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VIRTUAL REALITY: LEGAL AND OPERATIONAL RISKS OF INVESTING IN THE GAMING INDUSTRY

PRESENTATION FOR KGC 2012

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AGENDA



- **Background**

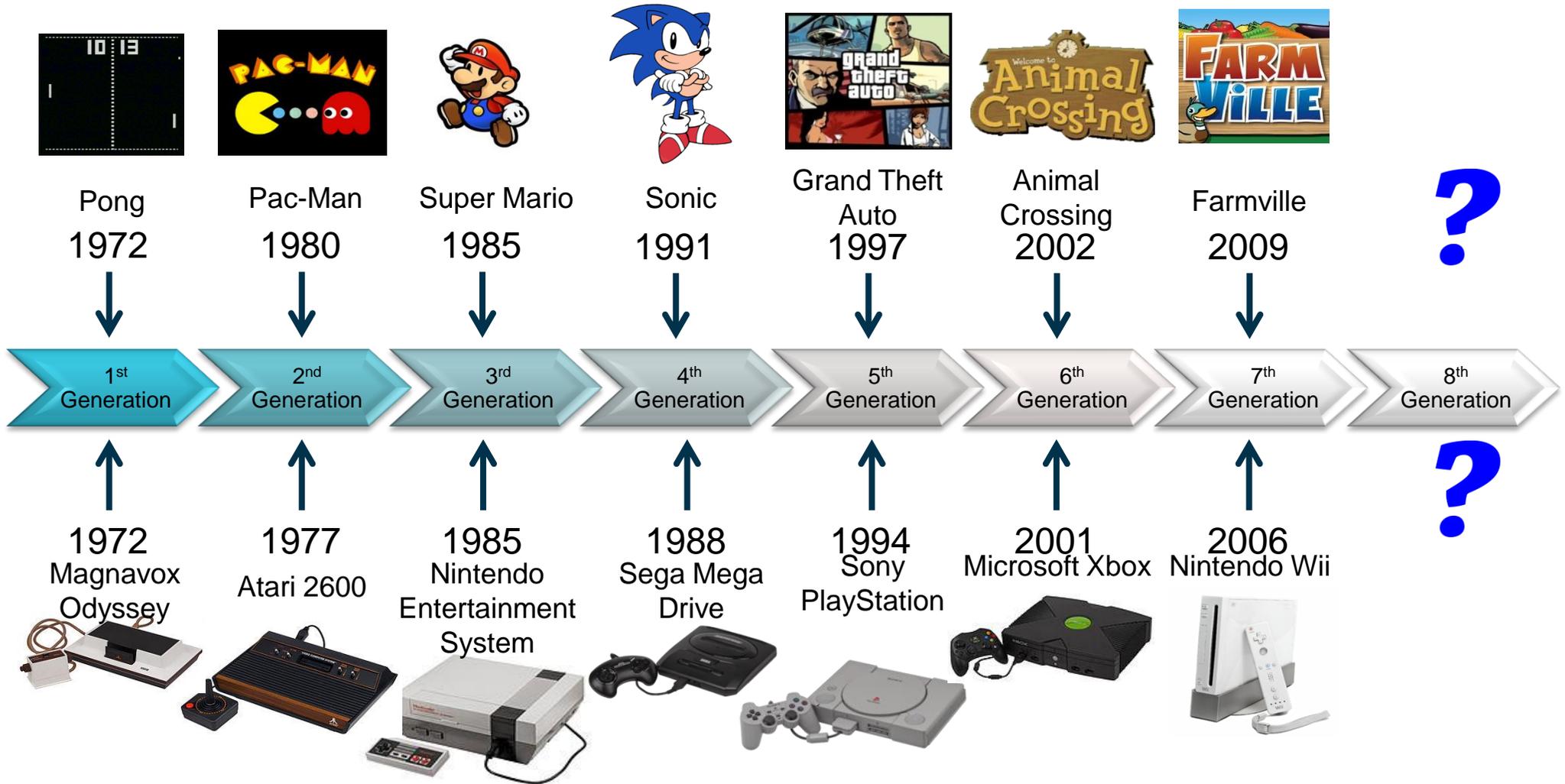


- **Investment Climate Risks**



- **Legal/Operational Risks**

EVOLUTION OF GAMING





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INVESTMENT CLIMATE RISK



INVESTMENT IN GAMING*



- Games investment and M&A more than doubled in 2011



- Zynga and Nexon IPOs late 2011



- Social/mobile gaming continuing to attract interest



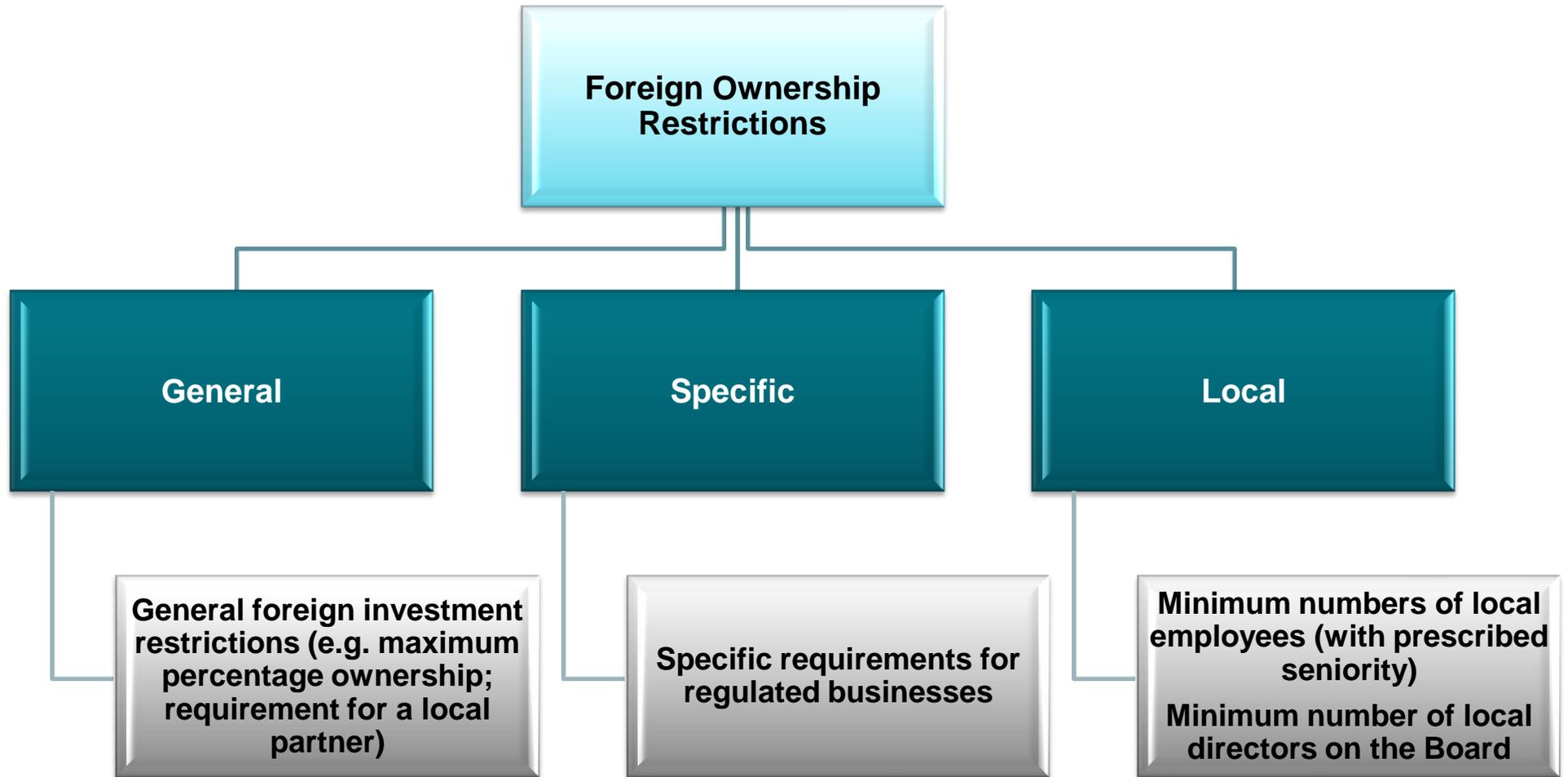
- Chinese, Japanese and South Korean games companies looking for overseas expansion (organic growth or M&A and investments) in Europe, Middle East and Asia (India & Indonesia)



- Local knowledge, relationship gaps and operational risks remain problematic

* Digi-Capital Global Games Investment Review 2012

1. FOREIGN OWNERSHIP RESTRICTIONS



2. PERMIT / LICENSING REQUIREMENTS



- Business / operating licence



- Telecom licence

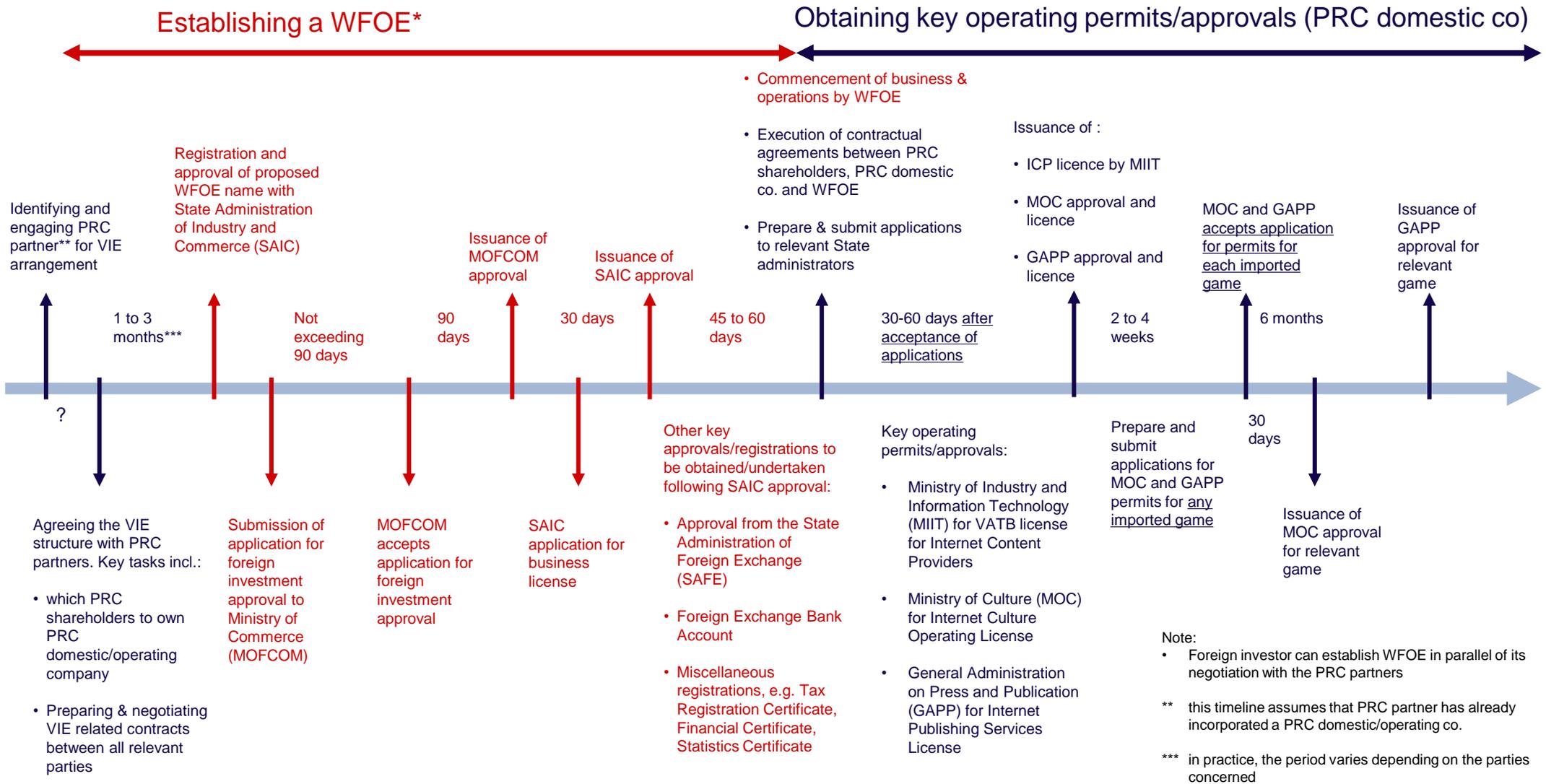


- Content / internet licence



- Approval for each game / each update?

2. PERMIT / LICENSING REQUIREMENTS (AN EXAMPLE)



3. FOREIGN EXCHANGE CONTROLS



- Restrictions on the import/export of currency



- Issues extracting value from local entity



- Issues remitting licences fees and royalties

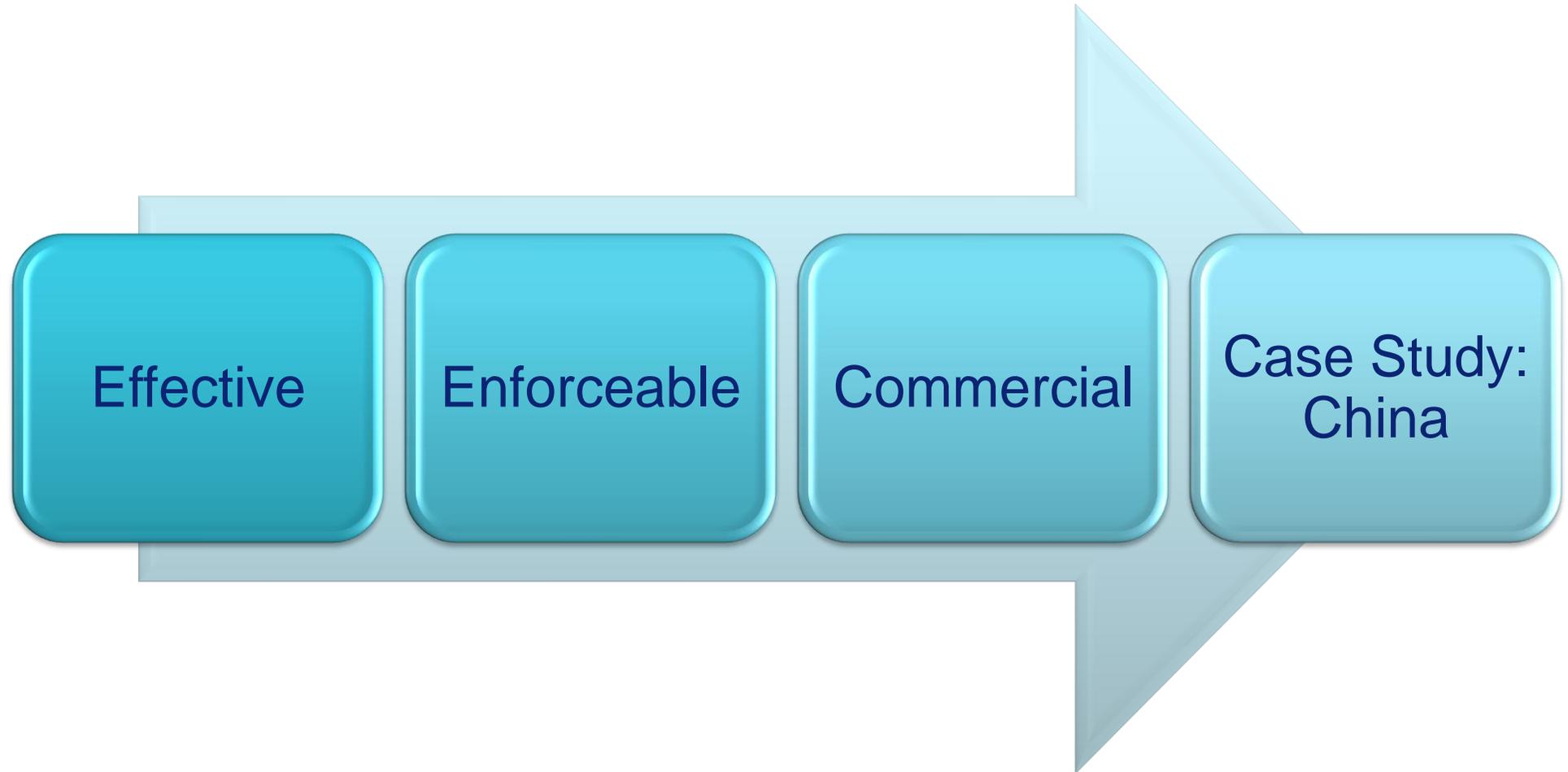


- Article 14 countries



- E.g. China, India, Sri Lanka, North Korea

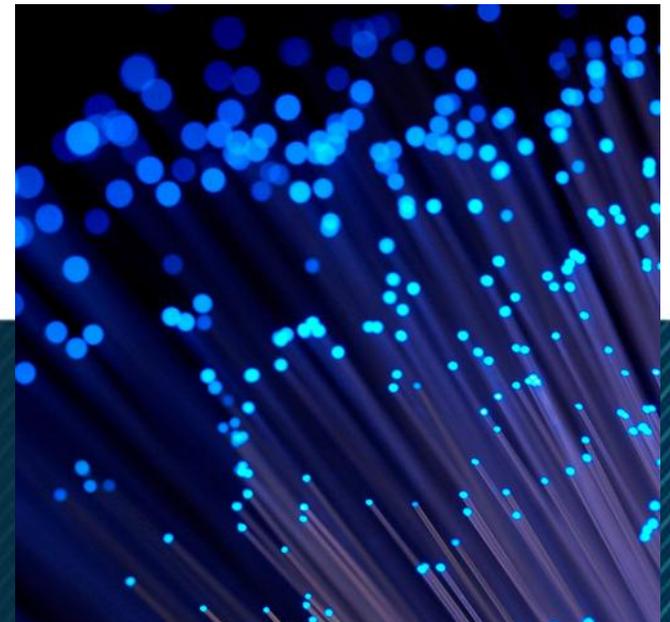
4. INTELLECTUAL PROPERTY REGIME





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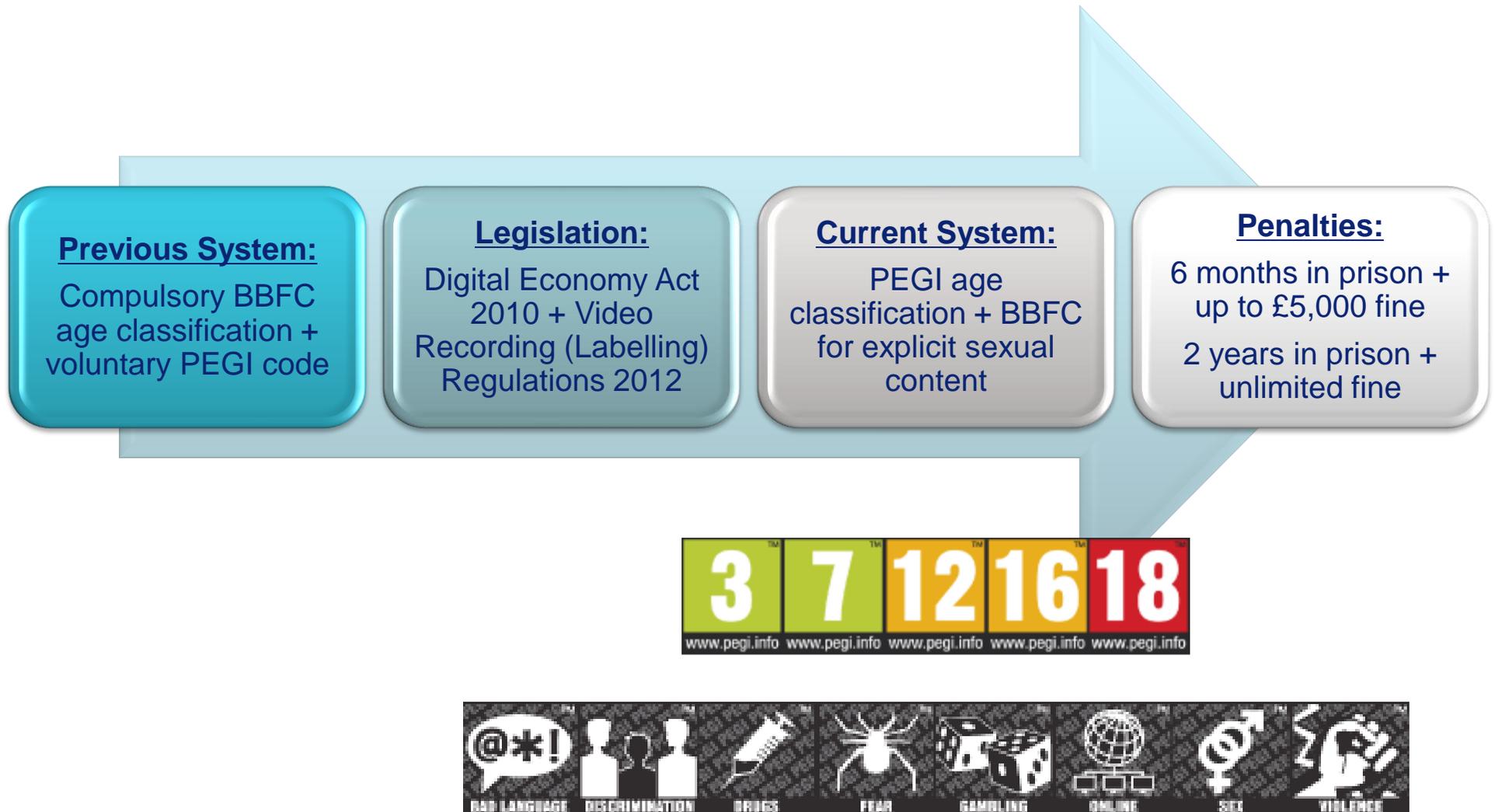
LEGAL / OPERATIONAL RISK



1. CONTENT RESTRICTIONS

- Link between violent games and anti-social behaviour?
- Protecting minors from graphic content
- Violence, blood and gore, sexual content, strong language
- Legislation vs self-regulation
- User-based controls

1. CONTENT RESTRICTIONS: AN EXAMPLE - UK



2. GAMBLING REGULATION



- Gaming vs Gambling



- Impact of social gaming



- “Grey” area of law



- Element of chance + a prize



- Watch this space for regulation!

2. SOCIAL GAMING: REGULATORY EXAMPLES

Sweden (August 2012)

- Gambling Board urges officials to introduce social gaming regulation

UK (June 2012)

- Social gaming at the “perimeter of gambling legislation
- Gambling Commission monitors what is going on “across a wide range of activities”

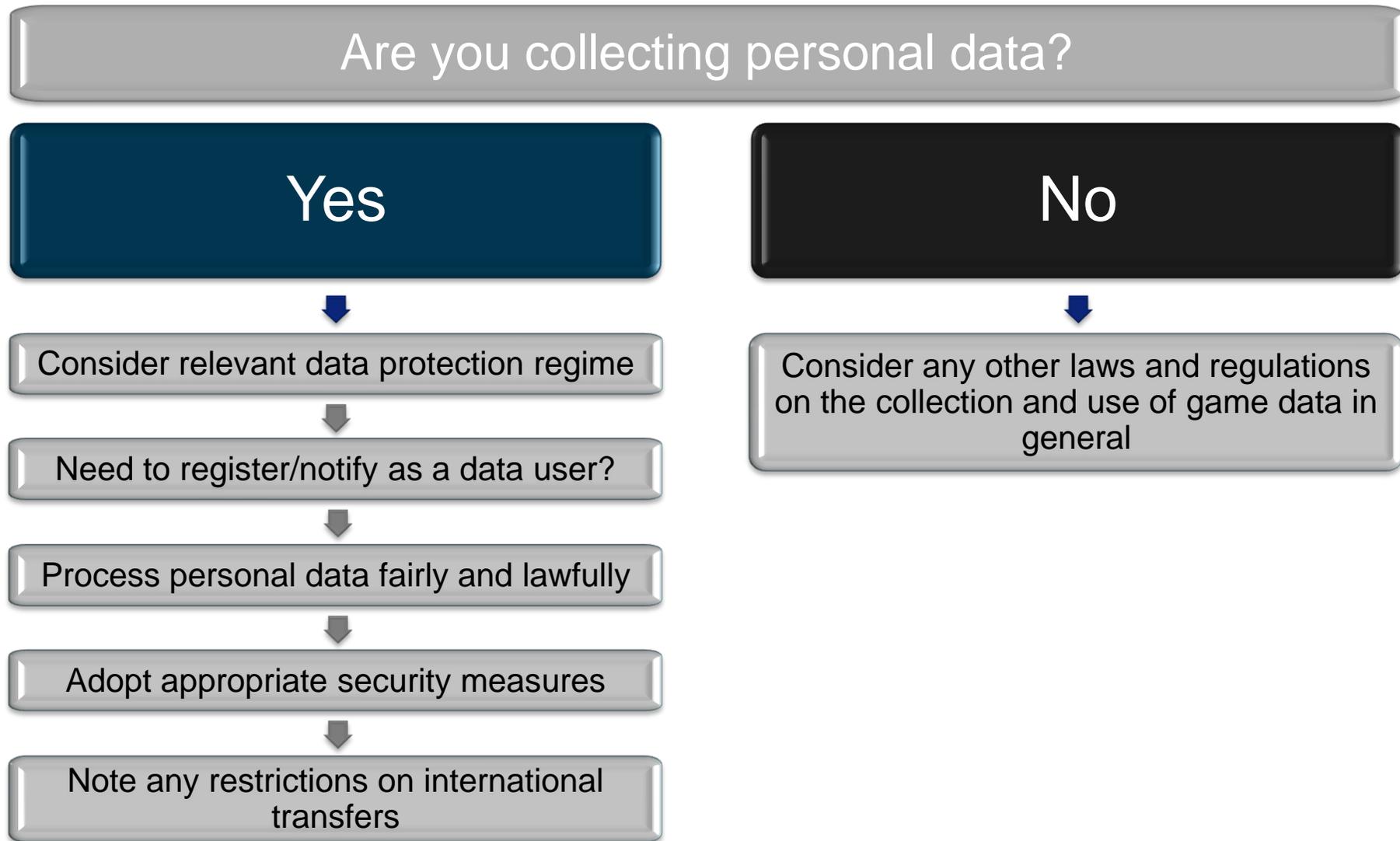
China (2000, 2005 & 2007)

- Online games with any “gambling elements” are prohibited
- Prohibitions are made against game publisher, game operator and website owners

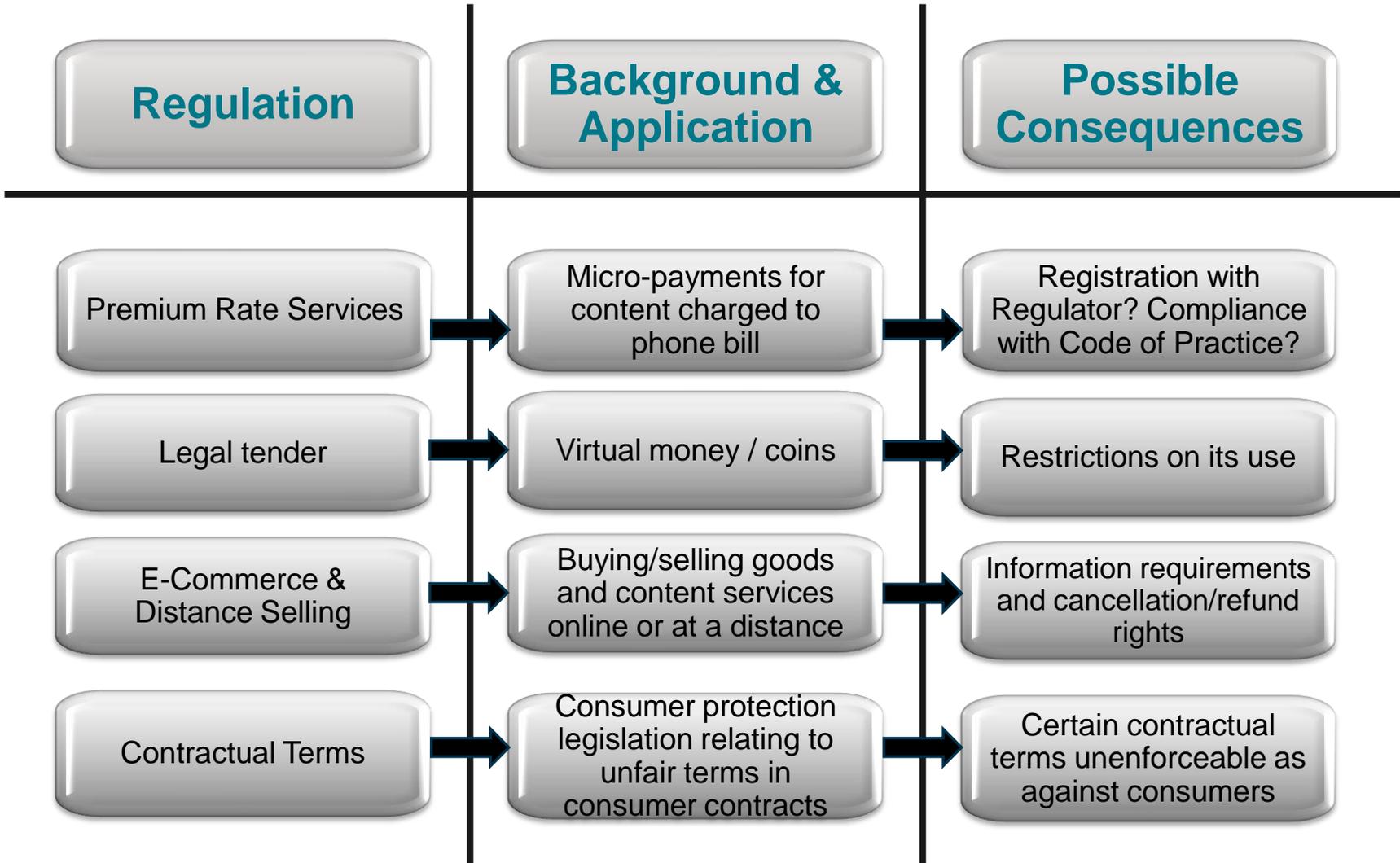
Japan (2012)

- Regulatory ban on use of “kompu gacha” in games
- Additional self-regulatory measures introduced, including disclosure of probabilities of winning items in gacha

3. DATA PROTECTION



4. OTHER REGULATIONS



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