

## United States Senate

November 4, 2019

The Honorable Joseph Simons  
Chairman  
Federal Trade Commission  
600 Pennsylvania Avenue, Northwest  
Washington, DC 20580

Dear Chairman Simons:

I write today regarding the recent disclosure that “container keys” for the video game *Counter Strike: Global Offensive* (“CS:GO”) were being used to facilitate illicit activities, including fraud and money laundering.<sup>1</sup> According to Valve, the developer and publisher of CS:GO, by October 28, 2019, “nearly all key purchases that end up being traded or sold on the [company’s digital] marketplace are believed to be fraud-sourced.”<sup>2</sup>

I have long been concerned over the potential for virtual, digital items and in-game currency to be manipulated and misused and cause real-world harms, and it is my sincere hope that law enforcement and consumer protection agencies will investigate and take actions that they deem appropriate. Valve has potentially profited from providing a venue that is easily manipulated to disguise the illicit transfer of funds, and a legitimate law enforcement and consumer protection interest would be furthered by determining how and to what degree the container key mechanic was compromised.

A container is an in-game item that, when activated with a key, results in the player receiving a cosmetic item (a “skin” in game parlance) that is randomly rewarded from a selection of skins of varying “rarity”; items of a higher rarity tier have a less likely chance to appear than those items of lower rarity levels. A container is one name for the class of virtual randomized reward mechanics, referred to by the general name of “loot boxes,” that are not unique to Valve, but rather are endemic in the video game industry. They appear in various forms in games designed for all demographics and age groups, and I have expressed my position to the Federal Trade Commission in the past that these mechanics are a concerning aspect of the video game industry with parallels to legacy gambling systems like slot poker and other games of chance. Those

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<sup>1</sup> *Key Change*, COUNTER STRIKE (Oct. 28, 2019), available at <https://blog.counter-strike.net/index.php/2019/10/26113/>.

<sup>2</sup> *Id.*

concerns are shared by state,<sup>3</sup> foreign,<sup>4</sup> and other sovereign governments.<sup>5</sup> The revelation that these mechanics have been abused in furtherance of criminal activities should alarm the video game industry, consumers, and law enforcement.

*CS:GO* is particularly troubling because Valve has long permitted not only the purchase of virtual items and container key by consumers with real money, but has encouraged the sale of those digital items through channels that they control, again for real world currency. These virtual items can be sold or exchanged on Valve's marketplace, as well as third-party digital forums, for sums reportedly in the tens of thousands of U.S. dollars.<sup>6</sup> A web service that permits a large degree of anonymity and allows the transfer of non-material goods for real-world currency is the perfect venue for those seeking to convey large sums of money outside traditional, regulated financial institutions.

In addition to the criminal concerns involving container key sales, it is possible that consumers were harmed by criminals artificially and frequently manipulating the Valve marketplace.

I would encourage the Federal Trade Commission to investigate the actions of Valve in designing, overseeing, and promoting their skins marketplace, and I request answers to the below questions by November 22, 2019.

1. In August 2019, the FTC hosted a workshop in response to concerns surrounding loot box mechanics that I had raised earlier to Chairman Simons. When will the FTC formulate the next steps in the Commission's inquiry into loot box mechanics?
2. Has the FTC received any public comments or otherwise been made aware of the potential for digital items and currency to be manipulated for the purposes of fraud?
  - a. If yes, is the Commission considering steps to mitigate the harm caused by that fraud and to protect consumers?
3. Does the FTC commit to take the disclosure of the criminal manipulation of micro-transactions into account with respect to any further Commission actions on loot boxes?

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<sup>3</sup> Colin Campbell, *Washington Gambling Commission Demands End to Valve CS: GO Skin Gambling*, POLYGON (Oct. 5, 2019), available at <https://www.polygon.com/2016/10/5/13176244/washington-gambling-commission-demands-end-to-valve-cs-go-skin>.

<sup>4</sup> EA, *FIFA Points in Belgium*, available at <https://www.ea.com/en-ca/news/fifa-points-belgium> (last visited Oct. 30, 2019).

<sup>5</sup> Hayden Taylor, *Native American Nation Files Lawsuit Against Valve Over Skins Gambling*, GAMEINDUSTRY.BIZ (Apr. 16, 2019), available at <https://www.gamesindustry.biz/articles/2019-04-16-native-american-nation-files-lawsuit-against-valve-over-skins-gambling>.

<sup>6</sup> Victoria Rose, *CS: Go Fan Drops \$61K on Rifle Skin Signed by Tournament MVP*, POLYGON (Jan. 30, 2018), available at <https://www.polygon.com/2018/1/30/16952248/counter-strike-global-offensive-dragon-lore-skadoodle-skin-sale-opskins>.

A similar letter has been sent to the Department of Justice, and I look forward to your response.

With every good wish,

A handwritten signature in blue ink that reads "Maggie Hassan". The signature is fluid and cursive, with a long horizontal stroke at the end.

Margaret Wood Hassan  
United States Senator