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FBI keeping close eye on Super Bowl online bets--crackdown comes on biggest betting day of year

WASHINGTON — If the U.S. government gets its way on Super Bowl Sunday, all bets will be off — all online bets, that is.

Federal prosecutors and agents in the FBI's organized-crime unit have been mounting a large-scale crackdown on Internet gambling, with indictments against executives at gaming Web sites, arrests of foreign businessmen who process payments and subpoenas to investment banks that may have helped bankroll the operations.

The aggressive campaign has gathered steam recently, as Americans prepare to wager more than \$5 billion on today's game between the Chicago Bears and the Indianapolis Colts, the biggest betting day of the year, according to industry experts.

The arrests in California and in the U.S. Virgin Islands last month of two board members of Neteller, a British company that facilitates online money transfers, is spurring overseas executives with even modest gambling connections to avoid traveling to the United States lest they be nabbed. And it is leaving legal analysts and bettors crying foul about the government's approach.

"This escalation or, no, we should say surge, in this war of intimidation Justice is waging right now really has had an effect," said I. Nelson Rose, a professor at Whittier Law School in California and author of a textbook on gambling law.

Justice Department officials have long been on record as saying that Internet gambling breaks the law. They cite the longstanding 1961 Wire Act, a statute making it a crime to use telephone lines to place a bet within the United States or overseas. The 1961 law, which applies to businesses instead of individual bettors, was designed to eradicate the Mafia from the gambling arena.

Federal prosecutors enforced it only sporadically. The campaign heated up last year, after the government indicted two popular sports-betting Web sites: Antigua's WorldWide Telesports Inc., and London's BetOnSports PLC. Both companies have announced they will no longer accept wagers from U.S. clients.

Then Congress dealt in. At the last minute, lawmakers inserted an online-gaming measure into the port-security bill that chokes the flow of money by barring the use of credit cards, checks and fund transfers to make and settle bets. President Bush signed the bill into law in October.

But it has been the wave of criminal charges against individual executives and businesses that prompted a real exodus from the U.S. market. Americans bet nearly \$6 billion online in 2005, but the flood of public companies out of the country has made it difficult to estimate current amounts, said Eugene Christiansen, who tracks such spending.

"Criminal prosecutions related to online gambling will be pursued even in cases where assets and defendants are positioned outside of the United States," Michael Garcia, the U.S. Attorney for the Southern District of New York, said last month.

Yet legal experts say there are questions about whether Internet gaming is a crime worthy of extradition in most foreign jurisdictions, and whether the executives meant to break the law, given that their operations are legal in their home countries.

Moreover, although the Justice Department has suggested that all forms of Internet gambling violate the law, analysts say that online horse racing, poker and fantasy leagues may be exempt. Gambling in some form, from state-sponsored lotteries to race tracks and slot machines, is legal in a majority of the 50 states, which collect billions in tax revenue from the enterprises each year.

A. Jeff Ifrah, a defense lawyer in the Washington, D.C., office of Greenberg Traurig, said the Justice crackdown is confounding some legal analysts because "it is unclear how the government randomly targets members of this industry for prosecution."

Prosecutors have increased efforts to force advertising companies and Web sites to reject paid ads for Internet gambling sites. They also sent subpoenas to at least three investment banks, HSBC, Dresdner Kleinwort and Credit Suisse. Richard Lindsay, spokesman for HSBC, said the subpoena it received late last year requested information "pertaining to some Internet gambling companies."

The crackdown against public, regulated foreign businesses has left small private companies to fill the void, an issue that worries industry officials and consumer groups who say the smaller entities are less subject to oversight and more difficult to police. In essence, they argue, the government drive could turn into another prohibition, and have the perverse impact of fostering underground, illegal activity.

"The net effect of this is, responsible people are out of the business," said Frank J. Fahrenkopf Jr., president of the American Gaming Association, a casino industry trade group.

Meanwhile, U.S. authorities show few, if any, signs of folding, even in the face of rulings by the World Trade Organization that the United States cannot put foreign rivals at an economic disadvantage on the Internet gambling issue.

Mark J. Mershon, FBI assistant director, last month cautioned that companies handling Americans' offshore bets "amount to a colossal criminal enterprise masquerading as legitimate business."

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