

Online Casino Cash Cows

Building a *CYBER-CASINO* From The Ground-Up

As the saying goes, “*You have to learn to walk before you can learn to run*”...a *Cyber-Casino*. Building a structure begins by laying a foundation and proceeding step-by-step. We employ the same sequential logic here in examining how today’s Internet Entrepreneurs are building lucrative ‘virtual’ business structures known as Cyber-Casinos.

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Please refer back to the ebook at <http://www.onlinecasinocashcows.com>.

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INTRODUCTION

THE INTERNET is an egalitarian Utopia in a raging sea of Capitalism.

For those of you who are not Keynesian economists, that's a hi-fallutin' way of saying,

'The Internet makes all men equal in the Free Market.'

Almost overnight, it has created a new breed of Entrepreneurial millionaire and has made some former millionaires broke and obsolete. It is the 'means' to an 'end' (*a la Machiavelli*). It levels the playing field of global Capitalism, availing all potential Entrepreneurs equally of its "*means*;" thereby giving them the power and creative opportunity to achieve their own "*end*."

Wealth is not a prerequisite (nor a guarantee) for success on the Web. The Internet respects only drive, dreams and the power of an idea. There is nothing out-of-bounds. There are no limits... none, at least, which drive,

dreams, and ideas - combined with the power of the global Internet - cannot surmount.

LAS VEGAS is an American institution. A worldwide phenomenon. An icon of Capitalism.

It was founded on the idea whereby Entrepreneurs supply the “*means*” (physical locale and infrastructure) for people to enjoy their chosen “*end*” . . . pleasure, entertainment, escape, and the free exercise of human nature.

Some may call it a vice. But let’s face it: to gamble...*to risk one’s smaller assets for the chance to win greater wealth*...is human nature. And the desire to make money by meeting the demands of a free marketplace (*a gamble in itself!*) is human nature.

The power of the Internet has not only altered the nature of the dominant world economic system known as Capitalism, it has created a parallel *Cyber-World* in which people all across the far-flung Physical World can interact ‘virtually,’ both Entrepreneurs and their free market customers.

In the Physical World, Las Vegas is the *center-of-the-universe* for gambling as recreation, and also for the Entrepreneurial spirit that has developed and refined the business of gambling to meet market demand. It is *the* global brand name, *the* world market-share leader.

But a parallel center for the parallel Cyber Universe has yet to emerge.

A mere decade now since its emergence as the preeminent and re-defining tool of global Capitalism, the Internet is still a wide-open frontier, a border town in a No-Man’s Land on the edge of the known Physical World. The price of land in this virtual territory is cheap. Everyone can afford to buy their own 40 acres and build their own homestead. And the visionaries among us realize that in the sense of Entrepreneurial Capitalism, they can’t afford *not* to!

In this new dimension of virtual existence and digital reality, law and order is still an amorphous concept. Cyber-Society’s norms and ethics are in their formative stages. Some may look to trans-plant traditional values and customs brought over from the Physical World. But often, this is like trying to control traffic flow on a freeway with the use of stop signs. Conventional methods and concepts are often outmoded here. They cannot be automatically applied to conditions in a world for which they were not designed.

The vastness of this virtual frontier is now being explored, charted, mapped and settled by Cyber Pioneers. As they carry it over from the Physical World and re-create Capitalism in Cyberspace, these visionaries are the ones - by whom and for whom - new laws will be written, new ethics and standards established, and a new Society founded; the digital plain of Cyberspace truly becomes a world unto itself.

Meanwhile, back in the Physical World, Cyberspace is making old ways, old methods, and old thinking obsolete. The pioneering Entrepreneurs who founded Las Vegas are nervous. Their once secure status as the exclusive masters of the gambling universe has been shaken, threatened.

Under the old system, the sheer scope and cost of physical locale and infrastructure were prohibitive barriers - elitist prerequisites - to an Entrepreneur’s participation in the lucrative casino gambling business.

A GAMING CASINO in the Physical World is an amalgamation of tangible, physical entities: a massive housing structure, a legion of trained and uniformed employees, an array of indoor amenities, a payroll, the flow and tracking of coins and cash, etc., etc., etc. Not to mention the requisite layer of primary infrastructure: roads, airports and public transportation to bring the eager customers in; hotel rooms to shelter them; restaurants to feed them; support services to maintain them; etc., etc., etc.

In this Physical World, the opportunity to run a lucrative casino gambling business has always been the secure and exclusive domain of mega-wealthy individuals and corporations.

But no more! Why...?

In essence, the Cyber Universe has lifted the elemental premise - the conceptual foundation - of the phenomenon that is Las Vegas and as a demonstration of the revolutionary power of Internet technology,

placed it within the surprisingly easy reach of *Joe P. Everyman* and *Jane Q. Public*.

Now, on the frontiers of Cyber World, infrastructure is mere computer software on a website. Transportation is a computer linked to the Internet. Trained, uniformed employees are computer graphics and sub-routines. The tracking and flow of coins and cash is a charge on a credit card.

In re-defining and advancing both simple and global Capitalism, Internet technology has not only brought down the price of goods and services for consumers, it has exponentially expanded opportunity by exponentially reducing the cost of doing business for would-be Entrepreneurs.

In other words, it has given Small-Scale Capitalists (i.e. *"of lesser means"*) access to opportunities that, in the Physical World, are only realistically accessible to the obscenely wealthy.

Suddenly, the impossible is now possible . . . in the domain of Cyberspace.

For the second time in human history, we can justifiably talk about a *"New World,"* a *"Land O' Plenty"* flowing with the milk and honey of business opportunities never before seen.

The Internet has opened up to John Q. Public a domain once exclusively available to millionaires and major corporations. Now, anyone with the dream and the desire can operate their own.

CYBER-CASINO

...where customers won't have to make flight reservations, face aggravating airport delays, catch long flights on crowded planes, rent cars, check-in at hotels, etc., etc., etc., - all for the privilege of enjoying recreational gambling. They'll simply log-on to their computer, access the Internet, and type in the address of your *Cyber-Casino* website from the comfort of their own home!

But basically, you already know all this.

If you've downloaded and are reading this e-book, you are a business-minded person with technological foresight. You're an Entrepreneur enticed by the vast moneymaking prospects of Internet gambling. You are someone with the soul of an investment capitalist who has sensed a ground-floor opportunity. (*Like those of us who wish we'd bought Microsoft stock way back when!*)

And you're a person who wants to get in on that opportunity...to climb on board the elevator NOW, before it heads skyward, leaving the slow-movers and faint-hearted behind, wishing they had been quicker and braver to act on this foresight.

It is also likely that you're an American citizen. More than half the world's Internet users reside in America - the spiritual Mecca and shining inspiration of global Capitalism. (*What a country!*)

Yet, that's the irony!

That's the rub!

Other than rare and random oases like Vegas, Atlantic City and certain autonomous Indian reservations out in the middle of nowhere, the business of casino gaming and gambling is prohibited in the U.S.

The Internet may be worldwide and a universe unto itself. Still, the U.S. government claims jurisdiction over the business-related activities of its citizens who also claim residence in the traditional, non-Cyber World. Capitalism, according to Washington, D.C., has its limits.

And in America, **it is currently illegal to create, base or run an online gambling business in or from a location within the United States.** That's not good news for domestic Entrepreneurs, since - as stated earlier - more than half of the planet's World-Wide-Web users are Americans!

So . . . what to do...?

Well, you could drop the idea of running your own CYBER-CASINO and look around for another ground floor Internet opportunity.

You could renounce your U.S. citizenship and transfer out of the Land O' Plenty to some place less hospitable physically, but more accommodating 'virtually.' You could 'affiliate' with an online casino and work simply as a promoter.

You could flaunt federal law and play your own dangerous game of chance vs. the government, in which the stakes are fines and imprisonment.

Or...

You can use to your advantage the "gray area" that is the current state of interactive legality between U.S. federal law and the Cyber World, and legally (technically speaking) create, own and operate a profitable electronic gaming casino on the Internet...your own Virtual Las Vegas!

In that spirit, *aesop.com/aesop marketing corp.* hereby states that in publishing this e-book, it is not advocating illegality or illegal business practice. Neither is this meant to be a 'how-to' guide per se. Rather, it is a manifesto on the current state of affairs and emerging interest in the online gaming business, providing information and examples of the methods and experiences of certain Entrepreneurs already in the field, as well as their business aims and actions, and the obstacles and pitfalls they've overcome.

This book simply reports what others in this emerging field have done. Those contemplating following in their footsteps should consult a lawyer and other pertinent experts before moving to establish their own operations.

We hope this information will be beneficial to future Cyber Pioneers preparing to blaze their own trails into this exciting new wilderness, in search of *The (Virtual) American Dream*.

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Ch 1 - America Is Not An Option

BOTTOM LINE: *it is currently illegal to create, base or run an Internet-based gambling business in or from a location within the United States.*

Other than the fact that this reality is not likely to change any time soon, the above sentence in *italic-bold* print is all a potential Cyber-Casino owner really needs to know. Legally speaking, he CANNOT physically be on American soil while personally erecting the foundation for the Cyber-Casino and can't take a hands-on role in its operation while here.

Unless a U.S. citizen chooses the drastic step of renouncing that citizenship and taking-up permanent residence in a country where online gaming is legal, all applicable Federal laws must either be complied with or made non-applicable to the business venture being established.

Hence as a first step in one's foundation of knowledge, a short course in current Federal statutes regulating online gambling is in order. In other words, **knowing the law** is an Entrepreneur's first step to ensuring that the punitive consequences of that law do not apply to him.

Online gaming and gambling is a pressing social concern and hot topic now under debate in Congress. As of our date of publication, the following is verbatim text (*edited for space*) of five existing U.S. federal laws or proposed laws (bills) regulating online gaming and gambling:

Law #: 18 U.S.C. §§ 1081, 1084

Official Title: FEDERAL INTERSTATE WIRE ACT OF 1960

Congressional Sponsor(s): N/A

Date Introduced: N/A

Date Passed Into Federal Law: 1961

Latest Vote on Bill: N/A

Status: Law. Basis for current government regulation of Internet.

Complete Text of Bill Online at: <http://www.startcasino.com/wireact.htm>

Most Pertinent Text: *"Whoever being engaged in the business of betting or wagering knowingly uses a wire communication facility for the transmission in interstate or foreign commerce of bets or wagers or information assisting in the placing of bets or wagers...or for the transmission of a wire communication which entitles the recipient to receive money or credit as a result of bets or wagers...shall be fined...or imprisoned...or both."*

Legislative Analysis: This 40-year-old law prohibits the use of wire communication facilities (telephone and telegraph lines, etc.) in placing bets and transmitting data regarding bets to or from a U.S. state, commonwealth or a foreign country where such activity is illegal.

This statute gives the federal government jurisdiction over matters involving interstate wire communications. The Internet, according to current legislative interpretation, falls under the jurisdiction of this law (and within the power of the federal government to regulate) because phone lines largely carry its transmissions.

Others disagree, arguing that the Internet is a worldwide instrument of infrastructure and, as such, is not under the jurisdiction this U.S. federal law. They say the 1961 law is outdated, written in and applying to a time when a gambler phoned his out-of-state bookie to place a bet.

A Supreme Court test case to determine the applicability of the Federal Interstate Wire Act of 1960 to Internet commerce is expected in the near future.

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Bill #: **S. 692 IS** (S. 474 RS is an earlier version of S. 692 IS. See below.)

Official Title: **INTERNET GAMBLING PROHIBITION ACT OF 1999**

Congressional Sponsor(s): **Sen. John Kyl (R-Arizona)**

Rep. John Goodlatte (R-VA)

(Companion Bill in House: H.R. 3125 IH)

Date Introduced: **3/23/99**

Date Passed Into Federal Law: -----

Latest Vote on Bill: **11/19/99. Approved by Full Senate.**

Status: **Not yet law. Further action pending.**

Complete Text of Bill Online at: <http://techlawjournal.com/cong106/gambling/s692is/htm> (Link not working)

Most Pertinent Text:

"It shall be unlawful for a person engaged in a gambling business to use the Internet or any other interactive computer service to place, receive, or otherwise make a bet or wager."

"In this section: ...the term 'person' means any individual, association, partnership, joint venture, corporation, ...or entity as defined in section 3701(2) of title 28, United States Code)."

"The term 'gambling business' means a business that...involves the placing, receiving, or...making of bets or wagers...or involves 1 or more 'persons' who conduct, finance, manage, supervise, direct or own all or part of such businesses."

"The term 'bets or wagers'...means the staking or risking...of something of value upon the outcome of a contest of others, a sporting event, or a game of chance."

Legislative Analysis: With a sense that its predecessor (S. 474 RS) had over-extended a prudent reach and was on shaky legal ground by putting a blanket prohibition on all aspects of Internet gambling (including activities by individual gamblers), legislators designed S.692 IS to ban only the actual businesses (Cyber-Casinos) using the Internet to engage in gambling.

Such specific targeting of Cyber-Casinos, plus a list of non-gambling-related activities that are exempt from the purview of the proposed law, helped to eliminate congressional opposition and led to its 1999 passage in the Senate. It will be merged with a bill yet to be passed by the House of Representatives, which will then be put to a final vote in both Houses.

The bill authorizes both federal and state authorities to pursue and prosecute Offenders.

In an important development that helped ensure the bill's Senate passage in 1999, Internet Service Providers (ISP's) were exempted from liability under the proposed law for hosting offenders, and bear no responsibility for screening or monitoring for violators, as long as the ISP's shut-off service to Offenders when notified to do so by law enforcement authorities.

It is interesting that, in making these concessions and targeting only Cyber-Casinos, S. 692 IS picked-up the expressed support (or at least discontinued opposition) from interests such as: (1) legalized land-based and riverboat gambling operations, which seek to discourage and limit new entrants into the gambling field; (2) state and local governments, which receive substantial tax revenues from legalized gambling operations and associated hotel/restaurant/entertainment activities; and (3) state-run lotteries, which enjoy a monopoly.

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Bill #: S. 474 RS (This was the initial, unamended version of S. 692 IS)

Official Title: INTERNET GAMBLING PROHIBITION ACT OF 1997

Congressional Sponsor(s): Sen. John Kyl (R-Arizona)

Rep. John Goodlatte (R-VA)

(Companion Bill in House: H.R. 3125 IH)

Date Introduced: 10/23/97

Date Passed Into Federal Law: -----

Latest Vote on Bill: 07/23/98. Approved by Senate, 90-10.

Status: Not yet law. Further action Pending.

Complete Text of Bill Online at: <http://techlawjournal.com/Internet/s474rs.htm>

Most Pertinent Text:

"It shall be unlawful for a

person to place, receive or otherwise make a bet or wager via the Internet or any other interactive computer service in any State."

"It shall be unlawful for a person engaged in the business of betting or wagering to engage in that business through the Internet or through any other interactive computer service in any State."

"In this section: ...the term 'person' means any individual, association, partnership, joint venture, corporation, ...or entity as defined in section 3701(2) of title 28, United States Code)."

"The term 'bets or wagers'...means the staking or risking...of something of value upon the outcome of a contest of others, a sporting event, or a game of chance."

"The term 'Internet' means the international computer network of both Federal and non-Federal interoperable packet switched data networks."

"The term 'interactive computer service' means any information service...that provides or enables computer access by multiple users to... the Internet."

"The term 'State' means a State of the United States, the District of Columbia..., Puerto Rico, or a commonwealth, territory, or possession of the United States."

Legislative Analysis: A far broader (and legally more vulnerable) bill than the revamped S. 692 IS bill that followed, S. 474 RS nevertheless obtained overwhelming passage in the U.S. Senate in 1998 on a 90-10 vote, spurred by support from the Christian Coalition, Ralph Nader, and state, local and federal government law enforcement agencies.

In essence, the bill invokes the broad powers of the Federal Interstate Wire Act of 1960, and amends the 40-year-old law to specify legal applicability to (and jurisdiction over) the Internet. It would prohibit both individual customers and also Cyber-Casino businesses based in the U.S. from placing or receiving a bet via the Internet.

It is assumed that the primary thrust of governmental enforcement activity would be directed toward gambling businesses; but measures are included for punitive measures against individuals, making it more vulnerable to legal challenges.

The revamped S. 692 IS, also sponsored by Sen. John Kyl (R-Arizona) sought to skirt such anticipated challenges by listing numerous exemptions to the law, and by carefully aiming the enforcement thrust of the proposed law solely at Internet gambling businesses (Cyber-Casinos).

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Bill #: H.R. 3125 IH (Prior Version: H.R. 2380; died in Committee)

Official Title: INTERNET GAMBLING PROHIBITION ACT OF 1999

Primary Congressional Sponsor: Rep. John Goodlatte (R-Virginia)

Sen. John Kyl (R-Arizona)
(Companion Bill in Senate: S. 692 IS)

Date Introduced: 10/21/99

Date Passed Into Federal Law: -----

Latest Vote on Bill: 7/17/01. Failed; 25 votes short of 270 needed (2/3 majority).

Status: Further action pending. Expected re-vote.

Complete Text of Bill Online at: <http://techlawjournal.com/cong106/gambling/hr3125ih.htm>

Most Pertinent Text:

“...it shall be unlawful for a

person engaged in a gambling business knowingly to use the Internet or any other interactive computer service to place, receive or otherwise make a bet or wager; or to send, receive or invite information assisting in the placing of a bet or wager.”

“In this section: ...the term ‘person’ means an individual, association, partnership, joint venture, corporation...or entity as defined in section 3701(2) of title 28, United States Code.”

“The term ‘gambling business’ means a business...that involves the placing, receiving, or making of bets or wagers...or involves 1 or more persons who conduct, finance, manage, supervise, direct or own all or part of such businesses.”

“The term ‘Internet’ means the international computer network of both Federal and non-Federal interoperable packet switched data networks.”

“The term ‘bets or wagers’ means the staking or risking of something of value upon the outcome of a contest of others...or a game predominantly subject to chance.”

Legislative Analysis: The measure would ban all forms of gambling over the Internet not currently legal under the laws of the states in which they are located. (For example, regulated intra-state or multi-state lotteries.)

Again, as with other bills, the target of this proposed law is online Cyber-Casinos, access to which is available through the Internet to people in all 50 States and around the world. Hence, H.R. 3125 IH does not affect gambling casinos in Las Vegas and Atlantic City. In fact, they support its passage because it would eliminate competition from online Cyber-Casinos.

Due to intense lobbying from the racing industry, betting on live horse-racing, dog-racing and jai alai is exempted from the prohibitions of H.R. 3125 IH as long as wagering activity is conducted on a “closed-loop” subscriber-based system legal in its State of location.

(Broad language in bill H.R. 2380, a prior version of H.R.3125 IH, would have prohibited this “closed-loop” activity as well as all Internet gambling. H.R. 2380 died in Congressional committee. H.R. 3125 IH is Rep. Goodlatte’s second attempt at sponsoring it.)

Although the aforementioned “closed-loop” systems technically are “interactive computer systems” which links race tracks to provide simulcasts of events, gambling information, and to facilitate gambling activity, they are not considered Internet-accessible because they are not open to the general public. Rather, participants must be registered users of these “closed-loop” gambling systems, which are operated under State law. Further, participants must be physically present in the State and at the gambling facility in order to participate. Such is not the case with would-be participants seeking access via the Internet

The bill would require Internet Service Providers (ISP’s) to disconnect services to illegal Internet gambling operations upon notification by federal or state government enforcement officials and/or to block customer access to such Internet sites made illegal by H.R. 3125 IH.

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Bill #: H.R. 4419 IH

Official Title: INTERNET GAMBLING FUNDING PROHIBITION ACT

Congressional Sponsor(s): Rep. James Leach (R-Iowa)

Date Introduced: 5/10/00

Date Passed Into Federal Law: -----

Latest Vote on Bill: 06/28/01. Bill amended by House Banking Committee.

Status: Not yet law. Further action pending.

Complete Text of Bill Online at: <http://techlawjournal.com/cong106/gambling/hr4419ih.htm>

(NOTE: With amendment by House Banking Committee, new text will be added to the bill.)

Most Pertinent Text:

(3a) "No person engaged in a gambling business

may knowingly accept with the participation of another person in Internet gambling... credit (including...the use of a credit card); an electronic transfer of funds;...any check (or) draft...drawn on or payable through any financial institution...."

(5) (Amending the Federal Deposit Insurance Act (12 U.S.C. 1818))

(x) "...if any...Federal banking agency determines that any insured depository institution is engaged in any of the following activities, the agency may issue an order...prohibiting such institution from continuing to engage in such activity:

(1) "Extending credit, or...electronic fund transfer...with actual knowledge that any person is violating...the Internet Gambling Funding Prohibition Act."

(2) "Paying, transferring or collecting on any check, draft, or other instrument drawn on any depository institution with the actual knowledge that any person is violating the Internet Gambling Funding Prohibition Act."

Legislative Analysis: H.R. 4419 IH, if passed into law, would ban U.S. financial institutions and money transmitting services from knowingly allowing the use of banking instruments (checks, credit cards, wire transfers, etc.) by Internet gambling operations or their intermediaries, such as banks or agents.

It also prohibits gambling business from accepting credit, electronic money transfers, checks or other financial instruments as payments from customers in the course of doing business.

The intended effect of this proposed law is to make it harder for Cyber-Casinos and Internet betting operations to conduct business with customers by cutting them off from banks. In other words, make it more difficult to arrange the pre-payment of bets from gambler to casino, and the payment of winnings from casino to customer, by prohibiting the involvement of banks, etc. in such transfers of money.

There seems to be more broad-based Congressional support for this alternative (regulating financial institutions), rather than seeking prohibitions and penalties against individual citizen gamblers. Prohibitions against the latter would be more difficult to enforce.

As amended by the House Banking Committee on June 28, 2001, the prohibitions of HR 4419 IH would apply only *"where such bet or wager is unlawful under applicable Federal or State law in the State in which the bet or wager is initiated, received or otherwise made."*

This provision exempts gamblers who use checks, credit cards or wire transfers to place bets in places like Las Vegas and Atlantic City (where gambling is legal). It also exempts the financial institutions that enact payment on such checks, credit cards or wire transfers for gambling in places where it is legal.

Hence, the law caters to the status quo of legalized U.S. gambling operations and seeks to deny entry to the industry by would-be competitors such as Cyber-Casinos, forcing them to skirt the prohibitions by taking their ventures to offshore locations.

* * * *

This brief overview of four bills currently pending in Congress, plus the 1960 law that is their foundation,

presents an accurate view of the lay-of-the-land in terms of future legislative action toward restrictive federal regulations against gambling and the Internet.

It's coming. It will happen.

The proposed bills are backed by people, politicians, corporations and conglomerates who are themselves divided between good intentions and self-serving motives.

Politicians may call their bills "*Internet Gambling Prohibition Acts.*" But the glaring reality and hypocrisy is that only forms of gambling that have little or no political clout and lobbying presence are prohibited. Large, established gambling operations (such as Las Vegas, horse racing, etc.) maneuver behind the political scenes to legalize and insulate their own operations while raising barriers against would-be competitors with less political clout and financial means.

Although no one has a crystal ball to predict the exact form of future legislation, it is a certainty that such laws will favor the wealthy and influential at the expense of the would-be operator of a small, private Cyber-Casino operation conducting its business on the Internet.

However . . .

U.S. law only applies in the U.S.

Those who see the handwriting on the wall and are undaunted realize there is still a way...still a place where they can pursue and achieve their Entrepreneurial dreams. That place is . . .

Abroad!!!

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CH 2 - Take Your Business Elsewhere

So . . . you're an American citizen who can't do business in America.

You have the dream, the drive and the idea. But because of Law-makers who would rather drive you away than embrace you, the cradle of global Capitalism will brand you a criminal if you conduct business here.

Wealthy corporate interests dominating America's legalized gambling industry lobby these helpful Law-makers and support them with campaign donations. In return, they can retain their lucrative gambling monopoly when Law-makers enact laws discouraging would-be cyber-competitors.

This disadvantageously stacked deck is the daunting situation faced by many Entrepreneurs who have nevertheless persevered and with the aid of the Internet, found a safe haven in Cyberspace.

But such a cyber-haven must have a base of operation some place in the Physical World. That place, however - legally speaking - just can't be in America.

Thus, the realization . . . *take your business elsewhere!* Specifically, offshore.

Determined Entrepreneurs have looked around in search of more hospitable countries with laws that embrace their ambitions, financial climates that foster their dreams, and cyber-infrastructure that fulfills their technological needs. Surprisingly, there are many to choose from.

In the past decade, the nation of Costa Rica in Central America has emerged as a popular home to many e-commerce ventures. Government officials there saw the opportunity to build a tech industry base and expand domestic employment opportunities by attracting a variety of foreign start-up businesses looking for tax

incentives and a friendly legal code.

Actually, the Costa Rican national government has not yet passed any laws regulating gambling, but businesses there operate freely under municipal (city) licenses. Taxes and licensing fees are low or non-existent, but the Costa Rican economy benefits through the creation of jobs and personal income tax.

The small island nation of Antigua in the Caribbean attained e-commerce prominence in 1996 as one of the first countries in the world to legalize websites offering online casino games. A liberal business code and affordable licensing fees entice Entrepreneurs from around the world to choose Antigua as headquarters for their Internet gambling businesses.

It's a rarity, but even 'major-league' countries like Australia have modernized its laws to accommodate the new reality of e-gambling business ventures created by the Internet. Unfortunately, that progressive Australian outlook was only temporary. In 2001, laws were changed to make most online gambling illegal.

Of the hospitable nations welcoming Cyber-Casino businesses, these are a few examples.

Before presenting a thumbnail sketch of 24 countries with a prominent reputation for being friendly toward Internet gambling, let's discuss 8 important logistical CRITERIA that savvy émigré Entrepreneurs use to *EVALUATE* various global locales as potential bases of operation.

In the selection process, cyber-Entrepreneurs consider a country's suitability in terms of:

1) FAVORABLE INTERNET GAMBLING LAWS

Simply put, does the legal code of the country in question permit Internet gambling businesses to operate freely and openly? What is its history and track record with respect to attracting and retaining others in this new industry? How many similar online gambling businesses are based there, and have their experiences been successful?

No sane businessman would base his business in a foreign country where the activity is illegal.

2) EASE OF LICENSING REQUIREMENTS & COST

If the government permits Internet gambling operations domestically, then it most likely issues an official business license stating the company in question is a *legal* and *recognized* business venture in compliance with all applicable laws and subject to government regulation.

But how easy is it to obtain this license? What conditions must be met? What is the time frame for applying for and receiving the license? And perhaps most importantly, *how much does it cost?*

3) FINANCIAL PRIVACY

America is not known as a nation that protects the privacy of its citizens' financial records and transactions. In our lawsuit-happy society, any litigant or government agency can find out pretty much anything about anybody, without much difficulty.

But a Cyber-Casino Entrepreneur needs guaranteed confidentiality. And there are many countries with banking and business policies that fill this need, shielding business owners, corporate officers and asset-holders from unwanted scrutiny.

**** (This topic is discussed at greater length in Chapter 3, "In Person, Or By Proxy?")***

4) INTERNET ACCESS AND BANDWIDTH

Can the country's current state of technology and telecommunications infrastructure support adequate and reliable Internet connections to accommodate the speed required for interactive casino software to operate effectively and be pleasing to online gamblers?

** (This topic is discussed at greater length in Chapter 4, "Bandwidth & The Web")*

5) POLITICAL STABILITY

Is the current government stable in its control of power? Does it have a pro-business policy? Is the political climate free of unrest that could topple the regime or unfavorably alter conditions and government policies, resulting in the nationalization of industries, confiscation of assets, etc?

6) TRAVEL ACCESSIBILITY & ACCOMMODATIONS

How quickly and easily can you get to this country, assuming you make periodic business trips? Flight plans, major/minor airlines, hub cities, connecting flights may vary depending on where in America (or the world) one resides.

Once there in your new host country, can you live and work at an acceptable level of comfort, in modern facilities and at the technological level to which Americans are accustomed?

7) WORKFORCE & ECONOMIC CONDITIONS

Is it an English-speaking country? Since the major market for world commerce on the Internet is America, this is an important consideration. Also, is there a pool of cheap yet sufficiently educated labor available? What labor laws will you have to adhere to? Is the domestic economy at least stable, if not thriving?

8) CLIMATE, GEOGRAPHY, CUSTOMS & CULTURE

Again, this is a matter of personal comfort since you will spend time periodically visiting, or living and working full-time in a new country. Some conditions to consider are: heat, cold, rain, drought, natural hazards (weather, volcanoes, etc.). What climate and conditions are you most comfortable in?

Are there any attributes of the culture or its customs of which you should take special note?

Is there any significant anti-American sentiment among the populace that could adversely affect the security and safety of yourself or your business?

Some of these criteria are basics that are absolutely vital to the foundation of any Cyber-Casino enterprise: favorable financial laws and strict codes of privacy/confidentiality, for example. If a nation is not up-to-snuff on these basics, the best course of action is to discount it as a prospect.

Others criteria on the list are more subjective to the tastes and circumstances of each different person or company involved in making the choice. In this respect, the authors of this e-book cannot make recommendations.

However, it is ESSENTIAL to base a decision on **THOROUGH RESEARCH** of the various countries being considered. This is a decision to be made logically and carefully. Make an informed choice.

The Internet makes it easy to gather information on business climate, current events, legal codes, and other pertinent aspects of various locales. This helps narrow the field of options into a short-list. Paying visits to the finalists on this list would not be unwarranted. Research on paper is one thing; but personal experience gives an extra measure of confidence in this crucial step to laying the foundation of your dream business.

While no one but you can do research tailored to your own needs, what we can do here is provide a head-start list of **24** countries which, as of publication date, issue licenses for online Cyber-Casinos, or at least allow such businesses to operate there.

NOTE #1: Since laws and government policies throughout the world change frequently, with more and more countries deciding to license Internet gambling, no list can be absolutely complete and up-to-date. As of publication, this list includes the most prominent and the vast majority of nations currently issuing online gambling licenses, or that allow such businesses to operate. Information regarding fees is given when it is deemed solid and unlikely to shift or change in the near future.

NOTE #2: In addition to license fees and annual renewal fees, a government may require other financial conditions, such as proof of capital, mandatory purchase of T-bills, a collateral deposit to guarantee payouts, payments of a % of house-winnings to the government, etc. Again, we stress THOROUGH RESEARCH!

Country	Capitol	Location	Licensing Status/Info.
Antigua /Barbuda	St. John's	Caribbean	\$100,000 annual licensing fee
Argentina	Buenos Aires	South America	Licenses online casino operations
Australia	Canberra	S. Pacific Ocean	Aussie citizens cannot play. \$350K+ lic. fee
Bahamas	New Providence	Atlantic Ocean	No license required. Must be domestic comp
Belize	Belmopan	Caribbean	\$30,000 license fee; \$25,000 annual fee
Comoros (Anjouan)	Moroni	Indian Ocean (Africa)	\$20,000/yr; server can be located anywhere
Cook Islands	Avarua	S. Pacific Ocean	Licenses online casino operations
Costa Rica	San Jose	Central America	No state license required. Municipal licenses
Curacao/Neth.	Antilles Willemstad	Caribbean	Master licensee is Cyberluck. Fees vary.
Dominica	Roseau	Caribbean	\$15,000 license fee; other requirements
Dominican Rep.	Santo Domingo	Caribbean	No info. avail. I-casinos believed to operate
Grenada	Saint George's	Caribbean	See Dominica info. (Joint venture)

Isle Of Man (UK)	Douglas	Irish Sea	GBP 80,000 annual license fee
Jersey (UK)	St. Helier	English Channel	Licenses online casino operations
Kahnawake Ind. Reserv.	-----	Canada	\$10,000 (Canadian) licensing fee
Mauritius	Port Louis	Africa, Indian Ocean	Licenses online casino operations
New Zealand	Wellington	S. Pacific Ocean	No current legislation forbids online casinos
Panama	Panama City	Central America	Licensing expected to begin 12/01
St. Kitts / Nevis	Basseterra	Caribbean	Approx. \$585,000 license; \$293,000 annual
States of Alderney (UK)	St. Anne	English Channel	Accepting applications for licenses
Swaziland	Mbabane	South Africa	Licenses online casino operations
Trinidad	Port-of-Spain	Caribbean	Licenses online casino operations
Turks & Caicos Isl.	Grand Turk	Atlantic Ocean	Licenses online casino operations
Vanatu	Port-Vila	S. Pacific Ocean	Licenses online casino operations
Venezuela	Caracas	South America	Licenses online casino operations

HELPFUL WEBSITES REGARDING THE ABOVE LIST:

ISLE OF MAN: www.domicilium.com/gamingref.htm

(Application, application procedure, licensing info., etc.)

DOMINICA & GRENADA: www.goccp.com/ENG/casinolicense.htm

(Joint-venture between these two nations. Application procedure and licensing info.)

VANATU: www.igc.vu/

(Application form and licensing requirements for interactive gaming in Vanatu.)

KAHNAWAKE INDIAN RES. (Canada): www.kahnawake.com/gamingcommission/permits.htm

(Lists casino operations licensed there; connects back to main page of website.)

DOMINICA: www.privacy-bulletin.com/ecommerce/gambling_tax.htm

(Licensing and application information.)

BELIZE: www.privacy-bulletin.com/ecommerce/gambling_tax.htm
 (Licensing and application information.)

www.diloffshore.com/gamingbelize.htm
 (Website for consultant corp. specializing in Belize. Interesting info.)

CURACAO / NETHERLAND ANTILLES : www.curacao-chamber.an/
 (Chamber of Commerce is a good starting point for business info.)

www.cyber.com/business_economy/bsn_categorical/law.html 404 error
 (Lists Curacao law firms that deal with Internet commerce.)

OTHER COUNTRIES WHERE STATUS OF ONLINE GAMBLING IS UNCLEAR, OR MAY CHANGE FAVORABLY:

COUNTRY	CAPITOL	LOCATION
Austria	Vienna	Europe
Cyprus	Nicosia	Mediterranean Sea
Dubai (Zone in U.A.E.)	Abu Dhabi	Middle East
Ireland	Dublin	Europe/North Atlantic
Kalmykia (Russia)	-----	Russia
Labuan (Zone in Malaysia)	-----	South China Sea
Madeira Isl. (Portugal)	-----	Europe
Malta	Valletta	Mediterranean
Saskatchewan Ind. Res.	-----	Canada
Solomon Islands	Honiara	South Pacific

OTHER NATIONS OF NOTE:

Country	Status & Recent Development on Internet Gambling
Australia	In June 2001, online gaming was prohibited to Aussie citizens. Casino business can locate there, but cannot accept domestic players, only foreign ones.
Costa Rica	Rumors point to the adoption of a national licensing policy in 2002. Would give official status and greater credibility to the industry.
Germany	Lotteries are legal. Online casino gambling is not.
Gibraltar (UK)	Some forms of gambling are legal but not online casinos.
Guernsey (UK)	New laws legalize sports betting. Online casinos excluded at this time.
Liechtenstein	Legalized online lottery only. No Internet casinos.

Macau (China)	Now taking letters of intent for gambling licenses. Wealthy corporations only need apply.
Sweden	Considering legalizing online gaming. Land-based casinos recently legalized.
South Africa	Considering licensing online casinos. Established advisory board to research/recommend.

As economic policies change, this list of gambling-friendly nations may grow. Change comes more slowly to legal codes than to the Internet. But it does come.

While there doesn't seem to be much hope for laws in America, lawmakers in other parts of the world are realizing the economic windfall to be gained by staying ahead of the technological curve and breaking new Entrepreneurial ground. The incentive is there.

Use the Web to surf sites of gambling-related organizations. Keep your eyes on world news and current events and your ears open for the latest cyber-scuttlebutt. You may get an invaluable tip!

Most importantly, to focus their efforts and make the best choice of a base of operation (i.e., a country where Internet casino gambling is legal), Cyber-Casino Entrepreneurs must evaluate and choose a host country that offers the best combination of these FOUR MAIN CRITERIA:

- 1) TECHNOLOGICAL INFRASTRUCTURE (meaning Internet bandwidth capacity)
- 2) Favorable FINANCIAL AND BUSINESS LAWS
- 3) PRIVACY, CONFIDENTIALITY, ANONYMITY
- 4) REPUTATION & CREDIBILITY of the host-country's government

We'll discuss these criteria and their ramifications in later chapters.

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CH 3 - In Person, Or By Proxy?

Someone has to put into effect the foundation of legal/financial paperwork for a Cyber-Casino based abroad. *Someone* has to fill-out the contracts, file the required papers, open the accounts, pay the fees, and trans-act all initial arrangements for conducting business.

Someone has to be the Point-man.

BOTTOM LINE: Will you travel abroad and do it **yourself**? Or, will you hire **someone else** to do it for you? That's the question faced by business Entrepreneurs at this next stage in the process.

Also, exactly what financial and legal instruments must be put in place? These and other basic questions are what an Internet gambling Entrepreneur needs to ask and answer now.

As previously stated, the Internet leveled the playing field and put casino ownership/operation within the reach of *Joe Everyman*. But *Joe Everyman* is not a high-powered attorney versed in the myriad of legal complexities involved with doing business internationally.

While some Entrepreneurs may have expertise and can proceed on their own through this minefield without our

meager input, we will assume that most do not fall into that category.

Before making a recommendation regarding the “*In Person, or By Proxy?*” dilemma, a brief and basic review of a cyber-business’ legal and financial foundation (domestic, or offshore) is appropriate, just to provide the novice with a general sense of what now must take place.

OVERVIEW:

When an Entrepreneur wants to run his business under conditions more flexible or advantageous than those found in America, he establishes his business offshore, which simply means “*in another country.*” His business operation is then regulated by the laws of that country, rather than U.S. law.

Since participation in online gambling is illegal for Americans who are subject to U.S. law, the task then is to alter one’s circumstances so that U.S. law does not apply to the business. Again, that simply means establishing the business in another country, because there, they can perform certain business functions that would be illegal back home.

Usually, countries of the world compete to attract foreign businesses by offering tax breaks unavailable to their own citizens. This brings in money and strengthens the domestic economy.

And think about it . . . the Japanese, Middle-Easterners, other nations’ citizens all bring their money here to establish business corporations in the U.S. so they can enjoy “offshore” conditions here that are more favorable than in their own country. That’s perfectly legal.

So, why can’t Americans do the same, in reverse? In fact, they can. And actually, many successful businessmen and major corporations do!

Forget the rumors and old stereotypes about offshore bank accounts being used only by shady criminals and tax evaders. Not true! As long as citizens comply with reporting obligations back in their home country, offshore banking and business is perfectly legal ----- even smart!

And if operating a business would be illegal in one’s home country, then his only option in order to conduct it legally is to take it offshore, establishing the business via the legal and financial instruments of another country, and under its laws.

But...and this is crucial “*but*” . . . these instruments must be kept secret. A U.S. businessman’s involvement must be confidential, so that his or her assets and identity are not revealed to prying eyes back in America, whether those eyes belong to government bureaus, creditors, family, or litigants in a nuisance claim or civil suit.

Unlike America, where privacy has its limits, the laws of most other countries, and especially countries regarded as “havens,” respect and defend a person’s financial privacy and give special protection to foreigners with money to invest there.

Legal and financial instruments (documents) register and establish a business in a certain nation. They designate ownership of the business, the terms of operation, and the control of its financial assets. They give a businessman legal control of his enterprise.

Below are brief layman descriptions of 3 legal/financial instruments that not only Cyber-Casino Entrepreneurs, but all those who take their businesses offshore, must put in place at the outset:

1) OFFSHORE INCORPORATION: THE IBC

IBC stands for “*INTERNATIONAL BUSINESS CORPORATION.*”

A “*corporation*” is defined as an artificial statutory entity created under law through a public filing, with many of the same rights and obligations as an individual citizen. It can hold title to property; can sue or be sued in its

corporate name; is taxed as a separate entity; is of unlimited duration; has free transferability of interest; and its owners and shareholders have limited legal and financial liability for its actions and debts.

For the purposes of a potential Cyber-Casino owner, there is good news in between the lines of all this legalese. Specifically, a corporation can hold title to a property, which is considered a separate entity from its owners and shareholders.

Simply put, this is an extra layer of protection and privacy for an Internet gambling Entrepreneur.

He forms an IBC with its own corporate name. Under the stricter laws of confidentiality found in offshore havens, the names of officers and participants in the corporation are private. This new corporation can legally own property such as bank accounts and trusts. Again, offshore havens apply strict laws of privacy to discourage the prying eyes of government agencies and creditors.

Incorporation is a business mechanism used around the world. Combining it with other legal instruments and conditions available in offshore havens provides an ambitious Entrepreneur with the crucial foundation of confidentiality his cyber-venture requires.

NOTE: Another interesting option some Entrepreneurs employ in structuring their corporations to get-around U.S. law is to give “*technical*” ownership (on paper) of their casino venture to a resident of the country where it is based, who then (by contractual agreement) “hires” the Entrepreneur/U.S. citizen as a high-priced promoter consultant, in perpetuity and for the life of the business and just happens to pay him most or all of the profits generated by the business, while the foreign “owner” receives a nominal fee.

The American Entrepreneur, of course, still owns the business in reality, as is reflected in secret documents that establish the corporation, etc.

2) OFFSHORE BANK ACCOUNT

A bank account is a bank account, right...?

No. What makes them different are the laws of the country a bank is located in and regulated by.

Recent changes in U.S. law have made bank accounts here far less private for their owners, and far more accessible to the prying eyes of others who may want to take the assets. There’s also the matter of taxes on interests and earnings.

A popular stereotype in the U.S. (probably spread by the government) has many people believing that offshore bank accounts are only for people who have something to hide, such as organized crime bosses, drug dealers and underworld types up to no-good.

WRONG!!!

Offshore accounts are for people who want to better protect their existing wealth, while enjoying better opportunities to make more.

Most nations tax their citizens more harshly than they do foreign citizens bringing in foreign money. Why else do you think foreigners consider America a desirable business location and tax haven?

So in turn, many respected and successful Americans (corporate leaders, movie stars, ordinary citizens) make use of foreign countries and the less burdensome and restrictive tax and business laws they offer, in order to enjoy wealth-creating conditions that the U.S. government doesn’t give its own citizens.

Many foreign countries with reputations for attracting offshore money and business investments offer Americans three major enticements not available to them in the U.S.: **(1)** higher interest rates paid on deposits; **(2)** lower or no taxes on that interest; and **(3)** greater secrecy for their business and financial doings.

All three are of benefit to all businessmen. But the latter should be of particular concern to an online gambling Entrepreneur!

If his company's bank account was in an American bank, then *everyone-and-their-grandmother* who could file a lawsuit could find out where the account was located, how much was in it, and where the assets came from. Sadly, this type of intrusion is legal and rampant in the U.S.

Not so in offshore countries known for their progressive banking laws! There, your identity and your money are safe, secure and private. Strict secrecy laws shield bank accounts and other financial records from unauthorized public or personal scrutiny. Bank officers can be jailed for revealing such confidential information.

Further...believe it or not, large deposits in offshore bank accounts are typically safer than in domestic ones. In America, accounts are FDIC-insured up to \$100,000. If a bank goes out of business, the government pays you back...but only up to that amount.

But FDIC insurance has caused many banks to get sloppy with their money and lending policies. Remember the great Savings & Loan disaster in the 80s and 90s? A \$500 billion debacle! More American banks than overseas banks have gone under. In the past two decades, bank failure has been more common in the U.S. than in reputable haven countries.

As for many offshore countries, there are many cases of private insurance companies that insure accounts in full, not just up to \$100,000! Restrictions are fewer offshore, and banks can offer depositors higher rates of interest to make their money grow.

However, nothing is foolproof. Some small foreign banking operations might be 'shady.' Again, **thorough research** is in order. The longevity of a bank (how long it's been in business) may be one indicator of reputation. Certainly, its financial statements are another. Polk's Directory of International Banks, available at most public libraries, allows people to check on the financial condition of any given bank.

Take into consideration the size of the bank's assets (financial power) and its capital (assets minus liabilities). Evaluate bank management and its statement of policies regarding various economic conditions.

Keep in mind the importance of services available to customers. Does the bank accept customer instructions via phone, fax or mail? Does it accept the use of "code words" as identifiers, to speed-up transactions such as money transfers? Also, consider the interest rates different banks offer on deposits (it wouldn't hurt to earn a little money!) and the issuance of credit cards, if the latter will not jeopardize anonymity.

It's important to a cyber-Entrepreneur that the foreign bank he does business through does not keep its records within the United States, where such records, information and accounts can be seized. Except for an onshore correspondent bank, it should have no ties to America.

Also, know that some offshore countries offer tax-free banking (The Bahamas and Caicos Islands, for example), and some have low-tax banking (including Bermuda, British Virgin Islands, Channel Islands, Netherlands Antilles and Panama). Taxation, in addition to privacy, is a major concern to online casino owners.

Other items of note in offshore banking...

Opening an offshore bank account can be as easy as writing a letter. That's all some banks require (plus an amount of funding contained in a money order) in order to get started. Most will not ask for a social security number, unlike American banks with IRS reporting requirements.

To ensure privacy, businessmen with offshore bank accounts eliminate paper trails that might reveal such an accounts by never directly transferring funds from their U.S. accounts; doing business in cash whenever possible; and never using offshore credit cards or checks within the United States. Obtaining cash through a debit cards can replace credit cards and checks.

Also, businessmen are not limited to having just one offshore account, in just one offshore bank, in just one offshore country. Spreading assets around in several accounts with different banks, in different countries,

protects those assets that much more, and eliminates virtually all significant risk associated with banking outside America.

3) ASSET PROTECTION TRUST

Simply put, a Trust is a legal document that creates a relationship between three or more parties:

The **Grantor** (or Guarantor) creates the Trust and funds it with money or property. The **Trustee** manages the Trust, making sure assets are used according to the wishes of the Grantor. And the **Beneficiary** receives the money or property that was placed in the Trust.

Actually, the Grantor, Trustee and Beneficiary can (and often are) the same person. But if the Grantor is not the Trustee, he typically has the power to appoint and replace the Trustee at will.

Banks and trust companies in offshore nations will serve as Trustees for a fee, and have much experience in guiding Grantors in establishing Trusts to suit their needs, in accordance with current law. But the Grantor is free to choose anyone he wishes.

The chosen Trustee should be someone who understands the business plans and financial goals of the Grantor. Foreign Trustees hired for the job generally let the Grantor (the businessman who established the Trust) dictate the use and movement of Trust assets...meaning the Grantor in effect controls the assets just as if they were in his name and located back in America.

The main reason a businessman creates a Trust is to control the money or property without technically *owning* it. If he does not own the assets, then the IRS or courts cannot confiscate them in the event of a lawsuit, divorce, or creditor action. The assets are technically not his property. They belong to the Trust.

A Grantor is then free to “borrow” money from his own Trust, to be used as needed for the purposes of financing and running his offshore business.

He still has to protect the borrowed money, of course, and so may use his IBC (International Business Corporation) to be the legal recipient of the money, thereby maintaining not only protection from potential creditors, but also privacy.

It is important to note that a trust - unlike a corporation - is not a separate and distinct legal entity under the law. For that reason, it is often established in combination with a corporation or other legal entity.

One other note: funding of such a trust must be done through liquid or portable assets. Tangible possessions (such as real estate) that remain on-shore in the U.S. are under U.S. jurisdiction, and are therefore vulnerable to courts and creditors.

There are many types of Trusts. But it is only necessary at this point to understand the basic concept and reasoning for creating one. A lawyer or financial adviser can explain all the niceties and give an Entrepreneur a range of options to best serve varying individual needs.

Different countries have different laws - some more, some less advantageous to a businessman and his particular needs or goals. Fortunately, Entrepreneurs in the process of setting-up business corporations can mix-and-match, establishing their bank account(s) in one country, the legal corporate entity in another country, the trust in still another country.

The smart Entrepreneur will do this to take advantage of the most favorable circumstances he can find. It's perfectly legal. Spreading things out in this manner helps reduce risk. For example, if the owner of a Cyber-Casino spreads-out his money into bank accounts in several different countries and war or a revolution breaks out in one of these countries, assets in his account there could be frozen. But he would still have access to his accounts in other countries.

A businessman can set up an Asset Protection Trust in the British Virgin Islands, have the Guarantor of that

trust be an IBC in the Cayman Islands with a connected bank account in the Channel Islands without significantly more cost than a single-haven strategy, yet could vastly increase his secrecy and security in the process.

Having a basic understanding of the required offshore business/financial structure and a general sense of the reasons why things are as they are is a solid first step in the process.

And the next step beyond this becomes obvious: setting-up the mechanisms. Putting the pieces in place. Which brings the cyber-Entrepreneur back to the question: *"In Person, or by Proxy?"*

Can he (the Entrepreneur) make these offshore arrangements in person, himself? Or should he let someone else do it for him? What is his level of knowledge and expertise? What is his ability to travel? Can he accurately research current business and financial laws in the particular offshore location(s) he is considering for his base of operation?

Again, this is subjective. Different businessmen have different levels of experience and expertise. Some are more "hands-on" and have the need for direct oversight and control in every step of this nuts-and-bolts process. They may already have access to legal and financial consultants and be ready to forge ahead.

Others proceed more slowly and with the hired help of a Proxy who specializes in establishing corporate entities and instruments in specific foreign nations. An Entrepreneur might not ever have to set foot in the new country because the Proxy will go for him.

In addition to the corporate paperwork, such firms will likely facilitate the process of obtaining a business license from the government or gambling regulating agency of that nation.

Simply by choosing a country and accessing gambling-related information through an Internet search engine . . .

For example, typing: *BELIZE, GAMBLING LICENSES*

...the Entrepreneur can find a list of consulting firms that supposedly fit the bill for any given country.

Supposedly...!

Again, anyone can advertise on the Internet. Any firm can say it has expertise in this field. A businessman ready to put his trust in an Advisor/Consultant/Proxy can't just go with the first name on the list or the one offering the lowest fee.

It is up to the Cyber-Entrepreneur to check credentials, ask for a list of past clients, investigate their business license, etc. Whatever it takes for the businessman to assure himself he is in the company of a competent Proxy who can cut through the red-tape (bureaucracy is a constant, wherever you go!) and lay a solid legal and financial foundation for this offshore venture.

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CH 4 - Bandwidth & The Web

The most significant technical problem facing the Internet gambling industry today is obtaining adequate "Bandwidth" to enable the smooth functioning of its complex, high-traffic websites.

For readers who are not Internet technicians, **"Bandwidth"** means "capacity." It refers to the amount of electronic data able to be transferred between computers in a given amount of time by a connection network.

Speed matters in Internet gaming. Web pages containing games need to load quickly. Players want and

demand the sights, sounds and spontaneity of a live casino, with the in-home ease and convenience of the Internet. Delays caused by inadequate phone line connections (bandwidth) spoil the experience. Players have other options, and will go elsewhere.

Standard phone lines, for example, may have less bandwidth than more modern fiber optic cable. Less bandwidth (capacity) means it takes more time to transmit a fixed amount of data.

You may have heard the term DSL (*"Digital Subscriber Line"*) regarding supposed high-speed Internet connections. High/Low Bandwidth means faster/slower speed and shorter/longer connection times before data is transferred intact from the server to the requesting computer.

(In addition to phone lines, the quality and capacity of the computers involved affects bandwidth and the speed of information transfer.)

This concept is important to a cyber-Entrepreneur because it impacts the speed and quality of a player's gaming experience in a Cyber-Casino.

The software powering Internet casino games is complex. There's a lot of data to be transferred between computers as the gambler plays his choice of game.

Slow data transfer and slow computer connections take away the sense of immediacy crucial to enjoying online gambling. Advances in technology have created consumer demands for faster and better service in all industries. Those who can't meet the demand won't long remain in business because they won't have customers.

In laying the foundation for his Internet-based casino, an Entrepreneur needs to have an overall understanding of the "Bandwidth" concept, and why it must be a consideration in choosing a country of operation and a Web Host to run his server. Bandwidth is such a crucial aspect of Cyber-Casino operation because the interaction of player and casino must be immediate, in real-time.

THE CONCEPT:

In a loose, basic sense, *"Bandwidth"* is the size/capacity of the under-the-sea transcontinental cables that connect not only telephones around the world, but also computers. Picture that within these cables are hundreds, thousands of thin wires, over which pulses of electronic messages run, carrying data for voice translation or computer information.

Major national telecommunications companies (such as Pacific Bell) own most of the lines and cables. And they sell/rent bulk access to **"Web Hosting Companies."** (For example, "Exodus.")

A Web Hosting Company is basically a company that sells bulk connections to the Internet, and has a computer system powerful enough to process, route and direct the necessary flow of data.

Whereas an ISP has mainly individual or household consumers as its customers, Web Hosting Company clients are typically businesses, corporations, or anyone with a website. (The consuming public doesn't really need to know or use a Web Hosting company, which is why AOL is a household name, and Exodus isn't.)

After purchasing access to phone lines and cables in-bulk, Web Hosting Companies in turn sub-divide and sub-lease access to (and use of) those lines to businesses for the efficient operation of their website.

An online casino that chooses and subscribes to a Web Hosting Company with access to *more phone lines* and *higher quality phone lines*, and with *state-of-the-art, high-capacity computer server systems* to process the flow of data over the phone line connections, will have a faster, more accurate transfer of its complex data between its computer server and its customers.

1) Bandwidth Options from Web Hosting Companies

There are 3 primary types of hosting options in which the Web Host provides Internet connection service to client companies: 1) Co-Location 2) Dedicated 3) Virtual.

In **Co-Location Hosting**, a business owner physically brings his computer/server to the Web Host Company. He owns it, but they provide the Internet connection, availing the businessman of their greater bandwidth capacity to handle more Internet traffic accessing his site. They also provide 24-hour monitoring of the connection and repair service if the connection goes down. (This is generally an option for true “power-users” with in-depth computer technical knowledge.)

With **Dedicated Hosting**, the Web Host Company dedicates a server (or a portion of a server) to serving only the businessman’s website. He is buying use of the Host Company’s greater bandwidth capacity and is typically given personal log-in access to configure and manage his own website. (This is also a popular option for “power-users.”)

With **Virtual Hosting**, the cost of service drops because the Hosting Company is able to route multiple business clients (their websites) through its computers to the Internet on the same lines. (*This is pretty much the “Economy Class” of hosting options: lower cost to client; efficient service if server is technologically up-to-speed; but you have to share capacity and service.*)

For a complex Cyber-Casino requiring great bandwidth capacity on an exclusive, guaranteed, no-fail basis, only the first two options will fulfill its needs. But there is more to consider.

2) Bandwidth Capacity Changes with Geography

Most of the world’s high-quality fiber optic phone cable is laid in the United States, where Internet gambling is illegal. So, when an Entrepreneur goes offshore to base his operation, his chances and options for use of state-of-the art fiber optic cable (to connect his casino with the Internet) drops.

In terms of phone line capacity and connection quality, fiber optic cable is far superior to older, traditional copper wire lines. Fiber optic cables carry “light” pulses that travel at the speed of light. They do not degrade in quality along the way. Traditional copper wire carries electronic pulses that travel slower and can degrade.

An Entrepreneur scouting for location has to find a country with adequate infrastructure (phone cable), a high level of telecommunications technology, and a Web Hosting Company that both sells access to these, and has state-of-the-art computer equipment.

And of course, online gambling operations in that country have to be legal.

Casino websites run by more complex software require greater bandwidth by which to operate. That is something to bear in mind when choosing software options. (*See chapter 5.*)

Even an online casino’s success can affect bandwidth. The more players interacting with a website, the greater the demand for bandwidth to process those interactive connections. The infrastructure provided by the Web Hosting Company must be up to the task.

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CH 5 - Software

A website as complex as a Cyber-Casino needs sophisticated software to operate it, allowing hundreds of customers to interact with games simultaneously. Rules have to be applied. Odds calculated. Payouts made.

Imagine all those card decks being shuffled, roulette wheels spinning, dice rolling, slot machines churning - and

all as visual graphics on hundreds, even thousands of computer screens!

So, where do start-up Entrepreneurs get the software to do all this?

Again, as with all aspects in building a foundation for an online gambling business, there are options to choose from, depending on one's resources, restrictions and needs:

OPTION #1: DEVELOP YOUR OWN SOFTWARE

OPTION #2: RENT SOMEONE ELSE'S

DEVELOPING YOUR OWN SOFTWARE is not a very practical option for at least 85% of potential Cyber-Casino Entrepreneurs for several reasons:

First, it is expensive. Although developing his own software from scratch enables the Entrepreneur to more tailor it to his individual creativity and can really personalize such a casino and set it apart from the crowd, it takes big bucks to accomplish this. Perhaps millions.

Secondly, the businessman is not likely to be an accomplished software designer and so will have to hire a team of designers for the job. Developmental software must then be tested and re-tested according to industry standards. All of this takes time. Time spent on research and development is time the online casino can't be up and operating.

A third reason is that any new software developed typically must then be tested, approved and licensed by the government that licenses the casino operation and has jurisdiction over the server. Officials will likely require that a new software product with no track record in the marketplace be submitted for examination and testing. Since bureaucracies typically move at a snail's pace, who knows how long that could take?

On the plus side, however, is the fact that by developing his own software, an Entrepreneur will not have to pay licensing or royalty fees to use anyone else's software. (*This will be discussed under Option #2.*) And, with new software in-hand, he could potentially enter the licensing end of the business, allowing other Entrepreneurs with other casino sites to use his software in exchange for a set monthly/annual fee and/or a share of the profits from those sites.

The alternative - **RENTING SOMEONE ELSE'S SOFTWARE** - is a far more popular option for Entrepreneurs who have chosen to enter the online gambling industry and open their own gambling websites.

If someone else has already designed a workable product to power a new start-up casino online, and save others the time, expense and trouble of doing it themselves, why not take advantage of that fact?

As in many other computer/commerce fields in which developers do the R&D and then license their "intellectual property" for use by others, this is the state of the art in the cyber-world of online casinos.

Even though the Internet is a relatively new phenomenon, there are already dozens of companies in the e-marketplace called *INTERNET GAMBLING SOFTWARE PROVIDERS*, which sell the use of their casino gambling software to business Entrepreneurs under a variety of financial terms. So once again, an Entrepreneur has **OPTIONS**.

Below is a list of Internet Gambling Software Providers culled from the Internet. They may differ in terms of software types and games featured. All might not offer casino games.

INTERNET GAMBLING SOFTWARE PROVIDERS

1) AC&G Software www.blackjackchamp.com

Based in Israel. Focus on blackjack gaming software/development.

2) Access Gaming Systems www.access.com.au

Lottery and casino games; Game Development Kit (GDK).

3) Action Sportsbook System www.sportbooksystem.com

Internet-based sportsbooks.

4) Autotote www.autotote.com

Pari-mutuel gaming and lottery.

5) Bet and Chat www.betandchat.com

Online gaming technologies company.

6) BingoGold www.bingogold.com

Antigua-based corp. specializing in design, sale & licensing of gaming software.

7) Boss Media www.bossmedia.com

Turnkey solutions for online casinos.

8) Buzztime www.buzztime.com

Interactive TV and wireless game company.

9) Casino Age www.casinoage.com

Turnkey solutions for online casinos.

10) Casino Builders www.casinobuilders.com

Promotes 3D Avatar software featuring player interaction.

11) Casino Consult www.casinoconsult.com

Software for casino gaming, administration, accounting, banking and finance.

12) Chartwell Technologies www.chartwelltechnology.com

Specializes in Internet and Intranet gaming software.

13) Creator Capital www.creatorcapital.com

Interactive gaming software.

14) Cryptologic www.cryptologic.com

Gaming software; secure, high-speed financial transactions.

15) Diamond Games (information unavailable)

Java-based internet gaming software.

16) Dot Com 2000 Inc. www.dotcom2000.net

Java-based software; self-installs in less than 1 minute.

17) dot com Entertainment Group www.dceg.com

Publicly traded on NASDAQ. Games such as Bingo, Keno, Slots.

18) Engaming www.engaming.com

Specializes in sportsbook solutions, others.

19) EsportzBook www.esportz.com

Develops and licenses sports betting solutions.

20) Evergreen New Media www.goenm.com

Online casino games.

21) Expertise Technology Innovation www.eti-gaming.com

Lottery and gaming industry software.

22) Fairplay Online BV www.fairplay.nl

Gaming for both online and offline use.

23) First Bingo www.firstbingo.com

Develops multimedia properties.

24) First Multimedia Group www.firstmultimedigroup.com

Software for the Internet gaming industry.

25) GamblingSoftware www.gamblingsoftware.com

Casino games, poker, slots, interactive lobby feature.

26) Game Colony www.gamecolony.com

Multi-player board and card games.

27) GameHouse www.gamehouse.com

Developers of Java-based and Shockwave games.

28) Gaming and Entertainment Technology www.getsystems.com

State-of-the-art online gaming systems.

29) Gaming Insight Plc www.gaminginternet.plc.uk

Interactive gambling products.

30) Gaming Logix www.gaminglogix.com

Licensor of online gaming software and sportsbook software.

31) Global Entertainment Inc. www.globalentertainmentinc.com

Publicly traded company. Business-related software.

32) Global Games (information unavailable)

Develops and licenses software for Internet gaming.

33) Global Interactive www.globalinteract.com

Gaming software, casino management.

34) G-Master www.gmastech.com

Develops online marketing strategies that focus on the online gambling industry.

35) Goldplay Gaming Systems www.goldplay.com

Licenses gaming software.

36) Grand Virtual www.grandvirtual.com

Internet gaming and other software.

37) ICrystal www.icrystal.com

Developer, designer and licensor of lottery and casino gaming software.

38) ICT Software www.ictsoftware.net

Produces Java-based interactive casino gaming software.

39) IGamingSolutions www.igamingsolutions.com

Casino gaming software & systems; 24/7 tech support; R&D; licensing service; more.

40) IglobalMedia www.iglobalmedia.com

Provides e-gaming solutions and support services: customer service, tech, hosting, etc.

41) IGS - Interactive Gaming Software www.igsnv.com

Exactly what the name says.

42) iNet Software www.i-netsoftware.cc

Software design and development for online casinos, sportsbooks, etc.

43) Innoco www.innoco.com

Online gaming software.

44) Intel Game www.intelgame.com

Online gaming turnkey solutions.

45) Interactive Solutions Corporation www.isolutioncorp.com

Casino gaming.

46) Internet Gaming Corporation www.igaming.co.za

Develops, markets and licenses internet gambling software.

47) Internet Global Network Inc. www.ignwin.com

Casino software licensing.

48) Intertainet Overseas Licensing www.ioll.com

Gaming software.

49) Intralot www.intralot.com

Lottery systems and consulting.

50) IQ-Ludorum Plc www.iq-l.com

Software for online casinos and sportsbooks.

51) iTV Games Inc. www.itvgames.com

Gaming and leisure products.

52) IWorlds www.iworldcorp.com

Internet casino games and administration software.

53) Kismet Studios www.kismetstudios.com

Wireless and Internet games.

54) Las Vegas From Home.com Entertainment Inc. www.lasvegasfromhome.com

Multi-player interactive poker software.

55) Legiron Games www.legirongames.com

Bingo software.

56) MGM Gaming Systems www.mgmgamingsystems.com

Crates customized online casino software; all aspects.

57) Microgaming Systems www.microgaming.com

World's largest supplier of online casino systems.

58) Millenium Software Inc. www.millenniumsoftwareinc.com

Software, hosting, transaction processing, customized systems development.

59) Multi-Effective www.multi-effective.com

Online casino and sportsbook software.

60) Muse Gaming www.musegaming.com

Casino software, administrative solutions, customer management.

61) My Lucky World www.myluckyworld.com

Games supplier.

62) Net Entertainment www.netentertainment.com

Develops Java-based online gaming software.

63) Netorg AG - CasinoSoft4You www.casinosoft4you.com

Develops and distributes Internet casino software.

64) Newgold - PlayLink Inc. www.newgold.com

Developer of online games.

65) Next Generation Gaming www.nextgengaming.com

Game design studio.

66) Nous Infosystems www.nousinfosystems.com

Offshore software development and online consultant services.

67) NWDP.com www.nwdp.com

Entertainment software.

68) Odds On www.oddson.com

Interactive gaming software and turnkey solutions for online casinos.

69) OnGame www.ongame.com

Java-based casino games developer.

70) Online Gaming Systems www.ogsltd.com

Develops products for licensed online casinos.

71) OwnCasino.com www.owncasino.com

Processing solutions for the online gaming industry.

72) Piramind www.miramind.com

Internet software/gaming development.

73) PlayStar www.playstar.com

Offers a shockwave-based casino software package. Publicly traded company.

74) Poker.com www.poker.com

Poker games and software technology for online casinos.

75) Radiate Software www.radiate.com

Internet casino software.

76) Random Logic www.random-logic.com

Clinet/server, real-time, chat applications, multi-player gaming software.

77) Real Gambling Software www.realgamblingsoftware.com

Online casino games, sportsbooks, lottery, bingo, para-mutuel wagering.

78) Realtime Gaming www.realtimegaming.com

Offers custom casino software, website design, hosting services, more.

79) Sandbox www.sandbox.com

Sports entertainment company; play-for-fun casino games.

80) Sheftin www.sheftin.com

Flash-based casino gaming and sportsbook software.

81) SportXction www.sportxction.com

System enabling users to wager during live sporting events.

82) Starnet Systems International www.starnetsystems.net

Licenses customized Internet gaming systems to independent contractors.

83) SwissClue www.swissclue.com

Turnkey solutions for online gaming/gambling. Develops both software and hardware.

84) Total Entertainment Inc. www.ttl.com

Websites offer online games, news, e-mail, etc.

85) Trimon Systems www.trimonsystems.com

Online gaming solutions.

86) Unified Gaming Software www.unifiedgaming.com

Leases software to clients who want to run online casinos.

87) Virtgame Corp. www.virtgame.com

Turnkey solutions for Internet gambling operations. Customized for private casinos.

88) WebSports www.websportstech.com

Internet technology for the gaming industry.

89) World Gaming Systems Inc. www.worldgamingsystems.com

Internet gaming business systems.

90) WorldGaming.ca - Creative Media www.worldgaming.ca

Develops and licenses online casino and gambling software.

91) WorldNet Gaming www.worldgaming.com

Digital online casinos, gaming technology, casino merchant processing, marketing, etc.

92) Xirtix Gaming Technologies Inc. www.xirtrix.com

Offers standard and customized Internet casinos.

93) Zotec www.zotec.com

Designs, develops and markets technologies and solutions for the online gaming industry.

An online gambling Entrepreneur enters into a **LICENSING AGREEMENT** in order to legally obtain and use the software developed by the Provider.

The agreement is, of course, a binding contract with terms and conditions. Yet, these conditions vary widely, depending on the Provider. Some will charge a licensing fee. Many of those will also require that a percentage

of monthly revenues from a casino website using their software be paid as a royalty.

Some Providers offer their “marketing services” to publicize and attract customers to the start-up site. Others require this marketing arrangement as part of the licensing agreement. Also, some Providers will require the Licensee to rent or buy specific equipment (typically server-related) at an extra cost, while others include it with the overall package.

So again, an Entrepreneur has options and can shop-around for the best software, the best conditions of use, the lowest fees, etc. Contacting several Software Providers is recommended.

Many Internet Gambling Software Providers have existing agreements with one or more foreign governments in countries that permit and license online gambling operations.

Such governments may prefer or feel more comfortable with a start-up operation that uses that Provider’s software.

This relationship, established between Provider and Government, could be helpful to the Entrepreneur in facilitating the license application process and basing his business and computer server in a particular foreign country, assuming the country in question is acceptable in terms of other foundational aspects to consider, which have been discussed earlier.

ONE MORE ITEM of general information regarding the computer software that operates online gambling operations...

Currently, there are three types of software in use in the industry. Each has its advantages and disadvantages. Again, while most Entrepreneurs are not software technicians, it can be helpful to at least be familiar with the basics and the lingo.

THE MOST POPULAR TYPES OF GAMING SOFTWARE:

1) *DOWNLOAD-BASED (CLIENT-SIDE)*

Although the technology for Download-Based software is only several years old now and was once the first and only type of software platform available, online gamblers now consider it to be a bit more cumbersome than platforms that have come along since. Still, it is the most prevalent software type used to run interactive games of chance in Cyber-Casinos.

The “download” reference in the name means the software has to be *pre-installed* on a person’s computer before he can play games in an online casino.

Just as popular programs like Microsoft Word (for word processing) and Excel (spreadsheets) often come pre-loaded onto a computer’s hard drive at the time a consumer purchases the system and software, other programs have to be downloaded in similar fashion, typically by inserting a disk or CD-Rom of gaming instructions for a computer to read, or by accessing such instructions at a website.

Customers download the casino gaming program onto their computer’s hard drive by one of these methods, and then are free to play and interact with the online casino.

ADVANTAGES: - Speed of play (after downloading) is generally faster

- High graphics/image quality
- Considered to be very secure
- Can place casino/software Icon on user’s computer Desktop

DISADVANTAGES: - Downloading process is time-consuming: minutes, not seconds

- Each type of casino game played must be downloaded separately

- Downloaded software takes up space on a computer's hard drive
- Upgrades (improvements) to the software must be downloaded too

2) BROWSER-BASED

Whereas Client-Side programs are played within an application and downloaded to a player's computer, Browser-Based programs are played within the Internet browser of the computer and do not require the often time-consuming process of being downloaded. There are several names in Browser-Based programs, but two popular ones make up the vast majority now in use:

FLASH

Flash software technology was developed more recently and does not require downloading from website to computer hard drive. It transmits sounds and images over the Internet from a casino's website and plays them on a gambler's computer screen as soon as they are received. (It's like watching TV, but a little bit slower.)

However, Flash does require that a user's computer have something called PLUG-I, a plug-in enhancer that enables a user's computer to play a casino's pre-prepared audio and full-motion video. The PLUG-I can be easily downloaded free-of-charge from an Internet website.

ADVANTAGES: - No download of casino games required in order to play

- Doesn't take up space on computer hard drive
- Plays in near real-time
- Capable of viewing full-motion video using Plug-Ins

DISADVANTAGES: - Requires download of the PLUG-I

- Audio/Video speed/quality depend on quality of connection to Internet

3) JAVA

As with Flash, casino games run on the Java platform (originally developed by Sun Microsystems) do not require downloading. Java plays through a compatible web browser such as Netscape or Internet Explorer, both of which are commonplace in personal computers with online capability.

Unlike Flash, it does not require PLUG-I and is therefore considered the software program providing players with the most immediate gratification. It allows a gambler's computer to display casino sounds and images onscreen as soon as they are received from the server.

ADVANTAGES: - Faster initial connection time vs. Download-Based software

- Greater "average user" market reach through use of browser
- Software upgrades are automatic; no need to download
- More real-time than Download-Based.
- Takes up no space on computer hard drive.
- Capable of viewing full-motion video without using Plug-Ins

DISADVANTAGES: - May sacrifice ease of play compared to Download-based

- Audio/Video speed/quality depend on quality of connection to Internet

It might be best for a future online casino owner to sample all three software types before making a choice for his own operation. Most casino sites will state which type of gambling software they use to run their games. Software developers, of course, are biased, and will extol the virtues of their particular platform and product, while trashing competing ones.

An Entrepreneur should review the client lists of Internet Gambling Software Providers he is considering. A proven track record of partnership with many independently owned and operated online casinos suggests the Provider's software is stable and secure in performing the function required of it in the marketplace.

Also know that computer software technology advances daily, with new programs and platforms under development. Newer and even better software types could hit the market at any time. It may be worth keeping an eye on current news and trends in the industry to stay ahead of the technological curve.

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CH 6 - Software

MERCHANT ACCOUNTS: CASHING-IN & PAYING-OUT

All online commercial activity in which money is exchanged requires a financial Middle Man: someone to guarantee to consumers and to sellers/service providers that the exchange of payment for product/service will be performed as agreed.

If a consumer buys a CD and pays by credit card, the cost is debited from his credit account. But credit card companies don't want the hassle of dealing with millions of merchant businessmen (sellers/service providers), verifying credit status on millions of customers daily. They want someone to act as intermediary and do the dirty work for them.

That 'someone' is a "**Merchant Account Company.**"

So, what does this mean to an online gambling Entrepreneur and his Cyber-Casino?

HOW A MERCHANT ACCOUNT WORKS:

An online casino *is* a seller/service provider. It is a business "*merchant.*" Most customers pay for its services via credit cards. The casino needs to verify that a customer's credit is good and that the credit card company will pay the debt incurred.

But the credit card companies won't deal with the casino directly.

The Merchant Account Company is the intermediary that gets the information for the casino by checking the world-wide database of credit information and confirming a credit card company's approval - its promise to pay the casino for the debts incurred by the consumer.

A "**Merchant Account**" is a relationship between a business that sells a product or service (merchant), and a middleman Merchant Account Company. The former hires the latter to perform this verification. The business also pays a "*Discount Rate,*" a percentage of each transaction processed.

Why does an online casino need a Merchant Account?

Since most consumers use credit cards to purchase online goods and services, a casino owner who tried to

eliminate the Merchant Account Company middleman by declining credit cards would be out of business - fast! Their use facilitates all e-commerce on the Web.

Credit cards are the primary instruments by which money is transferred on the Internet. Unlike other forms of payment, their advantage is instantaneous verification. Most people won't take the time to write and mail a check, buy a money order, or risk sending cash, when all they have to do is type in their credit card number, hit the "SEND" button to submit the order, and have their purchase approved and on its way.

SOME GENERAL CONCEPTS:

THE "GATEWAY"

Merchant Account Companies can provide this service only because credit card companies have pooled their massive databases of credit information on consumers worldwide and created a connection giving Merchant Account Companies quick access.

This access is called a "Gateway." When a consumer types in a credit card number and clicks "SEND," the Gateway is activated, the database accessed, and the transaction either approved or declined. Approved transactions are listed on the customer's monthly statement and debited from the account, which now must be paid.

CHARGE-BACK

At month's end, the consumer receives his statement from the credit card company. If he is not satisfied with a purchase, he may "dispute the charge" and the credit card company may instruct the Merchant Account Company to negate the transaction and give the customer back his money.

This is a "*Charge-Back*" of money from the Merchant to the consumer. It protects customers and keeps merchants honest.

DISCOUNT RATE

Merchant Account Companies, in return for their services, typically require "high-risk" clients to pay them a certain percentage of their profits from doing business via those services and having the ease of credit card payments to cover player debts.

This is called a "Discount Rate," and is generally somewhere around 5-6% of the total amount charged on an individual player-customer's credit card. However, in choosing a Merchant Account Company, there is room to negotiate the percentage downward to maximize profits. There are many such companies to choose from which gives a casino owner some leverage. Lower Discount rates mean higher profits.

TRANSACTION FEE

If it seems like the fees are adding-up here, they are.

Generally, Merchant Account Companies also charge a fee for each credit card transaction it processes for the client by accessing the worldwide credit database and obtaining approval for purchases of a casino's services. Typically, this fee is around 50 cents. But again, there is room for negotiation. The lower the fee, the higher a client's profit margin.

LOSS PREVENTION

Merchant Account Companies protect themselves through a policy of "Loss Prevention" in order to reduce the possibility that clients might take their credit card income, close-up shop, and leave them with the responsibility to reimburse dissatisfied customers who complain to credit card companies that services rendered were substandard, or didn't meet expectations.

This is their way of verifying that clients are reputable, honest, and that they'll be around and in business past their initial start-up period.

To this end, Merchant Account Companies typically set aside a certain portion of a "high-risk" business' income *for the first several months* of operation, holding it as collateral in case the business should go-under, behave disreputably or incur a rash of customer complaints.

In time, however, when a positive track record is established, this withheld profit is passed back to the client after the Merchant Account Company has deemed it trustworthy.

The period of time for which this collateral is withheld can be negotiated.

KEY CONCEPTS RELATED TO ONLINE GAMBLING:

HIGH-RISK

A Merchant Account Company takes a risk in the service it provides, because if a business merchant folds-up or is closed-down for whatever reason, it then becomes responsible for reimbursing consumers. In its relationship with the credit card companies and its access to the Gateway that makes its service possible, it is contractually obligated to do this.

Because of scurrilous businessmen and the reputation they have given their industries, online businesses such as adult sex sites and gambling casinos have come to be labeled as "*High-Risk*." A red flag goes up and many Merchant Account Companies will not deal with such businesses.

However, others specialize in serving "*High-Risk*" ventures. They impose somewhat harsher conditions of service, which may or may not be removed after trial period. But they will do business with such companies, opening the "Gateway" of credit information to make casino credit card transactions possible.

Some types of conditions that may apply:

- Higher discount rates

(Usually round 5.5%, it may go up a point or two for "High-Risk" businesses.)

- Higher per-transaction fee.

(Most MACS charge a fee per transaction, about 50 cents. This may go up for "High-Risk" businesses.)

- May put a hold on a casino's income for several months at the outset of service.

(This, to minimize the possibility of the site closing or absconding, until it proves itself trustworthy.)

Obviously, the Merchant Account Companies set the bar higher for these types of ventures. But for the reputable Cyber-Casino, based on solid management and execution, this is an obstacle easily overcome.

One note of caution, however:

An Entrepreneur should require as much integrity and performance from a Merchant Account Company as it requires of him. Companies that accept "*High-Risk*" clients may be hiding something and may not be strictly legit themselves.

Not all Merchant Account Companies are alike. Some are small, unstable, and have been known to "*cook the books*" and skim profits that belong to their client businesses. Some Merchant Account Companies have outstanding reputations for service and honesty.

A businessman at this stage of laying the foundation for his Cyber-Casino should not make a misstep here. Research and comparison-shopping are in order.

While not vouching for reputation in any way, below is a list of Merchant Account Companies that do accept "High-Risk" clients such as online gaming casinos. (Description of services was provided by the given company, and should be verified.)

MERCHANT ACCOUNT COMPANIES

ACCEPTING HIGH-RISK CLIENTS:

1. MerchantWarehouse.com www.merchantwarehouse.com

Equipment and software. No application or set-up fees.

2. Venture Financial Group, Inc. www.leaseventure.com

Specializes in casinos, sportsbooks and other businesses needing high-risk merchant accounts. Can accept credit cards with offshore services.

3. Secure Offshore Merchant Accounts.com www.secureoffshoremerchantaccounts.com

Offshore merchant accounts for gaming, casino, lotto, sports books, adult, etc.

4. Total Payment Solutions www.totalpaymentsolutions.com

Merchants of all types, high-risk merchant accounts including adult, travel.

5. Worldwide-merchant-accounts.com www.worldwide-merchant-accounts.com

Specialize in high-risk merchant accounts. High processing volume needs. Offshore processing available.

6. Merchant Account Locators www.free-merchant-account-info.com

Some free services.

7. Merchant Account Express www.merchantexpress.com

Full range of e-commerce solutions.

8. Credit Card Processing.com www.credit-card-processing.com

Free software. Apply online.

9. Premier Media Concepts.com www.premiermediaconcepts.com

Free application and set-up.

10. Merchant Systems.com www.merchant-systems.com

Free Web hosting, free shopping cart, merchant account processing and more.

11. Cash and Solutions.com www.cashandsolutions.com

New merchant accounts, or better credit sought.

12. Total Merchant Services www.e-merchantaccounts.net

High-risk merchant accounts.

13. Ecommerce Package Solutions www.ecommerce-packages.com

Specializes in high-risk, high-volume merchant accounts processing \$50,000 to over \$10,000,000 per month, whether U.S. based or international.

14. Merchant Accounts Pro www.merchant-accounts-pro.com

No leases. No software needed. Receive an instant merchant number.

15. MerchantHawk www.merchanthawk.com

Start-ups to large volume. Fraud scrubbing system. Membership and re-bill management. 48 hour settlement of

funds.

16. QuickCommerce www.qcaffiliate.com

Specialize in new, merchants, Internet, home-based and high-risk businesses. Accept: Visa, MC, AE, Discover, Diners & Checks.

17. Merchant-Systems.com www.merchant-systems.com

No application fee for a limited time only.

18. CorporationTime.com www.corporationtime.com

Incorporate online. \$75.00 plus state filing fees. Merchant accounts.

19. 123 Merchant Accounts www.123-merchant-accounts.com

Retail, mail-order and Internet businesses; batch or real-time processing.

20. Active Online Credit Card Processing www.activeonlinecreditcardprocessing.com

Free quote on rates and fees to help comparison shopping.

21. Absolute Merchant Accounts www.absolute-merchant-accounts.com

Easy online application.

22. DeZines Web Hosting www.web-hosting.com

Provides high-risk merchant accounts. Web Hosting services.

23. High Risk Merchant Accounts.net www.highriskmerchantaccounts.net

Application for High Risk Merchant Accounts and Worldwide Merchant Services

23. Worldwide-Merchant-Accounts.com www.worldwide-merchant-accounts.com

E-commerce solution for online business' merchant account and web design/web hosting needs. A wide range of merchant accounts for a variety of business types.

24. Online Merchant Accounts.com www.online-merchantaccounts.com

Provides high-risk merchant accounts to all categories of merchants.

25. I-card Acceptance.com www.high-risk-loans.com

Accepts all major credit cards online.

26. Merchant Bank Services www.highriskmerchantaccount.net

High-risk merchant accounts are specialty.

27. Casino Merchant www.casinomerchant.com

Can accept credit cards Mastercard/Visa with offshore services.

28. The Global Merchant Account Group www.global-merchant-accounts.com

Specializes in helping secure international, domestic, gaming and high-risk merchant accounts like Visa and MasterCard. Offers a complete solution for your web site, domestically or internationally.

29. GlobalNetMerchant www.globalnetmerchant.net

Easy to get high risk merchant accounts with the best rate

30. Premium Bankcard Service www.premiumbankcard.com

Offers high risk Merchant Accounts to some of the more 'questionable' business types.

(More such companies can be found through the use of Internet search engines by using the key words "High

Risk Merchant Accounts.”)

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CH 7 - Credibility: Building A Good Reputation

Nobody likes a cheat!

Customers want a fair deal. They need to believe a Casino (cyber or otherwise) is trustworthy and reputable, or they'll find another place to gamble.

If an Entrepreneur wants customers to play in his Casino, he has to convince them that it is a friendly and - more importantly - honest place to be gambling his money. Surveys of customers who frequent online gambling casinos shows that their overwhelming #1 concern is the honesty of the website and their fair chances to win.

Internet commerce is still a radically new concept for many consumers who are trying to come to grips with technological changes in the way business is conducted as well as the way goods and services are bought and sold. Both before and after the Internet, gamblers were accustomed to physically going to a Casino, being greeted by real people, interacting with a live dealer at the Blackjack table or Roulette Wheel, plunking-down real money.

That presence and tangibility gave people a sense of trust and comfort, a chance to gauge the aspects of the casino most integral to attracting (and retaining) customers: honesty, friendliness, enjoy-ability, excitement.

Nowadays everything is *virtual*...the dealers, the Blackjack table, the Roulette Wheel, the money. The entire Casino!

A cyber-Entrepreneur can create virtual excitement and enjoy-ability. In fact, that's his job. But HONESTY HAS TO BE REAL! And instilling Internet consumers with a belief in his honesty, in order to allay their fears and hesitations, has to be effective - or else, no customers! Empty virtual Black Jack tables. Idle virtual Roulette Wheels and Slot Machines.

There are other Cyber-Casinos out there with doors open, waiting for players to wander in to take a look. If one casino website doesn't inspire consumer trust and confidence, players will move on and find another site that does.

In this cyber-industry that is now growing by leaps and bounds, Entrepreneurs are using some techniques rooted in the Real World to create a reputation for honesty and fair dealing that is crucial to creating a customer base and retaining loyal players.

In considering how best to build a good reputation for their online casinos, Entrepreneurs should consider gaining/buying that reputation through:

1) GOVERNMENT REGULATION

2) INTERNET GAMING INDUSTRY OVERSIGHT

3) SOFTWARE CREDIBILITY

4) SELF-POLICING

What follows is a closer examination of each of these five aspects.

1) GAINING A GOOD “REP” THROUGH GOVERNMENT REGULATION

When an online gambling Entrepreneur chooses a host country and obtains a license to do business there, he is not only buying a license. *He is also buying the reputation of that particular country's government*, such as its track record for holding the businesses it licenses to high standards of performance and morality.

Scams and scandals make headlines. People are taken-in, duped, and lose money. Other people hear the news and grow suspicious and skeptical. They look to their government to protect them by weeding-out these bad apples. That is done through regulation and enforcement.

Since news travels quickly around the globe now, this principle applies worldwide.

A Cyber-business owner is buying the status of that country's government in terms of how it is perceived by people worldwide. Does the world public see it as a government with the desire and the ability to ensure fairness and honesty? Does it have laws on the books, plus the enforcement capacity? Or is it some third-world dump like Somalia, run by gun-toting gangsters?

THINK ABOUT IT THIS WAY: If you (as a consumer) wanted a government that would protect you against scams and con artists, would you feel better about conducting business in a progressive, industrialized nation like the U.S., France, Canada, or in Togo, a country I defy you to find on the map! *(No offense to our Togonese readers!)*

Internet gamblers feel the same.

OR, THINK ABOUT IT THIS WAY: If you were a sports shoe manufacturer, whom would you hire as your spokesman in order to inspire public confidence and belief in the quality of your product: Michael Jordan, or Chris Dudley? *(Who...??)*

Get the point...?

In buying a country's gambling license, you're buying the business reputation of that country.

In choosing a base country, Entrepreneurs must consider the perceptions and confidence level current and potential Internet gamblers have in said country and its government; whether people believe the government aggressively and conscientiously regulates its licensed Internet gambling operations to guarantee honesty.

In turn, vigilant governments typically demand a demonstration of social responsibility from licensees. For example, controls on under-age gambling and other forms of compliance.

Not surprisingly, consumers who participate in online gambling are very conscious of gaming news, quality control and regulation in foreign countries that license gambling. They know the ones with good reps. Reputation matters to them in choosing an online gambling destination.

Now, of course, all the world's first-rate industrial nations have decided against licensing online gambling operations, or are still grappling with the question. There's no option there Online Entrepreneurs cannot (yet) buy the state or U.S. federal regulatory reputations that have been such a boon to consumer confidence in Las Vegas and Atlantic City. *(And if you could buy it, you'd pay quite a premium!)*

So again, we stress research and good judgment in deciding how much weight to place on this aspect of developing a Cyber-Casino's reputation for honesty and fairness.

2) GAINING A GOOD "REP" THROUGH INDUSTRY OVERSIGHT

This is a second form of gaining reputation through regulation...sort of like becoming a card-carrying member of the Better Business Bureau.

Most industries have a group of participants which promote certain standards of ethical business practices, seeking to better serve consumers and boost the reputation of the industry; thereby allowing affiliated practitioners to benefit by that enhanced reputation.

In other words, public relations.

There are 3 levels of such “oversight” we’d like to discuss:

- Consumer Watchdog
- Casino Industry vested interest
- Impartial Professional Accounting

Organizations in each of the three categories attempt to reduce the influence of unlicensed casinos and “fly-by-night” grifters who, although comparatively rare, have hurt the industry’s reputation and have even stolen money from players.

Each gives consumers and potential online gamblers just one more reason to have confidence in the integrity of the online gambling industry as a whole, as well as a particular casino that takes advantage of these P.R. aspects to build its reputation.

CASINO INDUSTRY Vested Interest Oversight

The *INTERACTIVE GAMING COUNCIL* (IGC) represents the gaming industry. Its members are Internet gambling businesses, software providers, etc. It brings a measure of uniformity of practices to the online gaming industry through a code of conduct and adherence to operational standards. Compliance is voluntary.

The cost for membership, as listed on the IGC website, is a one-time application fee of \$500.

The conduct code for members contains common sense aspects of customer service and good business practice, such as compliance with laws in the country of operation, accountant inspection of software, consumer privacy, and prohibiting gambling by minors.

Members may use the IGC logo (a globe with an orbiting satellite) on their site’s Home Page. And many do so, featuring it prominently, feeling it promotes consumer trust.

The IGC also promotes industry networking and communication between members, as well as dispute resolution between consumers and casinos. In the latter case, however, casinos are not required to submit to mediation or binding arbitration.

Since the Commission is an industry group, and since adherence to standards is voluntary, it is debatable how much weight it truly has in policing the industry. However, the advertising power of the IGC name, logo and their familiarity to online gamblers and players is undeniable. The presence of the logo on a member’s website inspires consumer confidence, justified or not.

The IGC’s website can be found at: www.igcouncil.org

CONSUMER WATCHDOG Oversight

Now, here’s where it gets a little confusing...

The above section talked about the IGC (*“Interactive Gaming Council”*). But there is another IGC...

The *INTERNET GAMING COMMISSION* does not represent the interests of online casinos so much as online consumer-gamblers.

However, in terms of promoting honesty, fairness and accountability throughout the industry, these two manners of oversight serve the same overall purpose.

** (For clarity in distinguishing it from the IGC, we will refer to this body as “The Commission.”) **

Different from and harder-edged than IGC, the Commission is a *consumer watchdog group* that takes a hard

stand against unlicensed casinos and grifter-type operations, with thorough lists of online casinos that are:

- Licensed**
- Licensed & Accredited** (Accredited by the Commission)
- Licensed, Audit In Process**
- Licensed, Information Pending**

As a sort of “shame list” to single-out offenders and throw a public spotlight on them, the Commission also lists sites that are:

- Licensed, But Caution Urged**
- Extreme Caution Urged**
- Unlicensed**

The Commission only accredits “licensed” casinos, and compliance with its Code of Conduct is mandatory, not voluntary like the IGC’s. The conduct code for this accreditation is also more strict, favoring consumer interests over casino convenience, and in that respect holds more weight with informed and discriminating consumers.

“Once we determine a site is licensed, and our auditors have obtained the information noted in our database,” said Sally Anderson, a Commission spokesperson we contacted for further insight, “we award them the Internet Gaming Commission **logo**. They must adhere to a stringent code of conduct, and any violation of our code would automatically remove their accreditation.”

A casino in good standing with the Commission can use the ‘Accredited’ logo on its site as a form of public relations.

The Commission promotes dispute resolution between casinos and customers; gives members (membership fee is a mere \$10) bulletin board access to share positive and negative experiences regarding specific casino sites; does not accept advertising; and touts itself as “*completely independent*” of industry influence, and an i-consumer advocate. It’s website provides information, gambling tips, and directories to help players find reputable casinos.

Serious gamblers know of and use the Commission site and information in guiding their playing habits. Potential gamblers researching the field first can easily find it through an Internet search engine. In this respect, it is advisable that any start-up casino operation court favor with the Internet Gaming Commission, making sure it doesn’t appear on its lists of shame.

The Commission’s website can be found at: www.Internetcommission.com

IMPARTIAL PROFESSIONAL ACCOUNTING Oversight

To enhance their reputation and inspire greater confidence among the gambling public, many online casinos voluntarily submit to auditing by a major international accounting firm.

The accounting firm periodically reviews casino software to certify payout percentages, tests its Random Number Generator (RNG), and in general gives it a clean bill of health in terms of fair and honest behavior in the way the casino runs its gambling operation.

In return, the casino is allowed to feature the accounting firm’s copyrighted logo on its website, as a testament to its reputation for honesty, accountability and external policing. Currently, these are the five biggest international accounting firms whose names you might have noticed on Internet casino home pages:

- PriceWaterhouseCoopers
- Ernst & Young
- KPMG
- Deloitte & Touche
- Arthur Andersen

3) GAINING A GOOD “REP” THROUGH SOFTWARE CREDIBILITY

In a real-world casino, players can *physically observe* the Dealer shuffle the cards; can *physically observe* the ball bouncing on a Roulette Wheel; can *physically observe* the payment of winnings.

In a Cyber-Casino, they must trust of the casino’s computer software; trust that it is monitored and operated pursuant to standards of random chance and fairness according to the definition of “gambling.”

Players worry about fraudulent software programs that rig games against them, lowering the percentage of payouts to patrons or inducing patrons to play more.

While most players are probably not familiar with the technological ins-and-outs, or the software development companies and brand names, an Entrepreneur who powers his online casino with a certain type of software can, in turn, use this to promote the trustworthiness of his Cyber-Casino, as the safest place for an online gamer to gamble.

Of course, the licensing jurisdiction (country of operation) may impose certain standards and require compliance with regard to type, testing or operation of gaming software. This is another aspect the Entrepreneur should investigate prior to purchasing his license to do business.

4) GAINING A GOOD “REP” THROUGH SELF-POLICING & PROMOTION

An online casino’s “Home Page” is an indication of what’s going on behind the scenes, and can help instill customer confidence vigilance, honesty, and concern for player satisfaction.

Most websites (gambling, or otherwise) typically include a Directory of Links on their Home Pages, with topic headings that address concerns of visitors, who click on the link to get more detailed information. This is just good, conscientious customer service.

Many Cyber-Casinos are adopting this attitude by prominently featuring link topics such as:

- “Fair Gaming”
- “Security”
- “Guaranteed Privacy”
- “Reliable Payouts”
- “24-Hour Support”
- “Customer Service / Help Desk”
- “How To Contact Us”

A click on any topic pulls-up brief but pertinent information designed to allay the fears and concerns of online gamblers, who are more likely to feel secure about playing at a site if that Casino has round-the-clock customer

support to respond to e-mailed or telephoned questions.

The cyber-world can feel a bit cold and empty at times. No player wants to feel alone in an online casino. If something goes wrong, there's comfort in believing that Help is just an email away, and that questions and concerns will be taken seriously and responded to in a timely manner.

Also, with things like "identity theft" and "credit card fraud" so much in the news these days, customers want casinos to protect the personal information they give in order to play and wager money.

They also do not want their name put on some mailing list to be sold to sales marketers, who will bombard them with unwanted mailings and telephone calls. Statements guaranteeing the sanctity of all aspects of player privacy are now featured prominently on reputable gambling websites. And if they want to retain playing customers, they live-up to such policies.

Anything the online Entrepreneur can do to make his casino seem more personal, more user-friendly, more above-board and respectable to skeptical consumer and prospective gambler will help a start-up casino entice people to become players, and then retain them as repeat customers.

In the end, successful Entrepreneurs - both inside and outside the online gaming industry - are aware of one bottom-line fact:

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CREDIBILITY = PROFITABILITY

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Enough said.

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CH 8 - Marketing: Bringing In Customers

MARKETING: BRINGING IN CUSTOMERS

If people don't know about a Cyber-Casino website, they can't visit it. An Entrepreneur can either hope customers will stumble across it while surfing the Web; or he can effectively publicize the site to bring them in.

EFFECTIVE MARKETING is absolutely crucial to Cyber-Casino success. In the end, it's all about profits: generating income by creating customer traffic to your website.

Software Providers often have marketing plan strategies they offer to licensees; or they may even require licensees to work through certain professional marketing agencies. Since the Provider typically gets a percentage of the licensee's monthly gross profit ("royalty") generated by the Internet-based casino, the Provider wants to maximize that royalty. Hence, their interest in providing licensees with various strategies to comprise a successful marketing plan

With or without participation from Software Providers, many Entrepreneurs in the online gaming business have developed some innovative methods of spreading the word and drawing lucrative customer traffic into their Cyber-Casinos.

If an Entrepreneur has done any preliminary research into this field, or has any experience with the Internet, he knows about banner ads, “pop-up” browser ads, “pop-under” browser ads, and search engine listings.

Several online casino marketing strategies will be discussed here. But since one or more are, at times, incorporated within others, we’ll save the broadest and most inclusive concept for last.

1) BANNER ADS

Everyone has seen billboards on the sides of roads.

Every Internet user has seen Banner Ads . . . usually a colored block of space with a line of text such as, “LOSE 10 POUNDS IN A WEEK!” or “BUY DVDs ONLINE!” or “CLICK HERE FOR FREE STUFF!” They are billboards on the screens of consumers traveling the Internet via their personal computers.

The concept is the same as a sponsor (seller) buying time on a television station to run a series of commercials advertising his product to consumers who watch programs show on that station.

Internet marketers buy blocks of screen-space (for certain periods of time) on the home pages of Internet Service Providers (such as AOL and Earthlink), search engines (such as Yahoo! and Excite), or other types of websites. Users of those sites and services are then exposed to these Banner Ads, which act as “teasers” to grab attention and hopefully lead to a sale.

But whereas roadside billboards are fixed and static, Banner Ads use the electronic power of the Internet to go one step further.

If a user “clicks” on a banner, the ad space serves as a link and immediately takes him to a pre-selected website where he can get more information and potentially order that product or service. In our case, it would take the customer to the Home Page of an Entrepreneur’s online casino.

Just as TV stations and networks charge different rate to advertisers depending on the popularity (ratings) of the program during which an ad will air (and how many consumers may see it), rates for Banner Ads on the Internet differ, depending on the site, service or ISP that provides the ad space and the amount of Internet user traffic (ratings) it historically generates, according to Internet Rating Services which monitor “hits” on websites.

NOTE: Banner advertising in this straight cash-per-ad form can be expensive. However, some Internet Entrepreneurs (not only in the gambling realm) are experimenting with affiliate programs that pay promoters (ISPs, webmasters with websites, etc.) a percentage of the profits generated by the Internet consumer traffic they successfully direct their way.

*** (Item #7 in this section presents more information on Affiliate Programs.) ***

2) “POP-UP” & “POP-UNDER” ADS

“Pop-Ups” and “Pop-Unders” are similar to Banner Ads, except that they can take the form of their own separate and complete screen on a user’s computer, as if he or she typed-in a web address and desired to go there.

But the personal choice of the user plays no part in it. The “pop” process is automatic. It is a form of advertising, getting your “teaser” read by Internet users. The advertiser buys these ads, and the ISPs or web site operators rig them to activate automatically whenever a user enters or leaves a website, or takes any other triggering action such as clicking on a certain icon or link.

Ads that *pop-UP* typically have a brusque “*In Your Face!*” rationale behind them. They seize front-and-center on a user’s computer screen just as he is entering/exiting a website, or starting/finishing a certain function. Many Internet users find them obnoxious and annoying. However, *Pop-Ups* do get attention; and users must deal with them (close the ad or activate the link) before they can continue surfing.

Ads that *pop-UNDER* are subtler, taking the form of open-but-minimized windows, represented by a rectangular icon on the Task Bar at the bottom of a computer screen. This method is generally less annoying to users, who notice the open window icon on the Task Bar and, sometime before ending their computer session, have to open it, and see what it is.

This type of programmed advertising is purchased through an ISP, website or other such service. Rates, of course, vary depending on how much popularity or “traffic” the site or service has built-up during the life of its operation

3) E-MAIL LISTS

During its relatively few years of broad public exposure, the Internet has generated many huge lists of names of users who agreed to receive promotional e-mailings, typically centered around a theme: hobbies, interests, business affiliations, etc. Their names go onto massive electronic lists, which are subdivided by business interests, hobbies, demographics, etc. and sold as marketing tools to large corporations and small businesses.

Many people who get a free e-mail account or subscribe to an ISP (Internet Service Provider) such as AOL, Earthlink or MSN, knowingly or unknowingly place their names and e-mail addresses on such lists when they sign-up for service.

With such lists, an Entrepreneur can quickly and easily contact thousands, even millions of Internet users around the world, to let them know about a brand new Cyber-Casino making its debut on the Web, or as a periodic teaser to attract new players.

4) INTERNET SEARCH ENGINE LISTINGS

Every Internet surfer used one: Yahoo!, Google, Ask Jeeves, etc.

Simply put, a user type-in a “*key word*” (topic, name, etc.) and the Search Engine scans the Internet for that word, then takes him either to a specific site or creates a list of sites whose officially recorded “key words” match the user’s selection. Cyber-Casino Entrepreneurs can easily register their site with the prevalent Internet search engines.

However, a search for casinos on the Internet could yield a list of hundreds of sites. If your casino is #387 on the list, it probably won’t get noticed. Sites that have more uses of the “key words” are placed higher on the list. Smart casino website designers use words like “*gambling*” and “*casino*” as often as possible in their “key word” text. Many even create an invisible backdrop of “key words” and type “*gambling casino, gambling casino...*” hundreds of times over, in order to be placed at the top of a Search Engine’s list.

It certainly can’t hurt to register one’s casino website with the major Search Engines. However, no Entrepreneur should base his marketing campaign on this strategy. It is just one very small element.

5) CD-ROM DISTRIBUTION

If a Casino uses “Download-Based” software, then the ability to distribute such software on CD-ROM to computer owners and Internet users is a valuable commodity.

Many non-gambling related e-commerce businesses that sell their products over the Internet, and then must ship them, are willing to form alliances with unrelated companies in non-competing businesses, and - for a fee - will include a Cyber-Casino’s CD-Rom and informational material in the shipment, free-of-charge to the consumer.

6) FOREIGN-LANGUAGE/INTERNATIONAL TARGET MARKETING

True, the greatest percentage of Internet users live in the United States. But as discussed earlier, there are potential legal difficulties in marketing to and cultivating cyber-gamblers in America and some other western countries.

However, the foreign market (including the developing world and non-English speaking nations) is still wide-open and growing. And unlike in the U.S., there are fewer or no legal restrictions to hog-tie Entrepreneurs.

A strategy of recruiting players around the world creates a more diverse customer base that can help insulate business profits if conditions in one country or region take a legal or economic downturn.

Sites that offer “*native-tongue translation*” of its text and features into a variety of major world languages (Japanese, Chinese, Spanish, German, etc.) and which equip their Affiliates (see section 7) with banner ads and other marketing tools using these languages, have a leg-up in achieving a world-wide marketing presence and name recognition.

In choosing an Internet Gambling Software Provider, an Entrepreneur with plans to create a foreign customer base for his casino should make sure the software offers “*native-tongue translation*” into the popular languages of the target market(s). People fluent in targeted languages should staff Customer Service/E-mail Help Desks.

Entrepreneurs can also seek-out geographic and language markets that are currently under-served or not being served at all. If there is any sort of Internet presence to support e-commerce (and remember, participation on the Internet in developing countries is growing daily!), then tapping into a particular marketplace and filling a niche before competition even develops could reap huge rewards.

7) AFFILIATE PROGRAMS AND SIGN-UP BONUSES

The concept of multi-layer marketing found in Affiliate Programs is a cutting-edge tool proving to be highly successful - even revolutionary - in directing large quantities of consumer traffic to Cyber-Casinos and other online gambling sites.

It is Multi-Level Marketing, somewhat akin to a “pyramid” organization, but with one major difference - participants do not pay money to take part. Rather, if their efforts are successful in bringing-in paying gamblers to that online casino, they earn payments from the casino they promote. It’s performance-based.

Many large online casinos currently offer such Affiliate Plans. Some Entrepreneurs, looking to avoid the complexities of a casino start-up, choose affiliation as an alternative to starting their own casino. It allows them to earn an income by concentrating exclusively on promotional marketing.

Basically, any Internet-grounded person or business can function as an Affiliate. The process can be as simple as a having a banner ad appear on one’s website or Home Page.

The Casino typically designs a series of pre-approved Banner Ads for use by Affiliates (also called “*Webmasters*”). The banners advertise - and are direct links to - the Casino. People browsing the Home Page may “*click*” on the banner to learn more and then taken electronically to the Casino website.

The Casino automatically tracks where new players come from upon arrival. If the Casino makes money from players who originated at an Affiliate’s Home Page (linked through the banner ad), then that Affiliate automatically receives a percentage of the Casino’s profit made off those players. If the players win and the Casino loses money, there is no penalty.

Depending on the Affiliate Program, this payment structure could be a one-time commission (for the player’s first visit), or could continue to generate payment every time that player returns to the online Casino. His continued activity is forever credited to the Affiliate, who is paid accordingly. Sometimes, for life! The more players an Affiliate brings to the Casino (through his Home Page or website), and the more money those players’ activity there generates for the Casino, the greater the percentage of those profits the Affiliate receives.

In order to continue a “branching-out” or “pyramid” effect, Affiliates are encouraged to expand their income

potential by recruiting other Affiliates to promote the Casino. For this, they receive a "Sign-Up Bonus," which is a percentage of the new Affiliate's earnings. This creates a single-tier, two-tier or multi-tier approach for an Affiliate to build and amplify his payment structure.

All the accounting functions tracking Affiliate participation and success are automatically monitored through the Casino's software. Affiliates are given passwords to be able to check and review their status and account levels.

But Banner Ads aren't the only way Affiliates may attract customers into the Cyber-Casino. Methods such as e-mail campaigns, newsletters, even word-of-mouth are valid as long as the Casino software is programmed to credit the new arrival to the Affiliate's referral link.

And for their efforts on behalf of the Casino, Affiliates receive a check (weekly or monthly) based on the amount of profit-related gambling activity they created through very un-strenuous Internet advertising and promotion.

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CH 9 - Taxes

It's tempting to lead this section with some cute pun about the IRS, etc. But that's been done. So let's just cut to the chase . . .

As long as a businessman scrupulously pays the government the taxes due on income he earns (however he earns it), he is safe, assuming (in the case of a Cyber-Casino Entrepreneur) he has skillfully navigated the hazardous legal waters and is technically in compliance with U.S. law.

As a matter of practicality, the IRS doesn't care where you get your money from, as long as it gets its share.

But remember: there may be more than one government to pay.

For a U.S. citizen with a profit-making business based in a foreign country, he owes U.S. taxes on that income and may also owe taxes to the host country, depending on its laws.

As the famous story goes (and it's true!), the federal government couldn't pin anything on gangster, murderer, extortionist and bootlegger Al Capone during the Roaring 20s. It was only through tax evasion that Al blew it. The rest, you can see on *The History Channel*.

Form 1040, Schedule B, Part II of the U.S. federal income tax return asks:

"At any time during the tax year, did you have an interest in, or signature or other authority over, a bank account, securities account, or other financial account in a foreign country?"

Disclosure is mandatory.

True, many people do not report foreign income and get away with it. After all, the government can't catch everyone! It may be tempting for an American owner of a foreign-based cyber-business to answer "No" to this question, save time and headaches, and hope no one notices.

Our advice . . .

DON'T!

You'll sleep easier at night, knowing the Tax-man is happy.

DON'T TAKE THE RISK!

Does this disclosure compromise the financial privacy a businessman has struggled to obtain in moving his business assets offshore? It doesn't have to.

As long as those assets are based in a "haven" country with strict financial privacy laws, then inquiring minds back in the U.S. (including the government, creditors, litigants, etc.) can learn nothing more about his foreign account. And they certainly can't touch anything in it.

U.S Treasury Form TD-F90-22.1 requires all U.S. citizens, corporations, trusts, etc. that have signature authority/control over a foreign account(s) to report its existence (*if the aggregate account balances exceed \$10,000*).

An experienced tax consultant *might* be able to use the 'authority/control' loophole to perhaps get around this. But failing that, it's not worth the risk.

Access to experienced tax consultation is important for any serious businessman. Since tax laws are constantly changing, and since there are many potential legal issues involved here, it is particularly important for a Cyber-Casino owner.

BOTTOM LINE:

Smart businessmen are honest and protect themselves rather than take chances and risk losing everything. They report their income and give the government its due, avoiding problems in the future.

Better safe than sorry.

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CH 10 - Trial Run

Let's take it from the top in a fictitious example that may not be so fictitious...

Ms. Jane Businessperson, a U.S. citizen and would-be Entrepreneur with 20 years experience in business, two sharp investor/partners, lots of drive and a dream, hears about the lucrative opportunities on the Internet in the field of online casinos.

She has played in Vegas on occasion; even tried a little online gambling. She's got the start-up capital. Both she and her partners have experience in e-commerce. Jane has decided she wants to start her own Cyber-Casino.

For the past year, Jane has been reading up on the subject of Internet gambling and is aware of the uneasy political situation in Washington. She knows that as an American citizen, she cannot legally conduct this new business in the U.S. And, being that she is not one for stupid risks, Jane resolves from the beginning to undertake this venture in full compliance with all applicable laws so that there'll be no surprises or regrets down the road.

Also, as a hands-on type of person, Jane wants to participate as fully as possible in laying the foundation of her Internet casino. So, after careful research and discussions with her partners, tax advisor, attorney and some hired professionals at a gambling industry consulting firm, Jane chooses the Caribbean nation of Antigua as the base of operation for her online casino. Her decision is based on several factors in Antigua's favor:

- a good reputation for financial privacy laws
- a reputable Antiguan bank with policies making long-distance communications and transactions easier for him.

- sufficient telecommunications infrastructure to meet her anticipated needs and the like
- Convenient travel accessibility by air from Jane's home state
- Straight-forward incorporation laws
- An affordable government licensing fee and related costs
- An educated, English-speaking populace/work force
- Advice from other casino owners based in Antigua
- Her consultant has helped set-up 5 similar operations there

Armed with advice from her consultants, and due for a vacation anyway, Jane and her husband fly to the Caribbean for two weeks of fun and sun, arriving in the capital city of St. John's on a warm winter evening (temperature 86 degrees), when back home there's snow on the ground. While there in Antigua, Jane meets with an official from the Trade Ministry to follow-up on the application she (with help from her consultants) submitted two months prior.

She drops by the bank she selected two months ago, following-up in person on the wire transfer of funds she sent through a third-party corporation Jane has an investment interest in.

Also while in St. John's, Jane and her consultant meet with a law professional to draw-up paperwork for the trust and the incorporation documents establishing "Jane's Cyber-Casino" as a legal Antiguan corporation. The lawyer has agreed to serve as the casino's technical owner "on paper," remunerated with a nominal fee for services rendered. But of course, Jane and her partners are the controlling owners of the venture.

A local trust company official is serving as Executor for Jane's trust - again, at a nominal fee - and, when her input is required, will take his direction from Jane.

Jane hires a local real estate agent to help her book a small yet flexible office space that can handle ten people comfortably. She figures that will be plenty as a start.

All the basics are in place when Jane returns to the States at the end of her Caribbean vacation. She updates her partners regarding business arrangements made in Antigua, and sends one of her partners (Alvin) down to Antigua to spend some leisure time enjoying the tropical island and working further with the realtor to finalize the office space booking, plus paying any final fees, etc. on the license when the Trade Ministry gives final approval.

Jane begins a private survey of software makers. Of course, she concentrates on those that specialize in casino gaming. Jane wants the software to be state-of-the-art. The games must have an interactive feel and give a realistic sense of the fun and excitement Jane remembers from her trip five years ago to Vegas.

She reads widely and talks to people with more technical knowledge than herself. Client-side (Download-based) software has its advantages. But Java and Flash are impressive too, and although a bit more expensive, have a feel Jane really likes. Reps from several companies seem anxious to sign-up Jane and her casino as a client. The licensee terms offered are good and get even better as the software companies compete for Jane's business.

By the time Jane signs the contract, she feels she has gotten a nice deal for using the provider's state-of-the-art software in exchange for an initial fee and a reasonable percentage of the casino's monthly profits. Jane and her attorney got the provider to agree to a regressive percentage schedule as profits go up. That means as profits go up, the software company gets less of a percentage in return, providing an even greater performance incentive to Jane and her partners to make this venture work.

The third partner in the business (Jerry) owned and managed a restaurant for 10 years, and has a lot of experience deal with credit card companies and his own merchant account. Too bad his old Merchant Account

Company did not deal with high-risk ventures like online casinos. But that has not posed a problem. All Jerry had to do was speak to several friends for some advice and conduct a little research on the Internet for the names of several Merchant Account Companies that might suit their needs now.

Jerry knows what to look out for. He's heard the horror stories of fly-by-night companies and is careful to make sure he does business with a reputable firm. By the time his part of the process is finished, Jerry is certain he has obtained the services of an experienced international Merchant Account Company to process credit card transactions for "Jane's Cyber-Casino."

Meanwhile, back in Antigua, Alvin has been interviewing potential employees; has chosen an office manager (lured away from a rival online casino) to run the new office operation; signed the lease; and put down a deposit on office furnishings. He's amazed how inexpensive things are in Antigua, from furnishings to salaries. His new office manager has assured him that she can attract and hire a high-quality staff of five start-up office workers at \$7-8 per hour. (Try doing that in the U.S.!)

Alvin then begins putting out feelers for an island Web Hosting Company that provides Dedicated Hosting. None of the three main partners in the venture are computer whiz-kids. The hired staffers will have more expertise in this area. And in a realistic way, the experts at the Web Hosting Company are members of that hired staff. At least at the beginning of the process, they will be paid to manage site traffic, software configurations, etc. Alvin has been very careful in selecting a reputable company with state-of-the-art equipment and a list of very satisfied clients. He's sure he's made a good choice.

The experts at the Web Hosting Company were also helpful in updating Alvin on conditions in the Caribbean telecommunications industry. It's their business to know the situation and be able to advise clients on this matter. True, Caribbean companies are not Pac Bell or AT&T. But fiber optics are not unheard of in this tropical paradise. The e-commerce boom in the islands has led to great technical improvements in the past five years.

Antiguan Telecom (a fictitious name) has perhaps the greatest bandwidth capacity in the entire Caribbean. A.T. provides bandwidth to at least a dozen other online casinos in Antigua alone, and Alvin feels this one is a no-brainer. On the advice from the web host, Alvin goes with A.T.

Let's not forget about Jane back in the States. While Jerry and Alvin have been busy with their projects, Jane has been working with a web designer to create the official "Jane's Cyber-Casino" website. Things are looking pretty good.

An accounting firm has been hired to confirm game payouts and has given the software a big 'thumbs-up.' Jane has joined the Interactive Gaming Commission and is meeting other professionals in the industry. The Internet Gaming Council has also reviewed her site's software and business plan along with her application for accreditation. Once it is approved, the IGC logo will be featured prominently on the home page of "Jane's Cyber-Casino."

Jane, Alvin and Jerry still have to finalize the casino's initial marketing strategy. All are agreed on using some form of Affiliate Program to spread the word and generate customer traffic at the site once it is open. In fact, all three of the partners have business contacts in their former fields and at the personal acquaintance level, who have expressed interest in how such a thing would work. They wouldn't mind getting in on a lucrative venture in their own way, without the start-up outlay and risks that Jane and her partners have undertaken.

Jerry has a friend who works with an Internet marketing firm that deals in designing and placing banner and pop-up ads. Jane has business connections in the Far East and wants to work with them in developing and promoting several Asian foreign-language translations of the casino software to be made available to players on the "Jane's Cyber-Casino" home page with the click of a button.

The weeks and months go by quickly as the three partners sign all the necessary business and financial contracts; confer with their professional advisors; hire their support staff; test their software; make trial runs with the Web Hosting Company; make initial guarantor deposits to the Merchant Account Company; and deal with any snags and unforeseen difficulties that arise.

One by one, the obstacles fall, and the day draws near.

The Antiguan Trade Ministry has granted the operational license. Everything is in place. The foundation was laid with care and precision. And then...

Let your imagination take it from there. Jane and her partners have done their work well and covered all their bases. They're off to a good start. They have every chance to achieve success in the field of online gaming...a level financial success that will dwarf what they expended in time, effort and start-up capital to achieve it.

Write the ending yourself. And let's hope it's a happy one.

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SUMMARY

The process of starting-up any new business, particularly one as involved and fraught with potential legal dilemmas as a Cyber-Casino, is no cakewalk.

An Entrepreneur daring enough to seize this opportunity for incredible wealth on a world-wide scale should know what he's getting into.

Yet, many ARE getting into it! They lay the foundations as summarized in the nine chapters of this e-book, and they're on their way.

From there, results are hard to quantify since any given businessman's experience is so subjective, depending largely on the quality of the foundation upon which his operation is built; the thoroughness of his research; the accuracy of his efforts; the enthusiasm of the team assembled around him; and perhaps a little luck.

It is the existence of the World Wide Web as a tool of communication that has created this opportunity for small-scale Capitalism to reach global proportions.

To those pioneers motivated and courageous enough to venture forth and seize the new day...

Congratulations!

And good fortune!

- the Authors

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BONUS IV - CHECKLISTS

Below are check lists for various parts to help recap and summarize the foundation-building process. Each step is a layer in the process. It is important to ***ask the right questions*** in approaching and finding the right people (experts) to help you get where you you're going.

Since individual circumstances vary, these check lists are not all inclusive. You may (in fact, should) be able to brainstorm additional questions that apply to your unique situation, generated by your experiences with the people you are dealing with.

MERCHANT ACCOUNTS & Merchant Account Companies

What country is the Merchant Account Company based in?

Does it provide real-time transaction solutions? (Gateway)

Does it have Gateway database access for approval for all world credit cards in all countries where players/customers of the casino might live?

What type of client help/support contact does it offer? (Phone, e-mail, etc.)

What is the Discount rate? Is it competitive with rates of other companies? (Negotiate?)

What is the Transaction Fee? Is it competitive with fees of other companies? (Negotiate?)

How much of a deposit (of profits) does the Merchant Account Company require as collateral, and for how long will it be held before being returned?

Does the Merchant Account Company have a track record of stability/reliability?

WEB HOSTING COMPANY

What type of operating system (Windows, Linux, etc.) does it use to run the server?

Does this match your needs?

What is the hard disk space allocation for your website?

What is the web server platform?

Get the technical specs of the server and other hardware

How much data transfer is allowed per day/hour, etc.? Is there a limit?

If your site surpasses this limit, is there a charge for overage?

Is there a CGI bin for scripts?

What country is the Web Hosting Company based in?

How much bandwidth do you get? Is this enough for optimal speed/functioning of the complex casino software? (Coordinate this with the Software Provider)

Is there any particular relationship the Web Host has with the telecommunications company from which it leases access? (Good background info.)

What type and quality of phone lines does the Web Hosting Company have access to through this company? (Fiber optic or wire?) When were the lines laid? (The newer, the better.)

TRUSTS

Can one person be Guarantor, Beneficiary and Trustee?

If you hire a Trust Company to act as Trustee, what is its track record, experience, stability and reliability?

Are there any restrictions that limit or interfere with your behind-the-scenes control of the Trust?

Under the laws of the nation the Trust is established in, are there any restrictions on how the trust is funded, or any other aspect of its terms and function?

Be sure to seek legal assistance in choosing the most advantageous type of Trust to establish.

FOREIGN BANK ACCOUNTS

How much are accounts insured for?

- What are the interest rates and favorable conditions it offers?
- Does it accept instructions by telephone, fax, etc?
- Does the nation have strict laws of financial privacy?
- Under the nation's laws, do you pay taxes on interest earned? At what rate?
- Does the bank have a proven track record of stability?
- How long has it been in business?
- Can prospective depositors review the bank's financial statements?
- What are its assets and capital?
- Have there been any bank failures in that nation?
- Is the nation's general economic condition stable?
- Does the bank keep any records in the U.S. that could be subpoenaed, etc?

IBCs

- How much is the filing fee to establish your type of IBC?
- Do the nation's privacy laws insure the anonymity of the corporate officers?
- Are there any limitations under the nation's laws that would work against you?
- Can the IBC own property such as bank accounts and trusts?
- Can it be set-up by Proxy?
- Of course, expert legal consultation is a must!

SOFTWARE

Renting the product of a Software Provider.

- Does the Software Provider and its product(s) have proven track records of quality/reliability?
- Can you see a list of clients and examine their websites to observe software performance?
- Has the software in question been pre-tested, licensed and approved in the country where your server will be based? (This will save you the time and trouble.)
- Licensing fee? Is the rate comparable to others in the industry?
- Do you pay a royalty (monthly percentage of profits) to the Provider? Is the percentage comparable with other Providers in the industry?
- Other fees? Other conditions of the rental agreement?
- Whether you choose Java, Flash, Download-based, or another software type, is it state-of-the-art?
- Does the Provider guarantee an acceptably high speed of play for its software games?
- How much bandwidth does the software require for optimal speed/functioning?
- Is this level of bandwidth available through your Web Hosting Company?
- Will it provide players with the best playing experience that will keep them coming back?
- Is it upgradeable? What is the charge for future upgrades?

CHOOSING A PROXY

to establish legal/financial aspects of your business, obtain licenses, etc.

- Obviously, does the Proxy have a track record of honesty and reliability?
- Does the Proxy specialize in doing business in the country you are interested in establishing your base of

operation?

Can you see a list of prior clients for references? (May be tricky, but you can ask.)

Fees, deposits required? Are these rates comparable to others in the industry?

Is their proper and competent performance of their function guaranteed?

If they fail to (for example) procure your business license, is your fee refundable?

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BONUS V: DIRECTORY OF LINKS

Below is a list of LINKS to independent websites that may provide further helpful information regarding topics and items covered in the preceding chapters. Many have their own agenda, whether it be product sales, consultant services, industry news/promotion, etc. But they often give valuable insight and information. We provide the list as a guide to personalized research into specific topics of interest, but cannot guarantee the accuracy of material presented.

1) www.gamblinglicenses.com

(Interesting database of licensing information by-country.)

2) www.incorporateoffshore.org/offshore/havens.htm

(A rundown of 13 offshore havens)

3) www.netwinmedia.com/directory/licensing.htm

(List of countries, online gaming consultants, web hosting companies.)

4) www.showhand.com/Biz/licensing.htm

(Government licensing information around the world.)

5) www.lowtax.net

(Offshore business and investing news. Includes gambling topics.)

6) www.gamingbiz.com

(News and other features on Internet gambling-related topics.)

7) www.gamblingandthelaw.com

(Legal perspectives provided by an academic expert in the field.)

8) www.gamblingmagazine.com/articles/37/37-52.htm

(Industry topics.)

9) www.casinoguru.com

(The “news,” “features” and “previous features” links are most relevant.)

10) www.compar.com/infopool/articles/news1vs11.html

(Interesting news clips re. online news and views.)

11) www.playersadvocate.com

(Mostly an industry site, but has some relevant news topics.)

12) www.tax-news.com

(Has a great “OFFSHORE JURISDICTION” link for info. on many countries worldwide.)

By using an Internet search engine, one can easily find a company that provides directories of Web Hosting Companies located in various countries, and geared toward various type of businesses, from standard commercial endeavors to the more "high-risk" adult entertainment and casino gambling websites.

Below is a random list of WEB HOSTING COMPANIES based in countries listed in the licensing chart that appears in Chapter 2. (Being based in countries where Internet gambling is legal, they likely provide service to online casino operations. But a Hosting Company's technological capacity and equipment status is something an Entrepreneur should gauge for himself. The hosts listed are not the only host companies available. This list is provided merely to give readers a starting point in their research efforts.

ARGENTINA

Networkers Internet Business
www.networkers.com.ar

AUSTRALIA

InterAd Australia
www.interad.hl.com.au

BAHAMAS

Bahamas2000
www.bahamas2000.com

COOK ISLANDS

Oyster
www.oyster.net.ck

COSTA RICA

TicoNet
www.ticonet.co.cr

Arweb
<http://arweb.com>

Grupo Tropix, S.A.
www.grupotropix.com

ISLE OF MAN

Island Web Works Limited
www.island-webworks.net

NEW ZEALAND

NetLink
www.netlink.net.nz

Digiweb New Zealand Ltd.
www.digiweb.co.nz

PANAMA

ABC-Host.com
www.abchost.com

ST. KITTS / NEVIS

Privacy Solutions
www.privacy-solutions.com

SWAZILAND

Unet
www.africaonline.co.sz

TRINIDAD

Alexia Consulting
www.alexiaconsulting.com

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