



IfrahLaw

Strategic Defense in
Federal Investigations

WHEN THE GOVERNMENT COMES KNOCKING – UIGEA ENFORCEMENT

October 12, 2010 Webinar

GAMING ENFORCEMENT



Although Gaming In And Of Itself Is a Red Flag To Government Officials, Not Everything Will, Or Necessarily Should, Trigger Red Flags For Government Enforcement.



TOTAL U.S. GAMING MARKET

\$100B Over 10 Years



iPoker Alone Over 40%



UNLAWFUL INTERNET GAMBLING ENFORCEMENT ACT – 31 U.S.C. §§ 5361-5367

- Does Not Specifically Prohibit Online Gambling
- Outlaws Financial Transactions Involving Online Gambling Service Providers



DIRECT RELATIONSHIPS THAT MAY INVITE GOVERNMENT SCRUTINY



COMMON THEMES IN GOVERNMENT ENFORCEMENT CASES



They Almost Always Involve A Lot of Money.



Those Against Whom Enforcement Is Sought Are One or Two Steps Removed From the On-Line Operator.



Those Against Whom Enforcement Is Sought Are Always In The U.S.



There Is Always a Plus.



WHAT IS THE PLUS?



Credit Card Misconduct



Casino Games



Bank Fraud



Sports Betting



CASE STUDY #1 - SPORTS BETTING

OPERATOR



PROCESSOR



SPORTS BETTING



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Civil Forfeiture Sought in Maryland Online Poker Funds Seizure

Like Be the first of your friends to like this. By Dan Cypra - Mar 31st, 2010

YOUR SOURCE FOR
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DOVER

In a new twist involving the seizure of a purported **\$5 million in funds** destined for internet gambling customers in **Maryland**, the U.S. Attorney's Office in Baltimore is seeking a civil forfeiture, according to the **Baltimore City Paper**.

Documentation filed in the United States District Court for the District of Maryland targets several payment processors: **Electracash**, **Forshey Enterprises**, **HMD**, and **Direct Channel**. Banks affected by the U.S. Attorney's Office actions include Bank of America, Wachovia, Citibank, and Wells Fargo, four of the country's largest financial institutions. Also mentioned is Mercantile Bank. Upon seizure by federal authorities, the funds were transferred to the Department of Homeland Security and U.S. Immigration and Customs



CASE STUDY #2 – MONEY LAUNDERING



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Florida Resident Arrested for Serving as Online Poker Payment Processor



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By Dan Katz - Mar 10th, 2010

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A German national residing in Naples, Florida was arrested last month for running online gambling payment processing businesses out of his home. According to the criminal complaint filed in the United States District Court for the Middle District of Florida, 29 year-old **Michael Olaf Schuett** *“did knowingly conduct, control, manage, supervise, direct and own an unlicensed money transmitting business.”*

In fact, Schuett owns hundreds of business, nine of which are tied to payment processing. Those nine are MCM Capital Management Corp, MI Global Inc., South Naples Escrow Co., Southwest Florida Payroll Co., Woodhouse Systems, Mathew’s Trade Corp., and Internet Payment Services Group Inc. Schuett would receive wire



FUTURE PREDICTIONS – WHAT’S NEXT?



BANKS SEEK TO SHIELD THEMSELVES

Bank of America

Third Party Payment Processor (3PPP)
Client Profile - US

Section D. Business Overview (continued)

2A. How many active customers do you currently have and indicate what percentage of your customer base is businesses vs. consumers?

2B. What is the typical payment dollar transaction size?

3. How many active customers do you expect to have in 12 months?





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