

Arrest, bill won't deter online gambling

San Francisco – The recent arrest of a high-profile online gambling executive and a federal bill outlawing virtual wagers are generating headlines but will do little to curb the multibillion-dollar industry, gaming experts say.

Former BetOnSports CEO David Carruthers is scheduled to appear in a St. Louis federal court Monday. He and his company are charged with mail and wire fraud and money laundering.

His arrest in Dallas last month initially drove down shares of offshore operations such as PartyGaming and Sportingbet. It follows an indictment of another gambling executive and an anti-online gambling bill in Congress. Gaming experts say it does not signal a crackdown, as more sites emerge for poker players and sports fans, and online gambling stocks creep back up.

„One down, another 2,299 (gaming) sites to go,“ says Joseph Kelly, an online gaming expert who is a professor at SUNY College Buffalo.

BetOnSports, which was delisted from the London Stock Exchange, has fired Carruthers and vowed to press on outside the USA.

The Wire Act of 1961 makes it illegal to bet online. But the law is nearly impossible to enforce, and nearly 80 countries allow wagers online. The USD 12 billion industry is expected to soar to USD 24.5 billion by 2010, says researcher Christiansen Capital Advisors.

Because BetOnSports is a regulated UK firm, the U.S. government can do little, says Ken Dreifach, an Internet lawyer who once worked for New York state Attorney General

Eliot Spitzer.

The Justice Department is „as vigilant as ever,“ spokeswoman Jackie Lesch says.

Yet arrests are rare. The only person convicted on federal charges of running an illegal offshore Internet gambling operation was Jay Cohen of World Sports Exchange. He served more than a year in a federal prison. The company is still in business.

William Scott, operator of Worldwide Telesports, was indicted on money-laundering charges in May but has not been caught.

Carruthers became a target for several reasons. BetOnSports advertised on billboards in the USA – a violation of federal law. He often traveled in the USA. And his former employer took bets on an 800-number from Americans, say Dreifach and Kelly. The outspoken Carruthers is out on bail – USD 1 million in cash – and living in St. Louis, says his lawyer, Scott Rosenblum.

When government officials pursue cases, it is invariably against sports sites. Sports bets are specifically barred by the 1961 law. The only American convicted of gambling online, Jeffrey Trauman, of North Dakota, paid a USD 500 fine.

Still, some gambling experts, such as Michael Tew, a principal at consultant CapitalHQ, say Carruthers' arrest underscores a systematic U.S. crackdown. The House recently passed a bill that would restrict the ability of U.S. financial institutions to process wagers.