

Originally published April 20, 2011 at 8:33 PM | Page modified April 20, 2011 at 8:53 PM

## Online poker faces cloudy future

America's multibillion-dollar run at the online poker tables has been interrupted by what could be a killer hand: federal prosecutions of the three biggest websites.

By The Associated Press and the Chicago Tribune



LAS VEGAS — America's multibillion-dollar run at the online poker tables has been interrupted by what could be a killer hand: federal prosecutions of the three biggest websites.

The government has blocked U.S. gamblers from logging on to the offshore sites, which are accused of tricking and bribing banks into processing billions of dollars in illegal profits. Now gamblers who dreamed of enormous prizes in Las Vegas, or even used online poker to make a living, can't access online bankrolls that in some cases reach six figures.

Some predict the U.S. online-poker industry, estimated to be worth up to \$6 billion, may fold under the weight of the investigations as it threatens amateur and professional players, televised tournaments and the marketing machine that helped Texas Hold 'em emerge from smoky casinos to become a dominant form of gambling on the Internet.

"Along with everyone else in the poker world, I'm shocked," said Brandon Adams, a poker professional who has appeared in high-profile tournaments, including ones televised on NBC and ESPN and who maintains a teaching site at ExpertInsight.com. "The expectation was that there would be warning signs. These sites went from multibillion-dollar enterprises to on the ropes overnight."

Robert Fellner, 27, a Las Vegas poker pro whose roughly \$250,000 bankroll on PokerStars was frozen after the indictments, said, "It just cut the head off of everything. It's scary."

### Pay-to-play sites

Pay-to-play poker sites have been on shaky legal ground for years in the U.S., but the government hadn't prevented gamblers from playing on the three biggest sites — PokerStars, Full Tilt Poker and Absolute Poker — before last week's indictments of 11 executives and bank officials.

More than 75 company bank accounts in 14 countries have been frozen, and authorities are seeking \$3 billion in fines and restitution.

### Top comments

[Hide / Show comments](#)

“ ... and so the bell tolls. (April 20, 2011, by girl power) [Read more](#)

“ Lame (April 20, 2011, by Racer\_C) [Read more](#)

“ So its fine for large scale marijuana grow operations and stores that sell it tax free... (April 21, 2011, by Snookdog) [Read more](#)

[Read all 5 comments >](#)

[Post a comment >](#)

Poker players, meanwhile, now see an FBI notice where the websites once were. Some of them had treated their poker accounts like savings accounts, leaving significant portions of their net worth online and ready to wager anytime.

It appears they will get that money back, though it's not clear when.

Fellner, who won more than \$57,000 at a small World Series of Poker tournament in 2007, is more concerned about how he would make a living without online poker. He said cards have been his only source of income since he was 19, when he matched his annual salary working at a dry cleaner by playing online poker for three months.

Since then, he said, he's made more money each year and plays for stakes that require \$5,000 to \$15,000 to comfortably buy in and compete.

Fellner relies on online poker because the Omaha game he prefers isn't normally offered at his stakes in the vast majority of Sin City casinos. He said he could support himself with savings while he waits for things to play out but doesn't know what he'll do if he can't replace his income.

The legality of playing online poker for money is a murky issue. In fact, authorities are going after online poker operators, not individual players.

Maxwell Fritz, of San Francisco, said he has about \$65,000 at Full Tilt Poker. He plays daily, claiming to have earned about \$200,000 over the past six months in a type of head-to-head poker game that's not offered in live games.

"I just see it as a matter of individual rights," he said. "The government shouldn't tell me where I can or can't play a game of cards."

The 2006 Unlawful Internet Gambling Enforcement Act made it a federal crime to knowingly accept most forms of payment for Internet gambling. That shut off access to U.S. banks, and thus, the ability to accept wagers from U.S. gamblers.

After that law passed, leading online poker companies took operations out of the United States and continued to operate. They reassured players that it was OK to continue playing because account funding was an international transaction, outside the jurisdiction of U.S. law.

"Of course, that's laughable," said Brian Gallini, a University of Arkansas criminal-law professor, but it promoted the image that it was OK.

## **Ways to "trick" banks**

Behind the scenes, the online poker companies came up with ways to "trick" banks and financial institutions into processing gambling transactions, last week's indictment alleges.

One deception involved purposefully misclassifying credit-card transactions to something unrelated to gambling. That way, Visa and MasterCard allowed transactions to go through, despite policies that prohibited it, the indictment said. One method involved creating phony nongambling companies, such as a flower shop and pet-supply store, which the poker companies used to initiate the credit-card charges, the indictment alleged. When card companies discovered the ruse, poker companies would simply use other fake companies to process transactions.

Using fictitious companies to fund gambling accounts became a problem for some poker sites because credit-card statements would not show the real poker site name but something like BicycleBigShop.com or GolfShopCenter.com, which players would not recognize and dispute with their credit-card companies. The poker sites would then not be paid and gambling accounts not funded.

In other cases, poker sites found small, distressed banks that agreed to process transactions for

lucrative processing fees, the indictment said.

Players and companies also long argued that the 2006 law didn't properly define illegal gambling or outlaw online poker, which many consider a game that involves more skill than luck.

Unlike games such as blackjack, players gamble against each other, not the casino. Casinos and Internet sites that host poker collect a small percentage of each pot for running the game.

After the indictments, dubbed "Black Friday" in poker circles, worldwide online poker traffic dropped 22 percent from the week before, said Dan Stewart, the owner of PokerScout.com.

Alexander Ripps, a legal analyst for independent gambling market analysis firm Gambling Compliance, said it's not clear who might step in to take over the U.S. market. The firm estimates the market to be worth \$4 billion to \$6 billion, but the government's pursuit of the top companies suggests the entire industry is in danger.

Brian Balsbaugh, an agent for famous poker professionals including Daniel Negreanu, Tom Dwan and Phil Hellmuth, said the effects go far beyond players. Full Tilt and PokerStars have spent some \$200 million a year on marketing, he said, directly or indirectly funding almost all poker-related TV shows, news websites, magazines and live tournaments.

"These companies, Full Tilt and PokerStars, were wholly responsible for the poker economy and its growth over the last five years," Balsbaugh said.

Cable network ESPN, which counted Full Tilt and PokerStars among its sponsors for poker programming, said it has moved quickly to remove TV shows and Web content related to the companies, though it still plans to air the World Series of Poker, by far the most popular tournament for fans and players. An airing of part of the North American Poker Tour — a live tournament organized by PokerStars — was pulled Monday.

World Series of Poker officials declined to comment. Fellner said he's waiting to see how the industry will react, and trying to stay optimistic. As a last resort, he said, he'll consider moving out of the country to keep playing online.