

# Casinos without Borders

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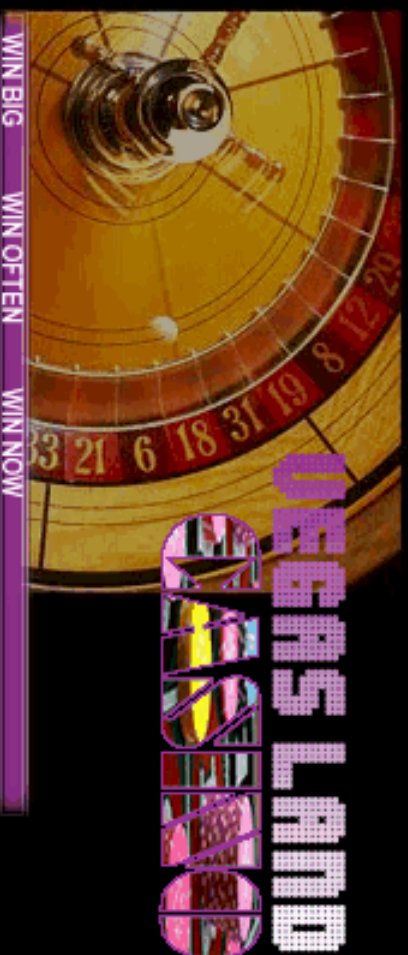


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# Overview

- Gambling and the law
- Mechanics of online gambling
- Location of online gambling
- Trends

# Gambling and the Law

# Gambling and the Law

- Gambling is a common occurrence, but legal gambling is tightly controlled
- Legal gambling is constrained by public policy and legislation including the type of game, location, age of participants, screening of principals etc
- The Internet challenges the legal basis of gambling by allowing remote access to gambling content in different locations

# Gambling and the Law

- Many different cyberspaces:
- Biegel: a library, telephone, public park, local bar, shopping mall, broadcast medium, print medium, medical clinic, private living room, public educational institution
- Issue of jurisdiction: the applicability of a law to a person or for a specific matter
- Where does online gambling take place?

# Jurisdiction

- Laws have always been organized around place
- “All law is *prima facie* territorial” 1909  
*American Banana Co vs United Fruit Co*
- Johnson and Post find the Internet  
“...undermining the feasibility – and legitimacy – of applying laws based upon geographic boundaries.”

# Cyberlaw Principles

- Wilske and Schiller identify five principles that shape international law and its application to cyberspace:
  - Territoriality – regulate entities within a country
  - Nationality – regulate conduct of citizens
  - Effects – an act in one jurisdiction causes harm in another
  - Protective – allows governments to protect its own functions
  - Universality – acts globally recognized as wrong
- Online gambling confronts territoriality and nationality

# Mechanics of Online Gambling

# Online Gambling

- Started in 1995
- 1200-1400 sites in 2001
- Revenues of \$6.7 billion in 2001
- Types of gambling websites
  - Legalized online gambling
  - Directory/Forwarding
  - Special cases
  - Ambiguous legal climate

# Online Gambling

- Advantages:
  - Ease of entry, low cost set up
  - Minimal screening of principals
  - Low licensing fees (\$75,000 in Antigua)
- Disadvantages:
  - Lack of brand identity or association with bricks and mortar gambling entities
  - Issues of trust and security
  - Competitive market

# Online Gambling

- Elements of online gambling:
  - Domain name, site identity, and a server to house the site
  - Gambling software
  - Facilities for financial transactions

# Domains and Servers

- Challenge of identity in a crowded market
- Online identity using domain name, or multiple names directed to one site
- Most often name associated with a game, exotic location, or common casino name
- Heavy advertising, including on child oriented gaming sites
- Domain name registration often in different location to operations

# Gambling Software

- Casino games, sports betting
- Use Java or HTML on server, or download software
- Competition to provide enhanced games, additional features
- Systems audited for probability and payout
- Turnkey systems available from many software firms; some only require client to promote the site

# Financial Transactions

- Deposit funds through credit cards, bank transfers or online financial services (Neteller, FirePay); US\$ preferred
- Winnings returned in similar way; return of winnings often limited by amount/timing
- Credit cards central to the initial success of online gambling, but problems
  - Chargeback
  - Risks require high fees of 4-9%
  - Coding of transactions

*All major secure payment methods accepted*



# Financial Transactions

- Retreat from credit cards to online financial intermediaries; also PayPal less used
- Outsourcing of financial management to firms such as EFS Caribbean, VirtualExchange, CPC Cyber Processing in Antigua
- Details of financial transactions often reported under a different name on statements etc

# Location of Online Gambling

# Location

- Location of web site rarely explicit and usually buried within the site if at all
- Identification of over 1100 gambling web sites
- Analysis of domain registration data
  - 97% .com
  - ccTLDs rarely used

# Major Locations

- USA 278 sites (1:1,000,000 residents)
- Canada 263 sites (1:122,000)
- Antigua 110 sites (1:610)
- Costa Rica 90 sites (1:44,000)
- United Kingdom 73 sites (1:825,000)
- St Kitts and Nevis 61 sites (1:650)

# USA

- Gambling tightly controlled at state level; Federal regulations
- Leading locations
  - Miami-Ft Lauderdale (29 sites)
  - Los Angeles (28 sites)
  - Las Vegas (24 sites)
  - Denison, Texas (18 sites)
  - Wadsworth, Ohio (8 sites)

# USA

- Domain registration vs operations
- Of 278 US domain names:
  - 105 directories
  - 80 in Caribbean (Antigua, Costa Rica, Curacao)
  - 56 offline
  - 20 (Canada, Hong Kong, Cyprus, Comoros, etc)
  - 17 no location identified

# Canada

- Late 2001, no specific legislation on Internet gambling
- Concentrated ownership of domains
- Location: Montreal (108 domains), Toronto (36), Winnipeg (32), Quebec (24)
- Mohawk Territories of the Kahnawake
  - 9 miles south of Montreal
  - License online gambling (C\$10,000)
  - 40 gambling sites hosted by Mohawk Internet Technologies

# Caribbean

- Antigua
  - Concentrated (one firm with 20 domains)
  - 1999 Directorate of Offshore Gaming
  - Branding location, preferred seal
  - Seen as economic development opportunity with gambling sites, software development, financial services etc



# Caribbean

- Costa Rica
  - Evolved from telephone based sportbook
  - Residents cannot access gambling sites, so online gambling does not legally 'exist'
- St Kitts
  - Legal since 1999, half domains owned by 1 firm

# Europe

- United Kingdom
  - Concentrated (2 firms own > half all domains)
  - March 2002 new legislation proposed so that “Britain can establish a reputation for itself as a world leader in the field of on-line gambling”
- Other locations
  - France (10 domains, six offline, six registered by one firm, all use English)
  - Germany (two domains, both in English, one directory, the other based in Antigua)

# Trends

# Trends

- Offshore sites seek regulation to reassure gamblers
- Traditional gambling firms seek to legalize online gambling (Nevada legislation)
- Utilize Internet technology to recognize location of visitor and determine access
- Concern for access by minors
- Concern for money laundering as part of online gambling

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## **Digital Communities 2003**

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