

# **Full Tilt Phonies: American Gaming Association calls for legalized and regulated online poker in the U.S.**

The other shoe dropped on Full Tilt Poker last week, ending any hope that former customers could recoup their deposits and launching another effort by U.S. online poker interests to establish a legal internet poker industry with a strict regulatory system.

The U.S. Department of Justice last week amended the original Full Tilt indictment, issued on April 15—"Black Friday"—that effectively ended Full Tilt in the U.S. The U.S. Attorney in the Southern District of New York filed a motion that accused professional poker players Howard Lederer, Christopher "Jesus" Ferguson and Rafael Furst, along with other senior level executives with Full Tilt, of operating a Ponzi scheme to defraud thousands of players of more than USD400 million. The DOJ amended indictment showed that Full Tilt had only USD60 million in the bank prior to the April indictments and owed its players USD390 million in deposits.

The motion claimed that the company misled poker players that their money was safe when in fact it was quickly dwindling as Full Tilt paid it to the owners of the company, as well as its professional shills.

According to Preet Bharara, U.S. Attorney for the Southern District, the company was never legitimate. She said that through hundreds of millions of dollars of payouts, "insiders lined their own pockets with funds picked from the pockets of their most loyal customers while blithely lying to both players and the public alike about the safety and security of

the money deposited with the company.”

The amended indictment also means new charges for Raymond Bitar, the company’s CEO, who was indicted by the government for alleged bank fraud and money laundering back in April. It seeks to recover USD42 million from Lederer and USD29 million from Ferguson, who was still owed more than USD80 million when the April indictments were handed down. While Bitar’s charges are criminal and he remains at large outside of the U.S., the new indictments are civil, meaning that Lederer and Ferguson will not be arrested.

Another Full Tilt poker pro, Phil Ivey, was not named in the indictment. Ivey had sued Full Tilt after the April indictments to get the company to refund money to the players. He withdrew the suit in July when it appeared that Full Tilt was close to lining up new investors who would refund the players money. But since the deal fell through, Ivey has remained silent.

Like the Black Friday indictments, this news saw U.S. casino companies again pleading for legalization of online poker if only to protect the players.

“There are no longer any good reasons to put U.S. citizens at risk by continuing to outlaw online poker in the U.S.,” American Gaming Association President Frank Fahrenkopf Jr. said. “The AGA thinks online poker operators must adhere to the same stringent regulations that have proven effective in governing brick-and-mortar casinos.”

Prior to last week’s indictments, the AGA released a six-point “Code of Conduct” that its members would adhere to should online poker be legalized.

“If online poker is legalized in the U.S., implementation of the principles of the Code of Conduct will ensure that American consumers are playing online poker in a fair and secure environment provided by a responsible operator,” said

Fahrenkopf.

The Poker Players Alliance, on the other hand, expressed disappointment in Full Tilt, which previously had been one of the organization's backers.

„This is a sad and disappointing day for American poker players. If true, these allegations detail a massive betrayal of player trust which will cause financial hardship for thousands, if not millions, of individual poker players, none of whom are accused of doing anything wrong,” said John Pappas, executive director of the PPA. “We call on the Department of Justice to certify that the proceeds of any settlement or seizure that may result from this action will first be dedicated to reimbursing players. We further call on Full Tilt Poker, its management, directors and owners to take all available steps to ensure the prompt payment of players as their first priority.”

The newly formed Epic Poker League immediately suspended Lederer and Ferguson. The EPL commissioner is pro player Annie Duke, Lederer's sister, but she had no role in the suspension. It was handed down by the EPL's Standards and Conduct Committee, which is headed by Stephen Martin, a former federal prosecutor. In an interview with Bluff Magazine, Martin said the league was being proactive in dealing with the two players who were admitted to the roster via their tournament activity.

“We're not acting as judge and jury,” Martin said. “We're not barring them permanently from the league. All we did is take action to suspend them pending the outcome of the case. For us it's very difficult to understand the facts of what has occurred. We're not in a position to view that, but with the types of allegations, especially since they involve directly the poker community, we believe this is going to be the best course of action.”

European regulators were quick to react to the new charges. In

Alderney, where Full Tilt has its principal license that had permitted them to operate across Europe, it was alleged that, despite the “Ponzi” charges, Full Tilt did not violate regulations. According to Casino City, sources said there is no restriction against comingling funds, which has been Full Tilt’s problem from the start.

At the European iGaming Summit this week, reaction was swift, as one regulator said agencies need to constantly check the finances of online gaming sites.

“To protect customers, it’s stipulated operators can’t spend on the players’ funds,” said Francesco Rodano, head of remote gaming for AAMS, the Italian regulatory agency for online gaming. “We regularly check the bank accounts with technology to make sure the two balances match. We also have bank guarantees in place.”

Another regulator agreed it is a problem.

This is something that needs to be looked at,” said Jersey Gambling Commission Chairman Graham White. „All regulators recognize this. There might be a technological solution. There is a quite simple program that can track the deposits.“

Meanwhile, the Alderney Gambling Control Commission license hearing for Full Tilt Poker scheduled for September 19 was held in private. As of Friday, September 23, no word of the proceeding had been released to the public.

Commenting before the hearing, André Wilsenach, executive director of the AGCC, said, “I am pleased that the FTP hearing will continue as scheduled, as was argued on my behalf. However, I am disappointed with the tribunal’s decision that, notwithstanding my arguments to the contrary, the hearing will be held in private.

“I believe the public has a right to know the reasoning behind the decisions to suspend FTP’s licenses and call a hearing,

and to hear the evidence that will be put forward on my behalf. It is my understanding that the tribunal conducted a difficult balancing exercise of the interests of the various parties, taking into account the legal arguments for and against further postponing the hearing, and for and against allowing the public to attend the proceedings.”