

Loot Boxes Factsheet

1. What are loot boxes?

Loot boxes are a mechanic used in some video games that provide players with a way to obtain virtual items for in-game use. These items vary, but typically include collectibles, character outfits, virtual currency, player bonuses and weapon camouflages or “skins”. Some virtual items are functional upgrades that help players progress (i.e. useful tools, armour, weapons or abilities), whereas others are simply cosmetic items. Similar to trading cards or Kinder Surprises, players usually do not know what items are contained within loot boxes until they are opened. However, even though players may not always get the items they want, loot boxes will **always** provide an item or items that can be used in-game.

Additionally, loot boxes are usually an optional feature in video games. Many games provide several other means by which players can obtain virtual items, such as by simply playing the game, completing missions or objectives, and purchasing items with virtual currency and/or real-world money. Sometimes loot boxes themselves can be purchased or obtained for free via gameplay. Since players enjoy collecting virtual items as they can enhance the in-game experience, video games will try to distribute items by various methods. Loot boxes are simply one way that this can occur.

2. Do loot boxes have value outside the game?

Loot boxes and virtual items in video games are only useable in-game and cannot be “cashed out” for real-world money. They do not have value outside of the game in the real world. While some secondary markets attempt to allow players to trade and sell their virtual items, these are entirely third-party operations that have no involvement with, or approval of, game developers or publishers. Further, because these services are almost always operating in breach of end user license agreements and terms of service, game developers and publishers will frequently take action against operators in order to shut down their unauthorised markets.

3. Are loot boxes essential to advance in video games?

Loot boxes typically are not mandatory or essential to advance in video games. Gamers can play and complete many games without ever needing to open or buy a single loot box. This is because loot boxes are usually an optional feature – most games will provide various ways by which virtual items can be obtained and players can ignore the loot box method if they desire. Some or most of the same items found in loot boxes can often be obtained through routine game play or by direct purchase. The choice is in the hands of players, which is a fundamental principle that underpins video gaming as a whole – not just in terms of loot boxes, but also many other in-game features. And even if players do want to open loot boxes or reach a point in-game where a loot box needs to be opened, this does not necessarily mean that a real-money purchase is involved. Loot boxes are frequently distributed for free in many games – as part of promotions, giveaways or even rewards for players simply logging in for the day.

4. Are loot boxes new to video games?

Loot boxes are not new to video games – they have been around for many years. In fact, loot boxes use the same mechanics that trading cards, Kinder Surprises and many other products have also been using for years. When you purchase a pack of trading cards, say for the NRL or AFL, you are not sure what cards you will get – you may get common cards or very rare cards. When you purchase a Kinder Surprise, you might receive a rare prize that you really wanted or a more common prize that you already have. Loot boxes operate in the same way, as they too offer items of varying rarity based on chance. A loot box may contain common items (i.e. a new victory animation or weapon camouflage) or very rare items (i.e. a powerful item or armour). The same elements of randomness and suspense have simply been adopted into video games with loot boxes. And just like trading card packs or Kinder Surprises, loot boxes will **always** provide items that players can use.

5. Are loot boxes gambling?

According to the Australian Communications and Media Authority (ACMA), the body responsible for overseeing the federal Interactive Gambling Act, loot boxes **do not** constitute gambling under Australian law. ACMA stated that “In general, online video games, including games that involve ‘loot box’ features, have not been regarded as ‘gambling services’ under the Interactive Gambling Act 2001, because they are not ‘played for money or anything else of value’. That is, the game is not played with the object of winning money or other valuable items”. Queensland’s Office of Liquor & Gaming Regulation and even New Zealand’s Department for Internal Affairs are of the same view, and the NSW Law Reform Commission have shared similar thoughts in the past.

6. What is the industry doing in response?

The industry has worked hard for years to ensure that loot boxes, and indeed video games as a whole, are a fun and safe experience. As a matter of law and just good practice, the industry is transparent about in-game purchases – ensuring that prices are displayed correctly, descriptions are accurate, and marketplaces are as clear as possible. It is also common place for this information to be declared prior to download or purchase, even if a player has made purchases before. The industry empowers consumers to make informed decisions by providing them with what they need before purchasing any products, including loot boxes.

Additionally, video game consoles, PC platforms and mobile game stores offer robust controls that enable parents and carers to decide what games children can play according to age rating, how long they can play for and, importantly for loot boxes, who is authorised to shop in a game’s digital store and make purchases. It is even possible to set spending limits for children. These innovative technological tools help parents and carers tailor the online experience of children so that it is age appropriate and also ensure that children are not able to spend money on loot boxes or other products without obtaining permission first. The industry will also frequently encourage parents and carers, through social media and instructional videos, to show an interest in the games played by children and talk to them about responsible video gaming and purchasing.