

Internet Gambling

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With the increase in crime that Internet gambling poses, a greater incidence of addiction by users and the problem of policing a global electronic marketplace, enforcement agencies need to be aware of measures that can be applied to counteract the problems Internet gambling introduces. Since there are no outright legal or technological fixes to prevent the growth in Internet gambling what can enforcement authorities do?

The rapid growth in Internet use in recent years has brought with it widespread expansion in many Internet-related activities including increased use of electronic commerce and money transfer. Internet gambling has followed these growth patterns. Since the first virtual online casino, Internet Casinos Inc., was established in 1995[1] the industry has grown at an astonishing rate with estimates of over 1000 casino-related sites now in existence. It is estimated that the industry is now worth between US \$10 and \$100 billion[2]. In comparison, the total revenue waged in Las Vegas in 1997 has been estimated as less than five billion dollars.

Many of the companies that run Internet gambling sites have set them up offshore to avoid any legal controls such as the Wire Act of 1961 (US), which prohibits the use of telephone lines for betting or wagering in most of the States in the United States.

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With the generous funding that is associated with Internet gambling, most operators are prepared to take the risk of being charged, as in the case of the Justice Department's action against 14 operators in 1998[3].

There is clearly a need for change in the legal controls associated with Internet gambling, and the introduction of the Internet Prohibition Act is intended to

address these needs, certainly in the United States.

The adoption of legal frameworks or regulation in other countries may well follow, to the extent these are not already in place.

Internet gambling can present a number of problems:

- It becomes difficult to monitor transactions;
- There is increased criminal activity, such as money laundering;
- There is the possibility of fixed or rigged games;
- Non-payment of winnings can occur;
- There is no limit to the physical duration of the customer's 'game';
- There is no possibility for a state to control the maximum payback percentage as with regular automated games such as 'one-armed bandits'.

The Issues

Thomas Landau[4], suggests that the technology itself can promote addictive behaviour.

The possibility of a double addiction exists with Internet gambling. If, for example, it becomes difficult to distinguish between leisure activity and gambling or betting, then that may have serious consequences for an Internet user.

In his paper, *Internet Futures*, Jeremy Barnes of British Telecom, suggests that "Cyber-economies could create new free markets uninhibited by our current political models". In such an environment, it is difficult or impossible to ban Internet gambling.

It is debatable whether Internet gambling presents any novel problems relating to the Internet. At its most blunt it is essentially information flow. A customer sends a signal indicating his bet to the gambling house. If there is a win, the gambling house then credits the customer's account.

The customer can set up his own account with the gambling institution. Alternatively the customer can utilise a credit or debit card to do so — at least in countries where it is lawful for banks to operate such a system. Even where it is not, the paying bank may not necessarily have sufficient details of the payee to know that it is a gambling operation.

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What is the difference between this and other forms of 'illegal' information that is stored and transmitted on the Internet, such as racist material or pornography? The answer is — there is none.

All gambling 'material' on the Internet is ultimately merely bits of information. The problem with Internet gambling is therefore the same as with any other controlled form of 'information', namely that unless you can control the location of the site at which the material is stored, you have no control.

It is not possible, technologically, to determine what information is being transmitted on the Internet. Certainly this is the case merely because of the volume of information transmitted. Even if it were possible to have a 'suspect' and therefore look specifically at a particular individual's E-mail messages, that individual would always be able to encrypt those messages.

Encryption technology in the near future, if not already, will be in a state in which it is, for all intents and purposes,

highly unlikely that enforcement authorities will be able to decrypt that information.

Certainly this is the case for people who do not want their information to be decrypted. It is merely a question of scale — if everybody uses advanced encryption technologies the resultant problem for the law enforcement authorities will be almost overwhelming.

Ironically, in the country in which Internet gambling is perhaps the most 'taboo', namely the United States, there is the greatest availability of advanced encryption technologies.

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If one views Internet gambling in this way, one can see that the impetus of change must necessarily be taken at an international level. It is simply too difficult for one country to try to impose its own 'standards'. The information storage will merely flow to the home that has the lowest standard. The only way to avoid this is to have international standards, which are applied uniformly.

A legal perspective

The debate over the legal agenda for Internet gambling is likely to continue for some time. Some argue that, "Internet technology renders prohibition futile...that the Internet offers an instant detour around merely domestic prohibitions.....and consumer demand for Internet gambling and the state's demand for tax revenue will create enormous political pressure for legalisation". [5]

However, with the growth in criminal activity associated with Internet gambling

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there are a number of initiatives that have been set up or are planned.

In the United States these include:

- The Professional and Amateur Sports Protection Act 1992 which prohibits a state from wagering on sporting events;
- A Federal Commission has been set up to study gambling;
- The FBI National Computer Crimes Squad was established in 1992;
- An FBI Computer Analysis and Response Team has been established;
- Legislation such as the Internet Gambling Prohibition Act 1999 (S.692) has been passed by the United States' Senate.

A technological perspective

Although we have said that technological solutions to Internet gambling are not possible, this is not entirely so. It is possible for one country to control Internet gambling — the United States of America.

There are two ways in which the United States could, at least in theory, control Internet gambling.

Economics

The first would be by way of economic sanctions. The United States has in the past achieved international harmonisation of law and could certainly do so again. For example, legislation to protect the unique layout of semiconductor chips in most westernised countries (in the UK, the Design Right (Semiconductor Topographies) Regulations 1989) was introduced as a direct result of economic pressure from the United States to do so.

What is in a name?

The second and perhaps more feasible method for the United States to intervene

arises from the method by which names are stored on the Internet.

Although each country (or, in the case of Asia, group of countries) is responsible for handing out Internet names in its territory, there is nevertheless an overall master index of names produced.

The Internet Assigned Numbers Authority (IANA) ultimately controls this master index. In theory, the system master index (the root server) is controlled by this organisation and if this master index was interfered with, by removing the appropriate addresses of gambling sites, there would be a 'cascade' effect and the addresses would then be lost throughout the world.

The United States Government is uneasy about having this sort of potential control over the Internet and such control has never, in practice, been exercised. The United States Government has put greater control of the domain name assignment system into public hands.

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A voluntary organization, called The Internet Corporation for Assigned Names and Numbers (ICANN), now has full control over this domain name assignment function as of October 2000.

The political impetus for the United States to do something within the administration of the Government is probably not present.

Criminal Activity

There are a number of reasons why criminals might wish to utilise Internet gambling.

Online gambling is being used for money laundering. As electronic cash is exchanged for tokens or 'electronic chips', it is easy to disguise the origins of illegally gained currency. Online gambling encourages the possibility of other

frauds, such as the unauthorized use of bank or credit card details. With the relatively low cost of set up and the global nature of the technology, the same operator could be 'up and running' in a number of weeks, if not days, with a different name.

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Countermeasures

There are a number of countermeasures that could be taken to reduce the incidence of criminal activity brought about by Internet gambling.

As well as the legal and technological solutions cited earlier, many law enforcement agencies see as critical, the targeting of certain groups in the control or prohibition of Internet gambling.

These groups include:

- Operators of Internet gambling sites;
- Internet Service Providers;
- Internet Index Providers;
- Sites that accept advertising for Internet gambling sites;
- Financial transaction providers;
- Users of Internet gambling.

The use of 'Internet Gambling Intelligence' is seen as a key feature of combating illegal activity based around Internet gambling. Here, Internet tools and facilities would be used to monitor gambling behaviour and growth. The use of search engines, domain name registration, newsgroups and Internet gambling research bodies could help provide intelligence on current or future activity.

The key countermeasures are 'perception management' and 'trust'. A strategy designed to counter instances of unlawful gambling should recognize that it is founded on trust — a player must trust an operator to enter into a disembodied game.

If that trust is somehow shaken or undermined, the viability of the virtual phenomenon is compromised. An example of the sort of trust that can be established is that created by the Internet Gaming Commission (www.internet-commission.com) which undertakes an audit of gambling sites that agree to participate in its activities. According to the Commission, some 125 operate without any license or audit of any sort whatsoever.

The innovative and global nature of the Internet, the financial benefits for those operating Internet gambling sites, and the convenience they offer players, make a compelling case that the phenomenon will not go away — it will merely adapt around technical or legal fixes which try to make it disappear.

As a virtual phenomenon it is founded on trust but we cannot imagine that it will be possible to undermine the trust of everyone, everywhere in Internet gambling.

However, trust could push gaming toward sites that are regulated, and away from those that aren't. For this to happen, sites would not only need to be regulated, they would need to be seen to be regulated.

For an agency taking on such a project, 'perception management' would be as important as regulation. Signs of endorsement given to regulated sites would need to be carefully protected to prevent their worth from being tarnished by fraudulent operators. Technology will inevitably play a part in this, but free-riders keen to by-pass official endorsement will ensure that complacency is not an option.

The level on which a regulatory agency would need to operate is also of central concern. If the intention is to push gambling towards regulated sites, sites must be identifiable as such around the world.

From a player's perspective, the more different official stamps of approval there are, the greater the scope for confusion.

Co-operation between nation states would help to address this, but agreement surrounding regulation may be difficult

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to achieve in practice. Internet gambling operators, at least, are beginning to express interest in a mechanism for distinguishing reputable games.

The presence and reputation of that mechanism must match the global nature of the phenomenon if it is to be influential. If the problems associated with the phenomenon grow unacceptably, national governments could soon be forced to try and make a mandatory international Internet gambling regulation regime a reality.

About the authors

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