



# PROMOTING LOOT BOX LEGISLATION IN HONG KONG

## WHAT IS A LOOT BOX?

Loot Boxes are purchasable items in video games where players can receive random rewards. The chance-based mechanism not only provides game players with higher engagement, but it also becomes a major financial source for game companies. In 2020, loot boxes generate \$15 billion annually for gaming companies in US.

### OUR FINDINGS ON LOOT BOX LEGISLATION IN ASIA

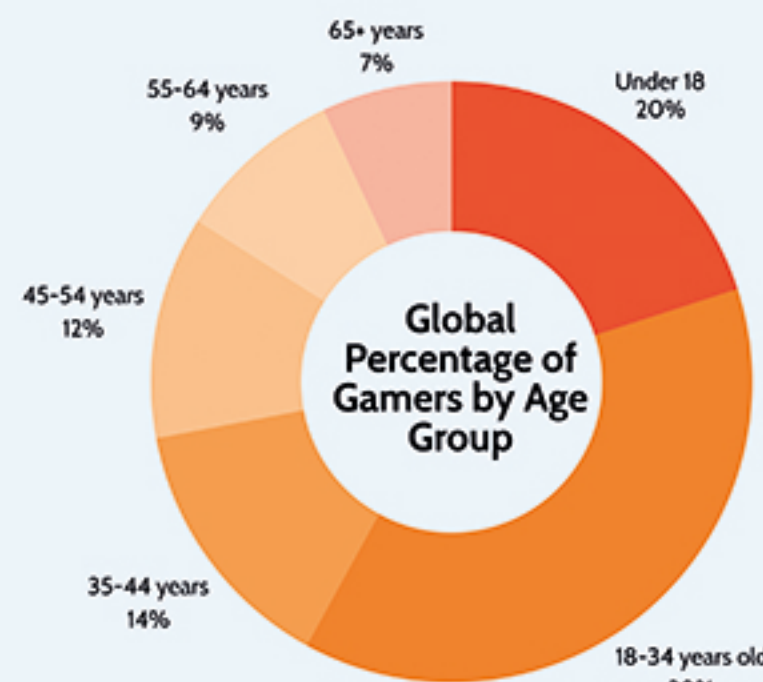
#### JAPAN AND KOREA

- Clear definition of loot box
- Specific Bills for loot boxes in video games
- Mandatory disclosure of probabilities in loot boxes
- Penalties imposed on game developers who violate the relevant regulations

VS

#### HONG KONG

- Lack definition on loot box
- No specific legislation for loot box; rely solely on Gambling Ordinance (Cap. 148)
- No penalty mechanism such that game developers could exploit consumers' rights without consequence



618M children play video games

1.8B video games reported to have loot boxes

## WHY IS LEGISLATION NECESSARY?

### NEGATIVE PSYCHOLOGICAL IMPACTS



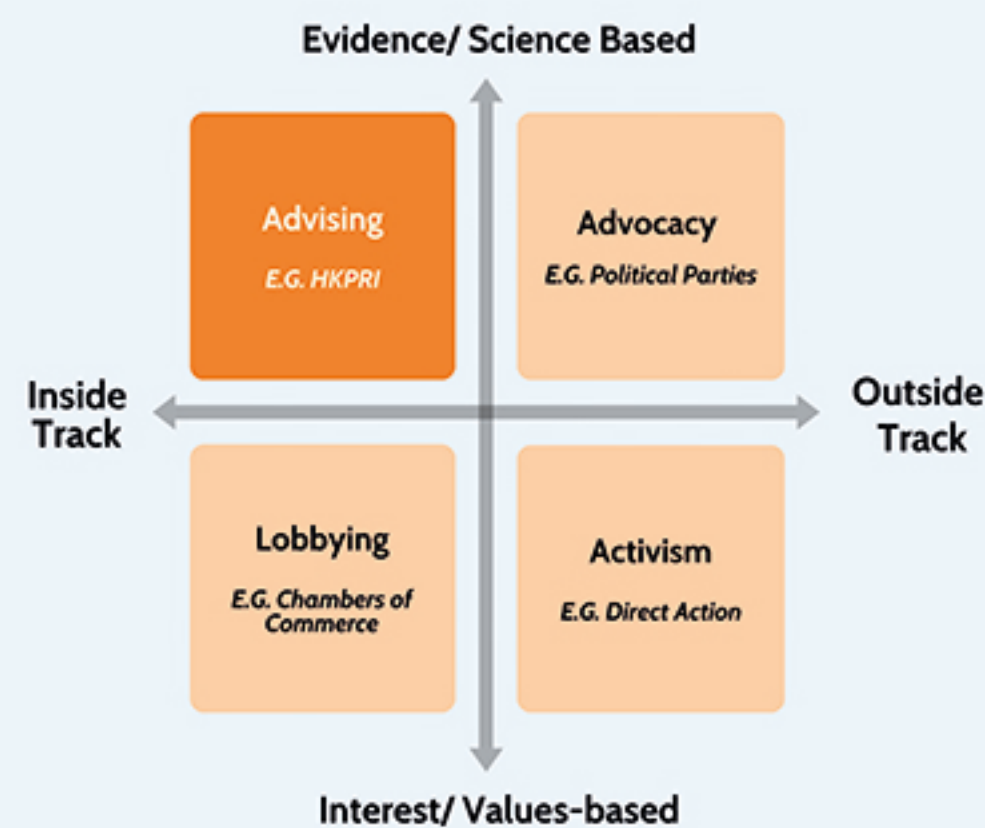
Psychologically, loot boxes lead to compulsive spending and addiction. Utilising a variable ratio reward schedule, this keeps players attached and engaged due to the satisfaction they gain from dopamine, which spikes from reward anticipation. This is especially damaging to children, who have lesser impulse control and are less cognitively mature than adults, meaning that they would be less likely to resist the urge to spend more in order to obtain satisfaction. By minimising over-consumption of game players, loot box legislation may attain SDG 16.6.

### LOOT BOX AS NEW FORM OF GAMBLING

Loot Boxes	Gambling
Bettors pay real money for an opportunity to win valuable digital items.	Punters bet real money for an opportunity to win prizes.
Rewards are random and unknown until after purchase.	Casino games entail chance-based mechanisms.
Games offer "pity timers" that promise fat items after repeated purchases.	Casinos use loyalty rewards and progressive jackpots to keep players engaged.

Just like loot boxes, gambling creates dopamine spikes that keeps gamblers addicted. Both involves using real life money, which can cause financial strain if problem gambling is developed. However, whilst gambling is banned for children, children can still engage in games with loot box mechanisms. This creates a loophole that can develop unhealthy gambling tendencies in children which leads us to choose to address this problem. Legislation can align Hong Kong's loot box regulations with international standards, thereby upholding the rule of law demanded by SDG 16.3.

## WHAT IS HKPRI



HKPRI is an independent nonprofit public policy think tank founded in 1995. Through an interview, our advisor Eugene shared insights into HKPRI's operations, explaining how its positioning has influenced the implementation of the Loot Box Legislation report.

## WHAT HAVE WE DONE SO FAR

### Motivation

HKPRI publishes monthly observations and has noted Loot Box discussions in LegCo documents. However, there were no further discussions carried on. HKPRI therefore strives to fulfill the research gap by studying countries abroad.

### Methods

We have verified secondary sources from official press releases and studied them country by country. They were then analyzed based on contributing factors, legislative content, and actual effectiveness. A brief policy recommendations is produced afterwards.

### Impacts

This research will be submitted to the Qianhai Authority in Shenzhen. While HKPRI is responsible for the research, the authority decides how the report will be utilized.

## LOOKING FORWARD

While HKPRI observes patterns scientifically, it does not bind government decisions. Moreover, the lack of public access to these reports hinders citizens from being informed about issues that directly affect their rights. So, how likely will we see loot box legislation in the future?

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GOALS