# eSports: A Safe Bet for Operators?

By Alex Igelman

**Bullet Business**

# The eSports Betting Summit (EU)
**Wednesday 18th May** • The Royal Garden Hotel, London

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## INTRODUCTION

eSports or competitive video gaming as we know it today, has been on the global scene for close to fifteen years now. In the past three years, eSports has exploded onto the world stage and it continues to grow in leaps and bounds.

Fifteen years ago, prize pools for eSports tournaments were measured in the thousands of dollars. Today it is not uncommon for individual team members to walk away with seven figures for winning a major tournament.

Like all great spectator sports with large followings, wagering on online and offline eSports tournaments is now commonplace. Many of the world's leading bookmakers regularly take bets on numerous eSports matches and although in its infancy, the betting volume already exceeds that of Golf, Tennis and Rugby and is rapidly growing.

Whenever money, wagering and professional sports mix, there is always the potential of issues related to the integrity of the games and the spectre of cheating and match fixing.

This paper will examine some key questions related to the integrity of eSports wagering and will get the opinion of a number of the leading minds in the eSports industry as to their view on some of these issues.

For even more insights, plus great networking opportunities register for your eSports betting summit ticket today. The event takes place on Wednesday May 18th in London and features all the contributors to the paper and many more. Get more information here: www.bulletbusiness.com/esports-betting-summit

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# eSports: A safe bet for operators?

**UNIKRN**

**Rahul Sood, CEO, Unikrn**

Rahul Sood is the CEO of Unikrn, a Seattle-based eSports startup.

Previous to Unikrn, Sood created the first incubation fund for startups at Microsoft, and eventually Microsoft consolidated their global startup activities under Sood's leadership. In June 2013, he launched Microsoft Ventures.

Since November 2014, Unikrn has raised a total of 10 million dollars with investors such as Ashton Kutcher, Mark Cuban, Liz Murdoch, Shari Redstone, Binary Capital and many others. Unikrn signed an exclusive global partnership with one of the largest wagering companies in the world, and has opened their doors to multiple international markets.

**In the past few years we have seen a number of eSports scandals involving match fixing by players, brokers and even league officials. Should this issue be a concern to sports betting operators and bettors alike?**

Every sport has their share of scandals. What should be of concern to people is that eSports has not been regulated up until very recently. There are sites out there, even today, that allow anyone, including minors, to bet on eSports using items that have intrinsic value (eg:skins) and no one is overseeing these sites. That's why it is important to have the wagering regulated in a safe and fun environment.

**Do you think the issue of cheating and integrity in eSports is as prevalent or rare as it is in traditional sports, or is it more common or less common?**

It is no different. The good thing about structured betting companies is that you can spot cheating and other funny business ahead of time. We can work with the tournament provider to ensure that there is player integrity.

**What can be done to ensure the integrity of eSports matches and the corresponding impact on wagering?**

With eSports, like any other sport, you can do things to ensure the integrity of the game play. Everything from ensuring that the LAN environment is safe and free of any external threats using proper firewalls for example to prevent DDOS attacks, testing players to ensure that they are not using any performance enhancing drugs and monitoring suspicious betting activity.

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**Some people say that the fact that the "game" is played in an electronic/virtual environment, the game lends itself more to cheating. Is this true in your opinion?**

No, it's not true -- first in major tournaments all the equipment and the software is setup in advance. On online tournaments it's rare to find people trying to script or cheat the system, but Unikrn has developed technology to detect such scripts. You'll see later this year we're launching some new products for the spectator and skill based betting markets, it's going to be awesome.

**What technology currently exists to detect cheating in eSports? Can you describe this? What type of anti-cheating mechanisms are employed by the various publishers. Are they effective?**

There are some games, like League of Legends, that have closed environments. You are playing on Riot's protected ecosystem and servers, they update their patches, they monitor the players for scripting etc.... Furthermore, in LAN tournaments it is very hard to cheat because players cannot bring their own PCs. You just can't do that. The PC's are set up and the systems are ghosted. So this type of stuff rarely happens. Some games however, like Starcraft, are notorious for integrity issues where players have been known to throw games. Monitoring the betting activity and data is a real good way for companies to prevent cheating and match-fixing. Unikrn for example does this and shares this data with other interested parties.

**Some people say that the cheating scandals in eSports present a major barrier to the sport's move into the mainstream. In your opinion, is there a need for an international governing body (like KESPA in Korea) to provide some sort of oversight?**

I think it is absolutely important that there are standards in place and that all the interested parties are working together and it's not about any singular brand. Unikrn made the first steps towards this by launching a competitive integrity program for eSports in coop- eration with the publishers and tournament organizers. Overall, I really don't see this as a barrier to entry into mainstream eSports.

**What about drug use in eSports. What is being done to address that issue? Do you see this as a factor that could affect the integrity of eSports wagering?**

I don't see this as changing the integrity of eSports. I think that this was a case of one player admitting to Adderall use and was blown out of proportion and sensationalized by the media because it was eSports. This sort of things happens in all sports and something should be done to monitor it but I don't believe it is a real problem.

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**Pavol Krasnovsky, CEO, RTSmunity**

Pavol Krasnovsky graduated from the Faculty of Mathematics and Physics of Charles University in Prague in the field of Theory of Probability and Mathematical Statistics. He also graduated at University of Economics in Prague in the field of Finance. Krasnovsky worked as a researcher in statistics at University of Warwick, UK.

Krasnovsky worked as a mathematical analyst for various algorithmic trading companies with interest rates. Together with his brother, they developed mathematical solution for quantifying metagame for MOBA eSports games. On the basis of their experience, they founded the company RTSmunity.

RTSmunity is the first ESPORTS LIVE-ODDS PROVIDER with fully automated algorithms systems based on real-time high frequency data from professional eSports matches. RTSmunity covers the most popular eSports professional matches and provide more than 1000 in-play odds and 60 markets for eSports.

**In the past few years we have seen a number of eSport scandals involving match fixing by players, brokers and even league officials. Should this issue be a concern to sports betting operators and bettors alike?**

I think that this is the same problem that exists in other professional sports like soccer, tennis or basketball. However, there are a number of advantages in eSports. Firstly, the players are competing in a competitive platform so it is much easier to track the players. Secondly, there are very set and quantifiable rules in eSports that can be tracked by mathematical models that can determine when the players are not playing optimally. Analyzing this data, our systems are able to detect fraud in real time.

**Do you think the issue of cheating and integrity in eSports is as prevalent or rare as it is in traditional sports, or is it more common or less common?**

In terms of cheating, players at offline tournaments use tournament's devices that are monitored for any external applications, therefore cheating at offline competitions is almost impossible. At online tournaments players use their own devices, these devices are also scanned for applications that can give players unfair advantage, so the chance of cheating is very low too. Although, in past couple of years there were 2-3 cases of cheating discovered, all cases resulted in players or teams being disqualified or banned from future competitions. In professional eSport matches the events of cheating are very rare.

# eSports: A safe bet for operators?

**What can be done to ensure the integrity of eSports matches and the corresponding impact on wagering?**

For one, you can use real time mathematical solutions to reveal suspicious game play activity by the players. You can then analyze the game play and advise the tournament organizer of the findings. Armed with this data, the tournament organizer can act accordingly. Secondly, I think it is important that eSport athletes are well compensated. This will eliminate some of the financial motivation behind match fixing/cheating. Finally, you can employ former professional players to watch the matches and they can report what they consider suspicious game play or activity. If you combine all these things together I believe it will eliminate much of the potential of match-fixing and cheating.

**Some people say that the fact that the "game" is played in an electronic/virtual environment, the game lends itself more to cheating. Is this true in your opinion?**

It's the exact opposite. The fact that it is played in a virtual environment with clear rule-sets, it actually makes it more difficult to cheat and easier to detect.

**What technology currently exists to detect cheating in eSports? Can you describe this? What type of anti-cheating mechanisms are employed by the various publishers. Are they effective?**

Most professional tournaments are played offline and publishers such as Riot and Valve implement their own anti-cheating applications on their servers. These anti-cheating applications can reveal numerous cheats such as aimbots and maphacks. As a result, we have seen that in the past year there has not been any hacking issues in major tournaments in games by these publishers.

**Some people say that the cheating scandals in eSports present a major barrier to the sport's move into the mainstream. In your opinion, is there a need for an international governing body (like KESPA in Korea) to provide some sort of oversight?**

I think there should be some form of international governing body and they should employ the latest technologies to monitor cheating, hacking and match-fixing. This body can then set up rules and impose sanctions when warranted.

**What about drug use in eSports. What is being done to address that issue? Do you see this as a factor that could affect the integrity of eSports wagering?**

Drug usage was problem couple of years ago when team members were forced to use drugs to enhance their performance. Since last year all major tournaments and competitions apply drug testing before matches or competitions. We believe this issue will have almost no impact on eSports wagering now.

# eSports: A safe bet for operators?

**JAMES WATSON, eSports Product Owner, Betradar**

James Watson is the eSports Product Owner, Betradar. He joined the company in Summer 2012 at an entry level, before quickly progressing upwards into a senior level position within the company's Security Services division. Having closely followed the various breaking eSports integrity issues, particularly those developing around Winter 2014, James successfully designed, created and managed the eSports integrity arm of Sportradar. Indeed, currently the Security Services monitor all eSports events hosted by leading tournament organiser ESL (Electronic Sports League) – widely renowned as the world's largest eSports company.

James's passion for eSports extends beyond simply playing video games recreationally. Being a keen follower of all of the major eSports titles, he has developed an intuition for spotting current and future trends, as well as key risks facing what is still a young and vulnerable industry. Always on top of new developments in the eSports-betting environment, James keeps a close eye on both regulated betting outlets and non-regulated sectors dealing with the exchange of in-game items.

**In the past few years we have seen a number of eSport scandals involving match fixing by players, brokers and even league officials. Should this issue be a concern to sports betting operators and bettors alike?**

One important point I would make is that this is an issue that affects all sports not just eSports. You can't be complacent in this space. In traditional sports we have seen the rate of match fixing growing quite rapidly recently. Unfortunately, wherever there is betting there is always a risk of this. With eSports there is a sizeable business opportunity on the wagering side but there are also the challenges associated with match-fixing. Fortunately, key stakeholders like ESL are taking this seriously and they are working with companies like Sportradar to utilize their fraud detection systems that are targeted towards the eSports environment and that have dedicated eSport analysts that monitor the game play in real time. We also look at the real time odds from the dedicated eSports betting operators as well as the 450 other betting companies from around the world to detect any anomalies in the wagering patterns.

Tournament organizers are also taking advantage of educational workshops where players are educated on matters related to cheating and match-fixing and learn how to prevent themselves from getting into dangerous situations that their colleagues may have previously been involved in.

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**Do you think the issue of cheating and integrity in eSports is as prevalent or rare as it is in traditional sports, or is it more common or less common?**

There are two different types of cheating. Cheating to win and cheating to lose. We are more focused on cheating to lose. There is nothing that makes eSports really unique in this aspect. It functions as a normal sport and the betting market is also very similar to traditional sports wagering. What is unique to eSports however, is the unregulated "skin" betting sites which focus primarily on CSGO and DOTA. Anyone, of any age, can bet on these sites and it is very difficult to track and locate those placing wagers (due to a lack of "know-your-customer"). Reassuringly, Sportradar's FDS does successfully detect match-fixing in these markets. Towards the end of 2014 we actually saw a series of pro level matches where players threw games in order to win skins.

**What can be done to ensure the integrity of eSports matches and the corresponding impact on wagering?**

Our particular focus is on match fixing and manipulation. We developed our technology specifically for eSports and specifically to work with ESL. Our hope is that other stakeholders in the ecosystem will. This monitoring and detection takes care of the reactive side of integrity. On the proactive side, we believe education and workshops with players will help in preventing the problems before they arise. Many of the players, even at the professional level, are quite young and naïve. Some of these players don't realize the seriousness of what they are getting into and as such we believe education is the best approach in conjunction with proper monitoring.

**Some people say that the fact that the "game" is played in an electronic/virtual environment, the game lends itself more to cheating. Is this true in your opinion?**

If you are talking about cheating to lose then I believe that the skin betting market is a very unique threat to eSports. What isn't unique is that you still need the participation of the players to pull it off. Match-fixers are notoriously good at convincing players across all sports to throw matches. It is much easier for these conmen when they are dealing with young and impressionable people so there must be a high and constant level of vigilance to prevent this.

**What technology currently exists to detect cheating in eSports? Can you describe this? What type of anti-cheating mechanisms are employed by the various publishers. Are they effective?**

For cheating to win, the publishers utilize various anti-cheating technologies. Valve for example has done a good job in using their

# eSports: A safe bet for operators?

systems to prevent cheating. In regards to cheating to lose, fraud detection systems are used as well as monitoring the many various bookmakers and their odds using mathematical algorithms that pick up suspicious activity. Thereafter, a second level of analysis is employed where analysts look at the odds data to determine if it is truly suspicious or just a normal anomaly in the betting activity. Ultimately all the information gathered is provided to the tournament organizer and they can decide whether sanctions are warranted. Sport rights holders and competition organisers are also now increasingly undertaking investigations in parallel with relevant law enforcement agencies, and we envision this trend will also materialise in the esports space sooner rather than later.

**Some people say that the cheating scandals in eSports present a major barrier to the sport's move into the mainstream. In your opinion, is there a need for an international governing body (like KESPA in Korea) to provide some sort of oversight?**

It is natural to assume that the traditional international or regional federation is critical to ensure oversight of scandals. Indeed we work with the likes of the IIHF, World Rugby and UEFA. But conscientious stakeholders in the existing ecosystem are already taking the lead. What ESL is doing with us is another route towards oversight and preventing cheating. The growth of eSports has been quite organic and for the past 20 years it has grown without real oversight. No doubt there is tension between the camps with the two opposing views (those that see a need for an international oversight body and those that don't), but ultimately preventing fraud and match fixing is the ultimate goal of both approaches.

On the integrity side you may want a centralized approach but you would have to sacrifice a lot of other things in the eSports industry. As such I think we are a long way away from seeing an international governing body in my opinion. But that should not and has not stopped the likes of ESL taking the initiative to safeguard the competitions that they oversee.

**What about drug use in eSports. What is being done to address that issue? Do you see this as a factor that could affect the integrity of eSports wagering?**

To be perfectly honest it's far beyond what we look at, but anything that attacks or undermines the credibility of the eSports will have a knock on effect on the confidence and that has a knock on effect on whether people want to bet on it. I do know that as of 2015 various tournament organizers have put anti-doping regulations in place and overall it shows a real interest in preventing drug use from becoming a serious issue in the future.

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## CONCLUSION

eSports has matured over the past few years to the point that it is now on par with some of the leading major sports in terms of viewership, following and interest. With this increase in popularity, there is a corresponding requirement for the sport to be more vigilant and aware of issues that could affect its integrity.

Cheating and match-fixing is not unique to eSports. However, because of the virtual nature of the sport and its reliance on computers and technology, eSports is in a unique position to utilize advanced technologies that can monitor game play and suspicious activity. Combining this with education and human oversight of match play and activity, the potential for cheating and match-fixing can be significantly reduced.

As the eSports industry moves toward more standardized rules and regulations aimed at preventing issues that could affect the integrity of the sport, we are seeing greater communication between publishers, leagues, tournament organizers, third party technology providers and teams. These are all positive steps toward making the sport more transparent and cohesive.

Ultimately, eSports will continue to evolve and mature and whether or not there will be one or multiple bodies that provide oversight and guidance, the important factor is that the unified goal of all stakeholders is to continue to build trust and integrity in the sport.

### About the Author:

Alex Igelman LL.B, Managing Director, Gaming Research Partners

Alex Igelman is a Toronto based gaming lawyer and strategic consultant with a focus on gaming, entertainment and eSports. For over 25 years, Alex has successfully guided industry leading wagering and gaming companies and has more recently been actively involved in numerous facets of the eSports industry, including assisting start ups and other companies interested in the business of eSports.

A noted author and contributor to numerous industry publications, Alex is on the editorial board of the Gaming Law Review and Economics and is a member in good standing of the Law Society of Upper Canada.