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Illegal gambling businesses & organized crime: an analysis of federal convictions

Jay S. Albanese¹

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Abstract Illegal gambling operations have been alleged to support organized crime and victimize participants, rather than benefit them. This is said to occur through cheating in the games provided, defrauding the government of tax revenue, and funding other illicit and criminal activities. What has been missing is a systematic analysis of actual cases involving illegal gambling businesses to determine precisely who is involved, how these businesses operate, the nature of the threat posed, and the law enforcement response to it. The analysis reported here examines all federal convictions involving operation of illegal gambling businesses during a single year. There were more than 80 persons charged and convicted of participation in illegal gambling businesses, centered around 40 distinct enterprises. The results indicate that illegal gambling businesses in the United States are long-term operations consisting of four general types, and that enforcement of existing laws, particularly related to illegal online sports betting, are not working effectively.

Keywords Illegal gambling · Organized crime · Illegal gambling businesses · On-line betting · Offshore betting · Animal fighting · Racketeering · Money laundering · Extortion · Loansharking · Forfeiture · Prosecution

The scope of illegal gambling is unknown. The last national estimate was made in 1999, and given changes in technology and in the availability of illegal gambling opportunities, the extent has likely increased, but no one has yet measured its extent nationally (National Gambling Impact Study Commission 1999). A case can be made that individuals placing bets are not a major problem, because there may not be a compelling public interest in how adults spend their leisure time, as long as they are not hurting themselves or others.

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A major problem arises, however, when looking carefully at those who are indeed harming others. There have been numerous documented cases in which providers of illegal gambling (e.g., illegal sports betting, black market machines, Internet sweepstakes cafes, and illegal online betting) have been found to cheat customers on payouts, cheat the U.S. government by not paying taxes on profits, and using illicit profits to support other forms of organized crime activity (Larson 2015; U.S. Department of Justice 2015a; Womack 2015). In this way, illegal gambling operations support organized crime and victimize others, rather than benefit patrons. So it is the operation of illegal gambling businesses, and their association with organized crime, that can threaten their customers through cheating, defrauds the government of tax revenue, and funds other criminal activities.

What has been missing thus far is a systematic analysis of actual cases involving illegal gambling businesses to determine more precisely who is involved, how these businesses operate, the nature of the threat posed, and the law enforcement response. To fill this void, the analysis reported here examines in detail all federal convictions involving operation of an illegal gambling business during a single year (2014). In this way, the nature and extent of the connection between illegal gambling businesses and organized crime can be documented through facts, rather than perceptions or anecdotes.

The status of illegal gambling businesses

Gambling in the United States is regulated by the individual states with the result that nearly every state has legal lotteries and about half permit commercial casinos (Rose 2014). Nevertheless, most people do not live near a casino, wish to gamble in more private locations or, most significant, they wish to wager on sporting events which is permitted in only four states (Delaware, Nevada, Oregon and Montana), and there are limits on the types of sports betting permitted. The general prohibition of sports wagering in the U.S. under the Professional and Amateur Sports Protection Act (1992), the Indian Gaming Regulatory Act (1988), and the Unlawful Internet Gambling Enforcement Act (UIGEA) of 2006 has resulted in giving Nevada, and a very small number of other locations, a monopoly on the legal sports betting business (Kelly 2011; Morse 2007). The outcome has enabled organized crime elements using illegal gambling businesses to prosper in catering to the demand for sports gambling not permitted by law.

Players expect convenience, and the Internet has provided the forum to engage in betting that is easy, accessible, provides access to the desired games and sports, and makes payment and collection simple. Gambling businesses are crucial to the individual bettor because local bookmakers let players bet with credit, so cash is not needed for every transaction. Working with a local gambling business also means bettors don't have to provide credit card information or send money offshore. Most bettors "like dealing with real people and real cash." So bookies direct bettors to a web site they are affiliated with, and all bets are recorded and tracked. Therefore, the combination of the local bookie's gambling business, combined with Internet ease of access, the bookie can "log on and see who owes – or is owed – money in the coming week" (Borden 2012). There is a mutual attraction and convenience involved in illegal betting that involves gambling businesses.

Continuing controversy exists regarding the legal line drawn between legal and illegal gambling, card games, fantasy sports, and these are being sorted out in a combination of court decisions and state legislation (Dunphy 2014; Gambits 2014; Glanz et al. 2015; Trumbull 2011; United States of America v. Jimmy Hsieh et al. 2013). In the meantime, there is high demand for gambling, especially sports betting, despite its illegal status most everywhere in the United States.

International experiences

Illegal gambling businesses have been documented in locations outside the U.S. In China, for instance, following its economic reforms in 1978, illegal gambling has become a major source of income for organized crime groups. The nature and types of these operations are similar in structure to those found in the U.S. with a mixture of local and regional gambling rings with online gambling networks (Wang and Antonopoulos 2016). In Indonesia, cockfighting and board games are added to the most popular forms of illegal gambling (Curnow 2012).

In India, the government has avoided the issue of internet gambling, so no specific legislation exists. Online gambling businesses, both domestic and offshore, operate without regulation or oversight, leaving unanswered the issues of taxation and enforcement (Srikanth and Mattamana 2011). In Vietnamese cafés in southern California, video games are used that can be switched to gambling machines via remote control, enabling a flourishing and widely accepted, although illegal, business (Nguyen 2004). As will be shown below, the international experience with gambling mirrors the U.S. experience in that many of the games are the same, and either there are efforts to regulate, no regulation at all or, in the case of many countries, the illegal status is ignored by gambling operators and customers.

U.S. prosecutions resulting in convictions

Federal prosecutions resulting in convictions were used in this analysis to assess the extent of illegal gambling operations for several reasons. First, the federal law against gambling is clear, inclusive, and widely used. Under federal law, it is necessary that a person “conduct, finance, manage, supervise, direct, or own all or part of an illegal gambling business.” The Illegal Gambling Business Act was enacted as part of the Organized Crime Control Act of 1970. The Act was aimed to supplement other laws, such as the Federal Wire Act, to target the sources of income to organized crime (Rodefer 2002). The Illegal Gambling Business Act is designed to assist states in enforcing their laws regarding interstate gambling activities and is dependent on a predicate state offense.¹ An illegal business is one that violates state law, and the illegal gambling business must involve five or more persons. The illegal gambling business must remain “in substantially continuous operation” for more than 30 days or gross more than \$2,000 in a single day. These are the three elements that must be proven to convict someone of involvement in an illegal gambling business under federal law (Albanese 2015:41–7).

¹ 18 U.S.C. §1955.

This federal law helps to distinguish gambling as a form of organized crime from gambling that is recreational in nature. This purpose is made clear in the legislative history of the law where Congress intended it to address “illegal gambling activities of major proportions” in order “to reach only those persons who prey systematically upon our citizens and whose syndicated operations are so continuous and so substantial as to be of national concern” (House of Representatives 1970).

Second, federal law permits both criminal and civil forfeiture of gambling proceeds, which provides state and local law enforcement officials with incentive to pursue cases under federal law, when some kinds of forfeitures are not available under state law (King 2012; McCaw 2011).

Third, all federal law enforcement agencies must use the U.S. Attorney, located in each of the 94 federal judicial districts, to obtain indictments, convictions, and sentences in criminal prosecutions. Therefore, whether the case originates with state and local police, the FBI, Secret Service, IRS, Homeland Security, or other federal agency, a federal prosecution must go through the U.S. Attorney’s office, which enables the capture of the entire federal prosecution effort. A single year was chosen to get an idea of what the universe of cases looked like over an extended period. Analysis of a group of cases over a longer period, several years, would provide even broader perspective on the nature, operation, and impact of illegal gambling enterprises.

The cases for this analysis were generated in three ways. Because there is no central data source, a review of the website of each of the 94 U.S. Attorney’s Offices were searched to obtain announcements of arrests, and indictments and convictions which were then sorted to determine the presence of illegal gambling businesses. To locate additional cases, a Google news search was conducted over the period in question to determine whether cases reported in the media were reflected in the U.S. Attorney’s survey. Third, a search using PACER (Public Access to Court Electronic Records) was conducted, which permitted access to case information (indictments, pleas, sentencing memoranda) from federal district and appellate courts. Searches using these three methods made possible a thorough search for all cases involving illegal gambling businesses. Identified cases were summarized and coded to insure that cases of illegal gambling businesses involving multiple defendants were not double-counted.

Summarizing the prosecution effort

In total, there were more than 80 persons charged and convicted of participation in illegal gambling businesses during 2014. These cases include federal prosecutions and convictions in 23 states.² The breadth and scope of the operation of illegal gambling businesses might be surprising given the corresponding scope of legal gambling opportunities in the U.S., which includes 40 states that have some form of legalized electronic gaming device—including traditional slot machines, video poker and bingo—at Indian casinos, commercial casinos, racetrack casinos, or other licensed

² This project examines prosecutions under federal law, most of which were jointly investigated by local, state, and federal law enforcement agencies. U.S. Attorney’s Offices are located in each of the 94 federal judicial districts across the United States. Their offices are responsible for prosecuting criminal cases in federal court that occur within their jurisdictions.

establishments. In addition, 44 states have lotteries of various kinds, and more than 500 legal casinos have been opened in the U.S. since the 1990s (American Gaming Association 2016). Three states have legalized limited forms of on-line gambling. Therefore, there clearly remains a large number of customers interested in gambling that is not available in regulated venues, and these customers are served by illegal gambling operations.

The more than 80 individual convictions for operating illegal gambling businesses were centered around 40 distinct enterprises.³ These illegal gambling businesses can be grouped into four general types, which are summarized in Table 1.

Illegal on-line and offshore betting

It can be seen from Table 1 that online and offshore betting was the most common type of illegal gambling business, representing 38% of all (15 of 40) illegal gambling enterprises that resulted in federal convictions during 2014. These were primarily sports-betting enterprises that were operated using websites. Most of these websites were based in Costa Rica, operating outside U.S. jurisdiction in an effort to evade the reach of U.S. gambling laws. The average number of persons identified as being involved in the operating each illegal enterprise was 13, indicating that these were not small enterprises. In addition, these operations were found to work from U.S. locations in 10 different states.

Illegal gambling parlors and in-person games

A second type of illegal gambling business involved illegal gambling parlors and games played in-person at establishments that included primarily illegal casinos, private clubs, and illegal slot machines in bars or stores of various kinds. These businesses were noteworthy for relying on patrons coming physically to their location to play cards or slots. They represented 25% of illegal gambling businesses resulting in federal convictions. On average, eight persons were identified as being involved in the operating these illegal enterprises. Some of these locations also had connections to illegal on-line Internet gaming sites located outside the U.S. These illegal gambling businesses were located in 10 different states, many of which have multiple forms of legal gambling available, indicating that there are many games and locations operating outside the scope of existing legal gaming alternatives.

Illegal gambling as part of a larger organized crime enterprise

A third category of illegal gambling business involves those that were part of larger, ongoing criminal enterprises. These enterprises involved both traditional and non-traditional organized crime groups that have been found to engage in a wide array of criminal activities that include operation of illegal gambling businesses. These ongoing criminal enterprises included the Armenian Power Gang, Outlaws Motorcycle Club, several families of the New York Cosa Nostra, a New York Chinatown gang, Russian-

³ As will be seen, some of these illegal gambling enterprises are quite large, but resulting convictions (mostly guilty pleas) occur over a period of several years, so it is rare that all participants apprehended in an operation are adjudicated in the same year.

Table 1 Types of Illegal Gambling Operations

Type of Operation	Business front	Number of ILGBs disrupted	Average # people involved per ILGB operation	Number of states where discovered
On-line & offshore betting	Sportsbook, website-driven (Costa Rica)	15	13	10 - CA, CT, HI, LA, NJ, NV, NY, OH, OK, PA
Parlors & in-person games	Illegal casinos, card clubs, slots	10	8	10 - CT, GU, ID, MA, MS, OH, PA, SC, TX, VA
Part of larger OC enterprises	Motorcycle gang, LCN, Russian, Armenian OC	10	33	8 - CA, CT, IN, MA, NY, NJ, PA, TX
Animal fighting & betting	Dog and cockfighting	5	8	5 - AL, GA, OR, TN, WV, VA

American organized crime group, the Philadelphia Cosa Nostra group, and a Texas methamphetamine trafficking enterprise also engaged in operating illegal gambling businesses.

Illegal gambling operations by these groups is especially serious, because the profits from illegal gambling are being used to fund other criminal activities, including racketeering, money laundering, extortion and fraud. These were also found to be the largest enterprises engaged in illegal gambling businesses with an average of 33 identified participants in each case. There were 10 identified illegal gambling businesses of this type, but given the large number of participants in each case, there were more than 300 total offenders identified in these operations, making it the largest number of individuals involved in illegal gambling operations of any type. These operations were disrupted, resulting in convictions in eight different states.

Animal fighting and betting operations

The fourth type of illegal gambling business discovered was animal fighting and betting operations. These involved either dog-fighting or cock-fighting and attracted significant local followings. Five illegal gambling enterprises that involved animal fighting were discovered in five different states, attracting customers from surrounding states as well. An average of eight persons were identified in running each of these illegal businesses, demonstrating they were not small operations. (Note that the appendix provides examples of each of the four types of illegal gambling business.)

Features of illegal gambling businesses

This classification of four different types of illegal gambling businesses illustrates how illegal gambling businesses are organized and operate. Further details about these enterprises can lead to an improved understanding and response in terms of prosecution and prevention.

Table 2 illustrates similarities and differences in the offenders and underlying offenses involved in the operation of illegal gambling businesses. The offenses charged, beyond operating an illegal gambling business (ILGB), most often involves money laundering, RICO (a pattern of racketeering activity indicating an ongoing criminal enterprise), conspiracy, and extortion. In cases involving larger ongoing criminal groups, even more serious offenses occur, such as homicide and drug trafficking. In the case of animal fighting, animal cruelty offenses are also charged.

It should be noted that three related offenses are connected to many illegal gambling enterprises. First, the operation of an illegal gambling enterprise generates illegal income and profits. These funds must be laundered through purchases, businesses, or banks to enter the legal economy to evade detection of their illegal source, and this is where money laundering charges are often connected to illegal gambling businesses. Second, extortion is associated with illegal gambling businesses, because the collection of gambling debts sometimes results in threats or force to collect them. These debts are not collectible through lawful means (because these debts result from illegal gambling conduct and do not have legal standing in court). Third, racketeering⁴ (RICO) is often charged in these cases because illegal gambling businesses are usually ongoing criminal enterprises, and RICO subjects them to extended penalties if two or more felonies are committed within a 10-year period as part of an enterprise. The federal racketeering law also provides for civil penalties and dissolution of the enterprise itself. So it can be seen that money laundering, extortion, and racketeering are the most common offenses to accompany the operation of illegal gambling businesses.

It is seen in Table 2 that, where known, the average length of time those convicted of operating illegal gambling business were involved in the business was between 4 and 11 years. This illustrates the ongoing nature of illegal gambling businesses. These are not short-term operations.

The age of offenders convicted for involvement in illegal gambling businesses ranged from age 32 to 79 with an average age ranging between 48 and 55 years old. Therefore, most of those convicted of involvement are middle-aged offenders. These are not the younger offenders, aged 18 to 25, which characterize most street criminals who commit robberies and burglaries.

The law enforcement response

Understanding the nature of the law enforcement response is important as a way to gauge success and ways to improve upon it in the future. This section will examine who is conducting the investigations resulting in federal convictions, what investigative methods are being used, the average prison sentence imposed, and assets seized through forfeitures.

Table 3 summarizes the law enforcement response to illegal gambling businesses. Joint investigations involving state, local, and federal agencies resulted in virtually all the federal convictions. This is because the primary investigative methods used (wire-taps, undercover agents, and informants) involved police at different levels of government. Informants and undercover work often occurs at the state and local level, whereas

⁴ RICO stands for Racketeer Influenced and Corrupt Organizations, which is part of the Organized Crime Control Act of 1970 that created racketeering as a separate offense to provide extended penalties for ongoing criminal enterprises.

Table 2 Illegal Gambling Businesses: Offenses and Offenders

Type of Operation	Offenses Charged beyond ILGB	Average Age of Offenders (range = 32–79)	Average length of time in business
On-line & offshore betting	Money laundering, RICO, extortion	55 years old	7 years
Parlors & in-person games	Money laundering, conspiracy, RICO, extortion	49 years old	4 years
Part of larger OC enterprises	RICO, extortion, money laundering, homicide, drugs	53 years old	11 years
Animal fighting & betting	Conspiracy, animal cruelty offenses	48 years old	4 years

wiretaps, electronic surveillance and additional informants are often obtained at the federal level. Therefore, joint investigations have shown success in prosecuting cases involving illegal gambling businesses.

In terms of case outcomes, Table 3 shows that prison sentences for those convicted of operation illegal gambling businesses average 2 years. In animal fighting cases the sentences are somewhat higher, due to the cruelty to animals and other offenses (e.g., drugs) often found to occur alongside the dog or cock-fighting. Illegal gambling business cases that occurred as part of larger organized crime enterprises were much longer on average (5 years), because these cases more often involved repeat and career criminals. These cases were also more likely to involve extortionate threats and violence. The longest sentences imposed were two life sentences, imposed in a Cosa Nostra case and a Chinatown gang case because homicides were involved in ongoing criminal activity.

Table 3 The Law Enforcement Response

Type of Operation	Investigation Methods	Primary Investigation Techniques	Average prison sentence	Forfeiture (average)
On-line & offshore betting	Joint: federal, state, local	Wiretaps, undercover police	2 years	\$500,000 (up to \$20 M)
Parlors & in-person games	Joint: federal, state, local	Undercover police, wiretaps, informants	2 years	\$300,000 (up to \$1.3 M)
Part of larger OC enterprises	Joint or task force: federal, state, local	Wiretaps, informants	5 years	\$3 million (up to \$68 M)
Animal fighting & betting (dogs & cocks)	Joint: state, federal (+2 w/local law enforcement)	Undercover police, informants	3 years	\$500,000 (up to \$900 K)

Most significant in these cases against illegal gambling businesses was the substantial forfeitures obtained. As Table 3 illustrates, the majority of convictions resulted in forfeitures averaging \$500,000. Cases in which the illegal gambling business was part of a larger organized crime enterprise averaged \$3 million forfeited per case. Seizures in a number of individual cases were substantially higher than this. These large criminal forfeitures demonstrate the huge volume of cash generated by illegal gambling enterprises, none of which is taxed, and much of it was used to fund other organized crime activity, such as money laundering, loansharking, and other crimes. Of course, there is also likely rampant cheating of customers, through rigged games and unfair payouts, but illegal gamblers cannot complain, because they are participating in gambling enterprises operating outside the law where there is no regulation or oversight, and complaints are not welcome.

Recommendations for the future

Size and operation The size and operation of these enterprises show that many are large, involving an average of 8 to 33 participants in the operation. In addition, they have been in operation for long periods of time (averaging 4 to 11 years). This points to the large demand for gambling outside the law, and the corresponding development of criminal enterprises to cater to this demand. Their large size and long-term existence suggest that additional illegal gambling organizations exist to cater to the customer demand, and that greater law enforcement focus on illegal gambling businesses would likely uncover more of them. An analysis of cases covering a longer period of time would bring more data to address this possibility.

On-line and offshore betting On-line and offshore betting is the largest category of illegal gambling business found in this analysis. Many of these involved websites in Costa Rica with management of the bettors and collections carried out by groups in the U.S. This suggests that enforcement of existing laws, particularly related to illegal online sports betting, may not be working effectively, and that regulation of gambling-related activity across the world has direct U.S. impacts. Alternatives must be found to insure that the methods by which gambling occurs are both legal and effectively regulated (Kelly 2015; Laffey et al. 2016; Pontell et al. 2007). The current situation permits illegal operators to skirt U.S. law without a great deal of effort—which is another reason to believe there are many more illegal gambling businesses not yet detected. Identification of undiscovered illegal operations would require original analysis of local illegal gambling markets which would be a significant undertaking involving neighborhood and police interviews, and perhaps an ethnographic approach.

Joint Law enforcement operations Virtually all the convictions analyzed here were the result of joint investigations by state, local, and federal law enforcement agencies. It would appear that dissemination of successful investigative methods, through training other police agencies and task forces, may uncover more cases of illegal gambling businesses. These task forces might ultimately pay for themselves, given the large average forfeitures obtained in the cases found here. This is an empirical question which could be answered in the future via analyses of the cost-benefit of task force investigations against illegal gambling businesses. There is some existing research in evaluating joint law enforcement operations involving drugs, gangs, and terrorism

cases, but not illegal gambling businesses (see National Criminal Justice Association 2015; Plachta 2005; Rhodes et al. 2009; Spapens 2011).

Forfeiture as punishment and prevention As shown here, the sentences for operating illegal gambling businesses are not long, averaging 2 years in prison. However, sentences increase dramatically when extortionate threats or other violence occurs. Perhaps more important is that significant forfeitures in these cases make it difficult for the illegal gambling enterprise to remain in business, or for offenders to get back into business after serving a prison sentence. In addition to large amounts of cash, forfeitures in the cases analyzed here involved seizures of houses, condominiums, stores, sports cars, and a strip mall. Criminal forfeitures might be an effective way to keep illegal gambling businesses from resuming operations once convictions occur. Long-term follow-up of the deterrent effect of forfeitures on offenders is needed (Smith 2004). The impact of forfeiture actions on policing has been assessed to a limited extent, and the evidence thus far is mixed (see Cabana 2014; Kelly and Kole 2016). Studies have not yet been done involving forfeitures from illegal gambling businesses.

Conclusion

This analysis of all federal court convictions for operating illegal gambling businesses during an entire year shows that these businesses operated for many years, a large volume of untaxed illicit profits was generated, and these profits were used to advance other criminal objectives. A limitation of this study is that it is descriptive in nature, so generalizations cannot be made without greater assurance of the extent to which these cases reflect *all* illegal gambling businesses (and not only those prosecuted). In addition, an analysis of cases over a longer period time (multiple years) would allow for assessment of trends in both the nature of cases involving illegal gambling businesses and the enforcement actions against them.

Of course, a primary purpose of social science is to establish causal relationships (Donovan and Hoover 2014; Loseke 2013). In the case of illegal gambling businesses, more certain knowledge is needed regarding the motivations of the offenders involved, how different illegal gambling businesses are organized, and the extent to which changes in law and law enforcement responses impact their incidence over time. These questions require additional data involving interviews with principals, the impact of prosecutions on offenders, their illegal gambling businesses, and on local illegal gambling markets over time. A great deal of additional data, beyond that which is currently known, will be required to begin answering these larger questions.

On the other hand, this study provides three important contributions. First, the descriptive data reported in this study are organized into a typology of illegal gambling businesses not previously reported. Second, the nature of the law enforcement and prosecution response is described, revealing similarities and differences in handling 40 different illegal gambling businesses in 23 states. Third, this study helps to generate new hypotheses to be examined with additional data in the future. For example, do the nature of types of illegal gambling businesses found here constitute a typology that

would hold up over time? Would the typology hold in assessing illegal gambling businesses in other countries (see Wang and Antonopoulos 2016; Curnow 2012)? Do the large forfeitures obtained in the cases reported here make it difficult for illegal operators to get back into business after conviction? To what extent can and should these forfeitures be used to fund future law enforcement efforts in this area? Are different kinds of regulatory approaches more effective in reducing illegal gambling businesses (Lycka 2014; Miers 2016)?

The analysis presented here offers detailed, descriptive insights that future studies might use as a basis to examine whether these findings are generalizable elsewhere and over time. This will be important to determine, because as long as the demand for prohibited forms of gambling remains, especially sports betting, it is likely that new illegal operators will emerge to cater to this demand. It also remains to be seen whether a regulatory solution will be created to legalize and tax sports betting as a way to more effectively decrease the presence of illegal gambling businesses.

Compliance with ethical standards This study received funding from the American Gaming Association. The views expressed are not necessarily those of the AGA. This article does not contain any studies with human participants or animals performed by the author. **Conflict of interest** The author received research funds from the American Gaming Association to carry out this research. The author declares that he has no conflict of interest. The views expressed do not necessarily reflect the views of the AGA.

Appendix

Summaries of typical cases involving 4 kinds of illegal gambling business

On-line and offshore betting

New York sports betting through multiple offshore websites An illegal gambling operation in Rochester, New York was operated by three people, ages 32 to 66, who took sports bets via multiple offshore internet gambling websites. The gambling proceeds were transferred to an associate in Connecticut to conceal the source of the funds. The money was then deposited into a credit line, which resulted in cash withdrawals by the defendants. One of the operators told a bettor that someone would physically harm him, if payment was not made on an extension of credit of \$230,000. This led to a charge of extortion. The offenders received sentences ranging from 3.5 to 9 years in prison in this case, plus forfeiture of \$1.2 million, \$20,000 on deposit in bank accounts, a lakefront house, and \$60,000 seized in cash (Attorney's Office 2014a, 2014a). This case illustrates the clear connection among the operation of an illegal gambling business, the need for money laundering (to conceal the source of funds), and extortion (to collect debts).

Connecticut offshore betting at 44wager.com with tribute paid to Gambino family Twenty individuals were charged in a large Internet sport gambling business, as well as some in-person, illegal card gambling clubs in Connecticut. Customers placed bets using Internet sites, primarily www.44wager.com based in Costa Rica.

The operators collected losses and distributed winnings locally, and payments were sent via Western Union to the website. Tribute (extortion) payments were collected from individuals who ran their own independent sports gambling operations and a card club, where a “rake” was collected from every hand played—permitting them to operate in territory controlled by the Gambino crime family of the Cosa Nostra. Several defendants received prison sentences of between 1 and 5 years each. In addition, defendants were required to pay a forfeiture amount, ranging from \$40,000 to \$300,000 each (Gurliacci 2014; U.S. Attorney’s Office 2012; U.S. Department of Justice 2014). This illustrates overlap between in-person games and on-line betting, and the involvement of established organized crime groups in seeking a piece of the action.

Parlors and in-person games

Violent gambling and loansharking ring in Philadelphia Eight individuals of Albanian extraction ran an illegal gambling and loansharking ring, using three Philadelphia bars and a pizza restaurant as fronts. The lead defendants, ages 35 to 49, were found guilty of racketeering, loansharking and extortion. The leaders of the enterprise directed other members of the conspiracy, who served as bookies and debt collectors. The loansharking activity was funded by profits from the illegal gambling business. The group attempted to conceal their activities using coded language on the phone, conducting pat-down searches of customers, and using cash in virtually all their transactions. The group cultivated a reputation for violence by telling customers that if they did not pay their debts, someone would kill them, break their legs, or physically harm them or their family members. In one instance, a defendant placed a gun to a customer’s head and threatened him with a hatchet. The group extended approximately 125 usurious loans for a total of \$1.78 million with associated interest rates of between 104 and 395%. They also used an online sports betting website which contributed \$2.9 million in profits to the illicit business. The principal defendants received prison sentences of 12 and 14 years, respectively (Lattanzio 2013; US Department of Justice 2015a, b). This illegal enterprise again shows the overlap between in-person and on-line gambling businesses, and illustrates how the illegal gambling operation provided the financial support for the loansharking and extortion activities.

Gambling business in South Carolina with 300 video-poker machines A gambling parlor in South Carolina had 316 stand-alone video-poker machines, constructed so that the customer inserted cash into it, chose the amount to bet, and then watch the slot machine reels. If the customer won, the machine printed a slip of paper which the customer would take to the cashier for payment. The scheme was aided by a company that provided software to keep track of transactions and payments, receiving a percentage of the gambling profits. The company would set up an entire internet cafe for a site owner for between \$50,000 and \$80,000, depending on the number of machines involved. Three pled guilty, including the company, and the defendants agreed to forfeit \$20 million, illustrating the huge monetary volume in profits obtained from this illegal enterprise (Field 2014; U.S. Attorney’s Office 2014b).

Gambling as part of larger organized crime enterprises

Armenian power gang in California More than 85 individuals were convicted for a variety of crimes committed by members of the Armenian Power Gang, which was a street gang formed in East Hollywood during the 1980s, consisting primarily of people of Armenian descent. The crime charged included racketeering, bank fraud, identity theft, debit card skimming, counterfeiting, and money laundering. Some defendants were charged with extortion, drug trafficking, and operating an illegal gambling business. The gang set up high-rolling illegal gambling tournaments in secret locations in the San Fernando Valley. One member of the gang was sentenced to 13 years in prison and forced to pay \$3.5 million in restitution (Dobuzinskis 2011; U.S. Attorney's Office 2014c). This is an example of illegal gambling businesses being operated by an ongoing criminal enterprise involved in many other crimes and illicit profit-making schemes, all of which is funded in part by the illegal gambling operation.

Russian-American organized crime group in New York The Taiwanchik-Trincher Organization operated a high-stakes illegal sport gambling business that catered to wealthy oligarchs in Russia. It also operated high-stakes illegal poker rooms around New York City. Several U.S.-based defendants laundered \$100 million in gambling proceeds over 6 years through shell companies in Cyprus and into the U.S. Once back in the U.S., the money was invested in legitimate real estate and investments. One defendant was paid \$12 million as a "thief-in-law" to resolve disputes and make and enforce threats. The defendants were charged with racketeering, money laundering, extortion, as well as operating illegal gambling businesses. As of 2014, 28 defendants had pled guilty, forfeiting more than \$68 million (United States of America v. Tokhtakhounov et al. 2013; U.S. Attorney's Office 2014d; 2014e). Here again, it is seen how larger organized crime enterprises use significant illegal gambling profits as a way to commit other crimes and invest these illicit gains into the legal economy.

Animal fighting and betting

Cock fighting & betting: Big blue club in Tennessee and Virginia In a Virginia case, which was typical of others of this kind, a private club in Kentucky called "Big Blue" operated for years in which roosters were transported across state lines and spectators and handlers came from 8 surrounding states to participate. Each person was charged a \$20 fee for a membership card, and this club had 5,000 members. Entry fees for birds to fight were \$250 and there were between 40 and 100 total entries per derby. Entry fees for the "World Championship" in 2013 sold for \$2,500 each. The couple and their son who led the ring were sentenced to 10 to 18 months in prison, and the court ordered them to forfeit \$905,000, which was paid in part by seizing all their assets. Three other participants in the ring received lesser prison sentences and forfeitures (U.S. Attorney's Office 2014f; 2014g).

Dog fighting & betting: Alabama and Georgia Eight individuals, ages 33 to 56, from Alabama and Georgia were convicted of operating a dog-fighting ring for more than 4 years. They were convicted of promoting and sponsoring dog fights, which

involved buying, selling, and transporting dogs for this purpose, and operating an illegal gambling business so that customers could bet on the outcomes. Dogs were abused, starved, and otherwise mistreated for the purpose of the dog fights. In dog fighting, losing dogs are destroyed to keep the winning blood lines strong. It was estimated that the defendants had injured or killed between 420 and 640 dogs during the course of their operation. A total of 367 pit bulls were seized at the time of the arrest. Customers bet a total of \$5,000 and \$200,000 on a single fight, averaging \$100,000 per fight. Illegal drugs and weapons were also exchanged during these events. Eight defendants were sentenced to prison terms ranging from 2 months to 8 years in prison with four of the defendants receiving prisons sentences of 3 to 8 years, respectively. Law enforcement seized \$500,000 from those involved in the dog fighting operation (White 2014; U.S. Attorney's Office 2014h; 2015).

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