with ease.

- ✅ Solutions that ensure KYC/AML compliance
- ✅ Ongoing AML screenings with access to 1700+ sanction and watchlists & PEP lists
- ✅ Verification results delivered in as little as 30 seconds
- ✅ Truly global coverage with support in 150+ languages
- ✅ 99% accuracy
- ✅ Available in 230+ countries and territories
- ✅ User-friendly onboarding experience

- ✅ Verification of 10,000+ IDs
- ✅ 24/7 support, with KYC/AML experts and compliance officers available
- ✅ Seamless verification proven increase your customer onboarding rate by 40%
- ✅ Budget friendly plans: pay-as-you-go, pay up front plans with flexible pricing & corporate packages
- ✅ All the solutions you need in 1 place
- ✅ Easily integrated API

Shufti Pro

Ready to put our KYC verification and AML screening solutions to work for your company?

Get in touch with our KYC & AML experts to learn how our solutions can be seamlessly integrated into your existing processes.

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HERO GAMING

PENN INTERACTIVE VENTURES

CAROUSEL GROUP

Every Matrix

tonybet

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