

1.9 Regulation & Legal

We have discussed a lot of markets so far. What follows is a very brief overview of a few relevant laws and agencies.

The Securities Exchange Commission (SEC)

Many investors and banks lost significant sums of money in the Stock Market crash and the Great Depression in 1929. This greatly undermined public confidence in the markets (sound familiar?) It is widely believed that for the economy to recover, the public's faith should be restored. In response, Congress held hearings to search for solutions.

The result was the passing of the Securities Act in 1933 and the Securities Exchange Act in 1934. Together, these laws created the SEC to enforce the new laws, to promote stability in the markets, and to protect the investors.

The Wire Act (1961)

The Wire Act was passed after substantial efforts by Robert Kennedy, then the attorney general of the U.S. and was signed into law by his older brother, President John F. Kennedy. The Wire Act is one of the most important federal laws in place to fight against gambling operators and more broadly against organized crime – at least, that was Robert Kennedy's broader goal at the time. The Wire Act makes it illegal to knowingly use a wire communication facility to transmit information related to wagering on any sporting event or contest. An exception exists if wagering is legal both at the source and the destination of the wager.

An interesting debate is whether the Wire Act applies to only sports betting or all gambling. Grammatically, this is a question of whether the term sporting in the above phrase modifies just event or both event and contest (yes – one word matters a lot). The Justice Department's position is it applies to all gambling, but there is a court case where the Fifth Court disagreed.

Another question is whether the Wire Act applies to the internet. There is no agreement on this issue, but as we will see later in Chapter 3, it is already used to successfully convict the CEO of an online sports betting company in Antigua.

The Unlawful Internet Gambling Enforcement Act (UIGEA) (2006)

The Unlawful Internet Gambling Enforcement Act was signed into law by President Bush. It is the latest milestone in gambling law and made it illegal for businesses to knowingly accept payment in connection with unlawful internet gambling, i.e. placing, receiving, or knowingly transmitting a bet. This impacts not only the gambling operators, but also financial institutions and intermediaries.

The act included language regarding fantasy sports, which we covered in Chapter 1.4, which continue to be legal in the U.S. as long as they meet certain conditions.