Regulation on China Lottery Industry: Perspective of Protecting the Vulnerable

WANG Changbin

Gaming Teaching and Research Center
Macao Polytechnic Institute
Overview of China lottery Industry

• First launched in 1987
• Two legal lotteries: China Sports lottery & China welfare lottery
• Both of them are state-run enterprises
• an compounded annual growth rate of over 30%
• The industry has taken a big leap since 2005
• Year 2011: the first year for China’s lottery sales to exceed RMB200 billion (USD1=RMB6.3)
• enormous potential for future growth in China’s legal lottery market due to
  – The lottery penetration rate is not high
  – The illegal gambling market is expected to be 10-20 times higher
30% CAGR since inception
China Sports Lottery Market

5-year CAGR: 25%

Growth in China’s sports lottery market in 2007-2011

Source: MOF, the PRC
Behind the Success

• The Lottery Research Center, Beijing Normal University, March 2012
  – 200 million-400 million lottery players in China
  – The lottery addicts is estimated between 1 million to 2 million
  – Among which 430,000 are severely addicted buyers who were defined as:
    • feeling uncomfortable whenever they stop buying lottery tickets, and
    • the money they spend on the lottery sometimes exceeds their monthly incomes
The Attitude of Chinese Government

• The Chinese government has not addressed the issue of problem gambling in China so far
• The government seems more interested in more lottery revenue
  – New rapid-draw lottery introduced
  – payout ratios have been raised to attract people
  – Instant online video lottery has been opened up
• No surprise
  – a government business
  – in the name of welfare and sports enhancing
  – it is said that the purpose of developing the lottery industry is to capture the underground gambling market
Current Regulation on Lottery Market

• Regulation on Control of Lottery in 2009 & Implementing Rules for the Regulations on the control of Lotteries in 2012
• I will take a look at the regulations on
  – The venues of lottery sales
  – The marketing of lottery, especially the advertisement
  – The types of lottery
The Venue of Selling Lotteries

• No specific regulation on the venues of selling lotteries
• A document issued by the regulatory government in 2006 prohibited lottery sales store from being close to schools but it was appealed last year
• In practice, lottery machines can be often found in supermarkets
• Different kinds of lottery can be sold together no matter “hard” or “soft” lottery
Advertisement

• Art. 18 of Regulations on the Control of Lotteries prohibits
  – False or misleading advertisement
  – Unfair competitive means such as defaming competitors

• No special requirements for lottery advertisement
The Types of Lottery

• No restriction on the types of lottery
• The regulatory government enjoys the power of approval any lotteries it considers as appropriate
• In most cases, the regulatory body follows the need of the industry
  – New rapid-draw lotteries have been introduced
  – China Lottery Online, a branch of China Welfare Lottery, provides instant video online lottery which has no difference from slot machines
Proposals for Improving the Lottery Regulation

• To merge the two lotteries into one so as to reduce the competition between them
• Strictly regulating rapid-draw lotteries
  – restricting betting shops of China Lottery Online
  – restricting video lottery machines in each shop
  – Setting ceiling for bets that each gambler can make every day or month
  – No alcohol and drunken people allowed in the betting shops
  – Betting shops with video machines not allowed to sell traditional lotteries
Proposals for Improving the Lottery Regulation (cont.)

• To Issue guidelines for lottery advertisement
• To introduce self-exclusion and/or black book list to betting shops with video lottery machines
Thank you!

cbwang@ipm.edu.mo