The global legal framework for Internet gambling is a complicated mix of laws and regulations. In the United States, both federal and state statutes apply. Gambling is generally regulated at the state level, with federal law supporting state laws and regulations to ensure that interstate and foreign commerce do not circumvent them. The Wire Act, which prohibits gambling businesses from using interstate or international telecommunications wires to knowingly transmit or receive bets, is the main federal statute used to prosecute such activity. Foreign countries and jurisdictions have taken a variety of approaches to regulating on-line gaming, including legalizing some forms, seeking effective regulatory approaches, and prohibiting it entirely.

The major participants in the credit card industry have tried to restrict the use of their cards for Internet gambling by prohibiting cardholders from using the cards to gamble online and developing transaction codes that banks can use to block payments at their discretion. Many large U.S. credit card issuers also use codes to deny authorization for Internet gambling transactions, and U.S.-based banks do not accept gambling Web sites as merchants. Despite attempts to circumvent these efforts by using improper coding, the success of these restrictions has caused gaming analysts to lower their 2003 revenue projections for the on-line gaming industry.

Representatives of law enforcement agencies told us that Internet gambling could be used to launder money, but others viewed the threat as less serious. Law enforcement representatives said that the anonymity and jurisdictional issues characteristic of Internet gambling make on-line gaming a potentially powerful tool for money launderers. They noted that few money laundering cases involving Internet gambling had been prosecuted but attributed the small number of cases primarily to a lack of regulation and oversight. However, regulatory agencies and officials from the credit card and gaming industries did not believe that Internet gambling was any more susceptible to money laundering than other forms of e-commerce.