


GAO
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Highlights

Highlights of [GAO-03-89](#), a report to the House Committee on Financial Services and Subcommittees on Financial Institutions and Consumer Credit, and Oversight and Investigations

Why GAO Did This Study

Internet gambling is a fast-growing industry with estimated 2003 revenues of more than \$4 billion. However, concerns have been raised about its social and economic impacts. In light of recent recommendations by a Congressionally appointed commission, which advocated restricting Internet gambling within the United States, GAO was asked to examine the U.S. payments system, particularly credit cards, as it relates to interactive on-line gaming. We examined (1) the legal framework for Internet gambling domestically and abroad; (2) the credit card industry's policies regarding the use of credit cards to pay for Internet gambling and actions taken to restrict such usage; and (3) the views of law enforcement, banking regulators, and the credit card and gaming industries on the vulnerability of Internet gambling to money laundering. We issued an interim report on these issues in September 2002. GAO makes no recommendations in this report.

www.gao.gov/cgi-bin/getrpt?GAO-03-89

To view the full report, including the scope and methodology, click on the link above. For more information, contact William O. Jenkins, Jr., Director, Financial Markets and Community Investment at (202) 512-8757 or jenkinswo@gao.gov.

INTERNET GAMBLING

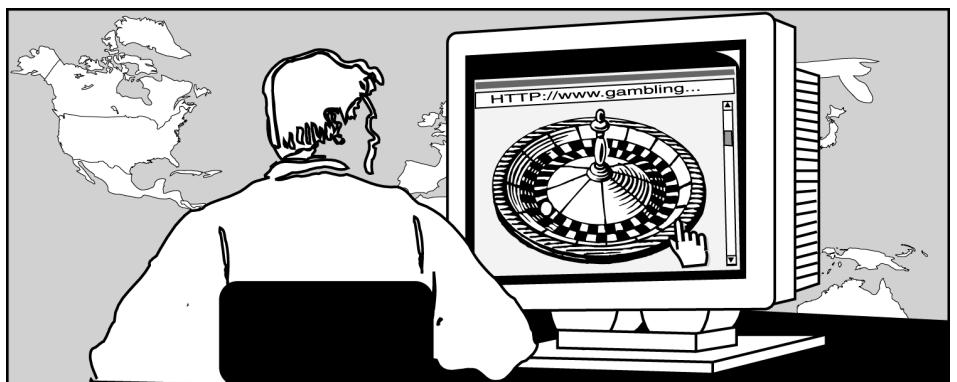
AN OVERVIEW OF THE ISSUES

What GAO Found

The global legal framework for Internet gambling is a complicated mix of laws and regulations. In the United States, both federal and state statutes apply. Gambling is generally regulated at the state level, with federal law supporting state laws and regulations to ensure that interstate and foreign commerce do not circumvent them. The Wire Act, which prohibits gambling businesses from using interstate or international telecommunications wires to knowingly transmit or receive bets, is the main federal statute used to prosecute such activity. Foreign countries and jurisdictions have taken a variety of approaches to regulating on-line gaming, including legalizing some forms, seeking effective regulatory approaches, and prohibiting it entirely.

The major participants in the credit card industry have tried to restrict the use of their cards for Internet gambling by prohibiting cardholders from using the cards to gamble on line and developing transaction codes that banks can use to block payments at their discretion. Many large U.S. credit card issuers also use codes to deny authorization for Internet gambling transactions, and U.S.-based banks do not accept gambling Web sites as merchants. Despite attempts to circumvent these efforts by using improper coding, the success of these restrictions has caused gaming analysts to lower their 2003 revenue projections for the on-line gaming industry.

Representatives of law enforcement agencies told us that Internet gambling could be used to launder money, but others viewed the threat as less serious. Law enforcement representatives said that the anonymity and jurisdictional issues characteristic of Internet gambling make on-line gaming a potentially powerful tool for money launderers. They noted that few money laundering cases involving Internet gambling had been prosecuted but attributed the small number of cases primarily to a lack of regulation and oversight. However, regulatory agencies and officials from the credit card and gaming industries did not believe that Internet gambling was any more susceptible to money laundering than other forms of e-commerce.



Source: GAO.