

Group says poker winnings are frozen

June 10 2009, By FREDERIC J. FROMMER , Associated Press Writer

(AP) -- An advocacy group for online poker said Tuesday that the federal government has frozen more than \$30 million in the accounts of payment processors that handle the winnings of thousands of online poker players.

The Justice Department long has maintained that Internet gambling is illegal, a view that the poker group challenges.

The Poker Players Alliance told The Associated Press that the U.S. attorney for the Southern District of New York instructed three banks - Citibank, Goldwater Bank and Alliance Bank of Arizona - to freeze the accounts.

Documents obtained by the AP show that a magistrate judge in the district issued a seizure warrant last week for an account at a Wells Fargo bank in San Francisco, and that a federal prosecutor told Alliance Bank to freeze accounts.

In a letter dated Friday and faxed to Alliance Bank, the prosecutor said accounts held by payment processor Allied Systems Inc. are subject to seizure and forfeiture "because they constitute property involved in money laundering transactions and illegal gambling offenses." The letter was signed by Arlo Devlin-Brown, assistant U.S. attorney for the Southern District of New York.

In another letter faxed the same day, Devlin-Brown asks that the bank treat the funds "as legally seized" by the FBI, saying that the government

has probable cause that the gambling payments of U.S. residents had been directed to offshore illegal Internet gambling businesses.

"The FBI has authority to seize proceeds of specified unlawful activity without a warrant under exigent circumstances," wrote Devlin-Brown - a process criticized by the Poker Players Alliance.

In addition, a grand jury subpoena issued last week to Allied Systems seeks communications, financial transactions and processing services between the company and Internet gambling operations. The subpoenas also seek corporate records and bank accounts.

A spokeswoman at the Southern District declined to comment.

John Pappas, executive director of the Poker Players Alliance, called the government's move an "unprecedented action" against online poker players.

In a letter Monday night to Devlin-Brown, Pappas requested that his group be notified and given the opportunity to be heard regarding attempts to seize the frozen funds.

He said that "seizure of Allied Systems' bank accounts would constitute a violation of due process because there are no exigent circumstances to justify deprivation of PPA members' property without prior notice and a hearing."

"The PPA will pursue every legal course available to ensure that poker players' funds are not seized and their right to play poker online is protected," Pappas wrote.

In the interview, Pappas said 20,000 player accounts were affected, but that his group has received assurances from online poker sites that the

players would be fully compensated.

A 2006 law prohibits financial institutions from accepting payments from credit cards, checks or electronic fund transfers to settle online wagers. The Justice Department viewed Internet gambling as illegal even before that.

In a statement, the alliance chairman, former New York Republican Sen. Alfonse D'Amato, said the frozen funds belonged to individual poker players, not poker Web sites.

"This money should be immediately released by the Southern District to ensure that player payouts are not further disrupted," he said.

The alliance, which is funded by its poker player members and the Interactive Gaming Council, a Vancouver, British Columbia-based trade association for online casinos, plans to spend \$3 million lobbying this congressional session. The group supports legislation by Rep. Barney Frank, a Massachusetts Democrat who chairs the House Financial Services Committee, that would regulate rather than ban Internet gambling.

At least half the \$16 billion Internet gambling industry, which is largely hosted on overseas sites, is estimated to be fueled by U.S. bettors.

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