



WEEK 26

FRIDAY 27 JUN 2014

THIS WEEK

- Amaya commences NJ poker talks
- Columnist: David J Apfel on US online poker
- Gala begins bingo hall sale proceedings
- Tweets of the week

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TOP STORY

MACAU POLICE BUST BETTING RING

Syndicate had taken £379m in World Cup wagers



Photo: Pras Dunn

Authorities in Macau have broken up an alleged bookmaking racket said to have taken HK\$5bn (£379m) in illegal World Cup bets. The *South China Morning Post* reports that 22 people have been arrested by police, who described the syndicate as the biggest illicit football betting ring ever uncovered in the region.

A raid on a hotel last week found the group had been taking online and telephone bets from around the world, including a single wager of HK\$40m. Police removed betting slips, cash, computers and mobile phones from three rooms. Those arrested come from mainland China, Hong Kong and Malaysia. Some of the suspects were paraded before the media, handcuffed and with black balaclavas over their heads. Police are now looking into who placed the bets.

Macau police spokesman Suen Kam-fai said: "Information indicates that this syndicate accepted bets before and after the matches kicked off. That's why they needed a lot of manpower to take bets via the internet and telephone."

The newspaper reports that a second syndicate operating out of the same

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unnamed hotel was raided in the early hours of the following morning, with four men arrested and betting slips and cash seized. The group is believed to have taken about HK\$5M in illegal bets.

Although casino licence holders in Macau are technically permitted to offer legal sports betting, a de facto monopoly is held by the Sociedade de Lotarias e Apostas Mútuas de Macau, better known as Macau Slot, which has a contract until 5 June 2015.

Macau, Hong Kong and the neighbouring Guangdong province have been working together to clamp down on illegal football betting in southern China since the World Cup kicked off just over two weeks ago. Hong Kong police have set up a task force with authorities in the other regions and are also working with Interpol across eight Asian countries. Since the start of the tournament Hong Kong police have arrested 39 suspected illegal bookmakers and seized betting slips worth almost HK\$85m.

KEY POINTS

- Macau police smash alleged illegal betting ring; 22 arrested
- Group said to have taken HK\$5bn (£379m) in illegal World Cup wagers
- Syndicate described as biggest ever uncovered in the region

USA

AMAYA OPENS NEW JERSEY TALKS

Group eyes PokerStars entry

following acquisition agreement

Provider Amaya Gaming is to begin licensing talks with New Jersey casino regulator the Division of Gaming Enforcement (DGE) regarding PokerStars' entry into the state's online gaming



market after agreeing a \$4.9bn acquisition of the online poker giant's parent company Rational Group.

In December, Rational Group's application for a New Jersey online gaming licence was suspended for two years by state regulators, although it was said that the application could be reactivated within that period if "significantly changed circumstances" were demonstrated.

The Amaya takeover involves the resignation of PokerStars executives previously charged with fraud and money laundering. DGE director David Rebeck [pictured] says he could see Amaya getting approval to operate PokerStars in New Jersey by autumn.

All entrants into the New Jersey online gaming market must partner with an existing Atlantic City land-based licensee. PokerStars maintains a partnership with Resorts Casino Hotel.

KEY POINTS

- Amaya Gaming and New Jersey regulators are discussing PokerStars' entry

into the state's online gaming market

- Amaya recently agreed to acquire Stars parent company Rational Group for \$4.9bn

UK

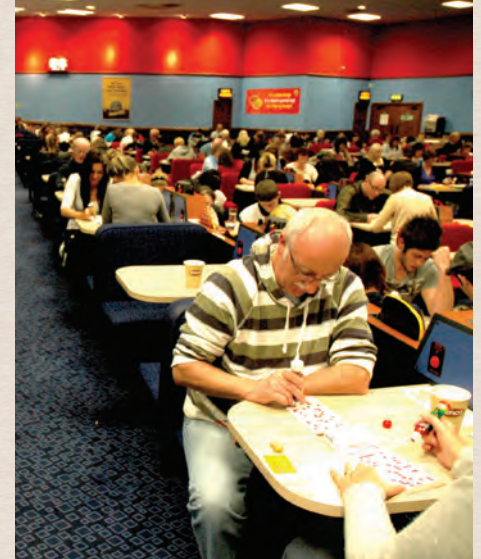
GALA CORAL COMMENCES BINGO SALE PROCESS

Group seeking £300m for clubs

Gala Coral has begun an auction of its 135 bingo clubs, according to a report in the *Financial Times*. The operator has recruited financial advisory firm Lazards to conduct the sale, which the private equity-owned gaming company hopes will attract bids of up to £300m. Gala is said to have been informally seeking buyers for several months at a price of £250m, with potential purchasers including Henry Jackson's OpCapita investment group, Luke Johnson's Risk Capital Partners and financier Hugh Osmond.

KEY POINTS

- Gala Coral begins auction of its 135 bingo clubs; hoping for £300m sale



Tweets of the week

"47% of #gigse14 attendees haven't attended in the last 3 years."
Clarion Gaming's
@EwaBakun

"#Suarez... imagine if it was any other job... Gary in accounts keeps biting people. Yeah, but he is a really good accountant."
@Ben_Cavey

"Following recent allegations made against Luis Suárez, we are reviewing our relationship with him. We will not tolerate unsporting behavior."
@888poker, overlooking Suarez's TWO pre-endorsement biting incidents...

GUEST COLUMNIST

"HUGE US ONLINE POKER OPPORTUNITIES ARE BEING MISSED DAILY"**by David J Apfel**
litigation partner

"Ever since 'Black Friday' in April 2011 the online poker industry has been looking for a silver bullet to help resurrect itself.

The industry has focused its attention on finding a wholesale, one-size-fits-all solution, hoping against hope that it could somehow find a way to prosper once again throughout the US. The industry's hunger to tap the lucrative US market has led it to find hope for a nationwide solution in the Department of Justice's December 2011 opinion regarding the Wire Act, in federal judge Jack Weinstein's 2012 ruling that poker is a game of skill, and in various federal bills, including the 2012 Reid-Kyl initiative, aimed at legalising and regulating online poker. But each of these hopes has proven illusory.

The DoJ opinion limited the scope of federal enforcement of the Wire Act, but it did not authorise online poker nationally. Judge Weinstein's opinion was overturned on appeal and every US Congressional effort to regulate online poker has gone nowhere. While pinning its hopes and efforts on these false national panaceas, the online poker industry has missed state-by-state

opportunities that have been available right in front of its eyes.

There are obvious opportunities in three states – Nevada, New Jersey and Delaware – that have formally legalised online poker. But legalisation in each of these states is highly circumscribed, while the markets are relatively narrow and limited. The greater opportunities, which the industry has simply ignored, are those in states that have not expressly legalised online poker, but where the existing gambling laws, as well as state court precedent, create a strong likelihood that online poker businesses could be run without legal fallout. The states and US municipalities where this potential exists include: Arkansas, California, the District of Columbia, Florida, Massachusetts, Minnesota, New Mexico and Vermont. The population in these eight jurisdictions is over 76.3 million, compared with just 12.6 million in the combination of Nevada, New Jersey and Delaware.

All of these "high potential" states and the District of Columbia have strict anti-gambling laws and none of the jurisdictions explicitly authorises online poker. Furthermore, each defines unlawful gambling to include the three traditional elements of (i) staking or risking something of value (ii) on a game or contest of chance (iii) in exchange for a potential reward. But what sets these jurisdictions apart is that poker has never been expressly outlawed in any of them and, in each, chance must predominate over skill in order for the game or contest to be covered by the applicable gambling prohibitions. In contrast, the anti-gambling laws in other states

cover games or contests in which there is any element or a material element of chance.

There is a real opportunity for online poker in these jurisdictions because, while there is little question that poker contains an element of chance, there is an increasing consensus among scholars (eg Harvard law professors Alan Dershowitz and Charles Nesson, and economist Steven Levitt) and the courts (eg Judge Weinstein) that skill, not chance, predominates in poker, whether played across a table or online.

While local governments in these states and DC might not welcome online poker, its launch would be worth the risk, which, to the extent it exists, may be mitigated through informed opinions of counsel. And the rewards of online poker in these jurisdictions would be far more real than waiting around for a federal solution that is not going to happen anytime soon, if ever."

David J Apfel is a litigation partner, specialising in white-collar criminal defence and gaming law at US law firm Goodwin Procter LLP. He is a founder and co-chair of Goodwin Procter's gaming, gambling and sweepstakes practice. Article co-written with Michal Herzfeld, a Goodwin Procter litigation associate, with research assistance from Tucker DeVoe, a Harvard Law student currently working as a summer associate at Goodwin Procter

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