

Editorial: Betting with Bitcoin

Infiniti Poker, which is set to launch in February, will offer online poker players, including those in the US, the opportunity to pay with Bitcoin and they certainly aren't the first, so what does this mean for US regulators?

Online gambling has been illegal in the US since 2006, but this hasn't stopped US players dabbling in the grey market. The US government has cracked down on offshore sites by stunting the flow of money via traditional payment channels. However, the risk posed by Bitcoin stems from the very nature of this decentralised peer-to-peer currency, which avoids going through banks. In addition to this, the fact that Bitcoins are identified by an address made up of strings of numbers and letters rather than pertaining to any real

identifiers makes verifying the location of the user difficult.

"For players looking to play on a US facing site, Bitcoins offer an opportunity to avoid detection and having their transaction denied. In addition, perhaps the most powerful tool used by prosecutors is seizure and forfeiture of gaming related proceeds. How does a prosecutor seize and forfeit Bitcoins?" asks Jeff Ifrah, Founding Member of Ifrah Law. On Black Friday, the US DOJ seized almost \$3 billion in assets from player and operators accounts, so the ability to store Bitcoins on your own computer may prove very appealing.

Undoubtedly this hard to detect digital currency that likely does not fall under any specific banking laws poses many issues for regulators. That said continues Ifrah,

"US prosecutors could initiate an action based on the location of the player regardless of whether that player engaged in a financial transaction in the US. Thus, a US player using a Bitcoin to play on an online site could get caught up in a federal or state prosecution based on their location in the US. But, is that likely to happen? Probably not."

So it's a grey area? "It is certainly true that online operators who accept Bitcoins as payment by US based customers will not have to fear a charge of Bank or Wire Fraud. But that does not mean that such operators would escape liability altogether. There are federal and state laws that prohibit unlicensed gaming, and operators could still face liability under those laws regardless of the form of payment used to engage in the gaming transaction."

It is our pleasure in welcoming Jeff Ifrah, Founding Member of Ifrah Law, to the *World Online Gambling Law Report* editorial board.

EDITORIAL BOARD

KEVIN DE HAAN QC

Francis Taylor Building, London
Kevin is a specialist in licensing. His practice includes all aspects, particularly betting, gaming and lotteries. He has considerable experience of proceedings before various regulatory bodies, appeals and associated judicial reviews.

JUSTIN FRANSSSEN

VMW Taxand, Amsterdam
Justin is a Partner at VMW Taxand where he heads the Gaming Practice Group. He founded the KPMG European Gaming and Entertainment Services Group and co-founded gaminglaw.eu.
justin.franssen@vmwtaxand.nl

JULIAN HARRIS

Harris Hagan
Julian is internationally known for his expertise on gaming law and was one of the first UK gaming law specialists to see the potential of internet gaming.
harris@harrishagan.com

KRYSTALLIA IATRIDOU

Karageorgiou and Associates
Krystallia's areas of practice include competition law and gaming law while in the past she has worked for the DG for Competition of the Hellenic Competition Commission. Krystallia has followed the implementation of the Greek gaming law.
iatridou.k@kalaw.gr

JEFF IFRAH

Ifrah Law
Jeff Ifrah is the founding partner of Washington, DC based Ifrah Law. He represents many of the largest igaming companies and industry associations, at the intersection of interactive gaming and government regulation. His clients include the online poker sites Full Tilt Poker and PokerStars and the Interactive Gaming Council. In 2012, Jeff was

honoured as one of Gaming Intelligence Magazine's Hot 50 Winners in the Category of Law and Regulation.
jeff@ifrahlaw.com

JAMIE NETTLETON

Addisons Lawyers, Australia
Jamie is a partner based in the Sydney office. He advises on all legal issues relating to the gambling industry, including strategic issues relating to locating operations and the regulation of gambling in a number of jurisdictions around the world.
jamie.nettleton@addisonslawyers.com.au

MICHAEL LIPTON QC

Dickinson Wright LLP, Canada
Michael has been involved in all aspects of gaming law, including representing and counselling casinos, pari-mutuel operators, racetracks and a large variety of gaming related suppliers throughout Canada.
mdliponqc@aol.com

QUIRINO MANCINI

Sinisi Ceschini Mancini, Italy
Main areas of practice: telecoms, new media, sports & entertainment (film and television distribution & co-production deals; legal counsel to various professional sports clubs & bodies: engagement, sponsorship, and endorsement deals; copyright).
qmancini@scm-partners.it

VALÉRIE PEANO

Studio di Consulenza Societaria e Tributaria
Valérie has expertise in the gambling, telecommunications & IT fields. Studio di Consulenza Societaria e Tributaria currently advises on all legal issues regarding the Italian gambling market. Valérie is a member of the International Gambling Observatory and the European Association for the Study of Gambling.
peano@studiodiconsulenza.eu

WARREN PHELOPS

K&L Gates LLP
Warren is a partner in the Intellectual Property, Technologies & Sports Department. He heads up the firm's Sports Law practice. He is recognised in *Legal Business 2002* as a leading expert in sports legal work and is a director of the Institute of Sport Sponsorship.
warren.phelops@klgates.com

CARL ROHSLER

Squire Sanders Hammonds, London
Carl is a Partner in the Commercial and IP Department and heads Squire Sanders Hammonds' e-gambling team. Recognised by the *Legal 500* for his strong following in the field, Carl acts for leading players.
carl.rohsler@squiresanders.com

HILARY STEWART-JONES

DLA Piper, London
Hilary has extensive experience in the betting and gaming sector, including international betting and gaming compliance, as well as new gaming products. Hilary was in-house counsel with Labrokes for five years.
hilary.stewart-jones@dlapiper.com

TONY WOLLENBERG

Salans, London
Tony is currently a betting and gaming law consultant with over five years' experience advising on betting/gaming law, including representation of many major UK and US operators.
awollenberg@salans.com

DAVID ZEFFMAN

Olswang
David heads the gambling practice at Olswang which advises on all aspects of betting and gaming law, and is currently a member of the panel advising the Government on the future funding of British horseracing.
david.zeffman@olswang.com

CECILE PARK PUBLISHING

Managing Editor Lindsey Greig
lindsey.greig@e-comlaw.com

Associate Editor Sophie Cameron
sophie.cameron@e-comlaw.com

Editorial Assistant Simon Fuller
simon.fuller@e-comlaw.com

Subscriptions David Guati
david.guati@e-comlaw.com
telephone +44 (0)20 7012 1387

Design Madeln Earnest
www.madeinearnest.com

Print The Premier Print Group

World Online Gambling Law Report is published monthly by Cecile Park Publishing Limited 17 The Timber Yard, Drysdale Street, London N1 6ND
telephone +44 (0)20 7012 1380
facsimile +44 (0)20 7729 6093

www.e-comlaw.com

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