

Written testimony of Adrienne Lodge, Chief Operating Officer of NFC Global and Director of Research at Spectrum Gaming Group regarding House Bill 1140

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Thank you, Chair Atterbeary, Vice Chair Wilkins, members of the House Ways and Means Committee, and Delegate Ebersole, for the opportunity to submit testimony on House Bill 1140.

I am the Chief Operating Officer and Partner at NFC Global, a due diligence services firm founded in 1982 that specializes in investigative research and risk advisory. I am also the Director of Research at Spectrum Gaming Group, an independent gaming consultancy firm. Spectrum is pleased to once again return to Maryland, having previously supported the Maryland State Lottery with consulting and due diligence services, and we welcome the opportunity to contribute our expertise to this important discussion. I have overseen thousands of investigations used to assess the suitability of applicants for gaming and other privileged licenses. Over the past 20 years, my work has allowed me to examine financial crime in relation to the gaming industry and track its evolution alongside the industry's own transformation.

U.S. gaming regulators and financial regulatory bodies are increasingly alarmed by the rise of illegal online gambling platforms. According to the American Gaming Association's 2022 study<sup>1</sup> on the illegal and unregulated U.S. gambling market, Americans bet nearly \$64 billion with illegal online sportsbooks and a staggering \$338 billion with illegal online casinos. Operating without a license, these sites lack essential safeguards, including responsible gambling and consumer protections, and are more vulnerable to exploitation by criminal organizations for money laundering. The absence of oversight allows illicit funds to be funneled through these platforms with little resistance.

When investigating companies on behalf of gaming regulatory clients, one of the primary areas of focus is beneficial ownership. In a regulated gaming environment, the regulator understands the corporate ownership structure and the persons that benefit from gambling revenue and have direction and control over the business- but with illegal providers operating outside the framework, we do not know the beneficial ownership or even where these operators are based. Many appear to be based in offshore gambling jurisdictions such as Malta, Isle of Man, the Philippines, Anjouan, and Cyprus. Transparency is necessary to prevent criminals from hiding their identities behind gambling companies and for the regulatory body to ensure that these persons have the good character, honesty, and integrity to hold a gaming license.

A lack of transparency in the gaming space is not just a regulatory concern- it can be a gateway for more serious criminal activity. When gambling operations conceal ownership and evade oversight, they create an environment ripe for financial crime and exploitation. The U.S. Department of the Treasury's 2024 National Money Laundering Risk Assessment<sup>2</sup> highlights offshore online gaming as

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<sup>1</sup> chrome-extension://efaidnbmnnnibpcajpcglclefindmkaj/https://www.americangaming.org/wp-content/uploads/2023/04/AGA\_SIG\_Sizing-the-Illegal-Market.pdf

<sup>2</sup> chrome-extension://efaidnbmnnnibpcajpcglclefindmkaj/https://home.treasury.gov/system/files/136/2024-National-Money-Laundering-Risk-Assessment.pdf

high risk for money laundering, noting the use of virtual assets as forms of payment presenting additional level of risk due to the anonymity provided. This anonymity allows individuals to transfer and store funds in a manner that is difficult for law enforcement to trace, making cryptocurrency a powerful tool for concealing illicit financial activities.

In 2024, the United Nations Office on Drugs and Crime (UNODC) and United States Institute of Peace each issued policy briefs<sup>3</sup> highlighting the links between illegal online gambling, money laundering, transnational organized crime, and human trafficking—particularly in Southeast Asia. However, this criminal ecosystem has expanded far beyond the region.

The COVID-19 pandemic accelerated the digital shift of transnational crime, forcing organized crime groups to adopt new technologies and expand illegal online gaming operations. This progression has led to the rise of cyberfraud scam centers running a variety of online scams, including "pig butchering." In this scheme, scammers build trust with victims, persuade them to invest in fraudulent investments/cryptocurrency platforms, and ultimately defraud them of vast sums of money. These operations occur alongside illegal online gaming operations run out of scam factories in Southeast Asia, where workers—often victims of human trafficking—are forced to participate. Alarming, a significant number of "pig butchering" scam victims are in the United States. Conservative estimates suggest that by the end of 2023, these syndicates had stolen nearly \$64 billion, with American victims losing billions.<sup>4</sup>

Organized crime groups have leveraged increasingly sophisticated technologies to expand their revenue streams, transforming underground banking and money laundering operations. These networks have integrated illegal and underregulated online casinos and cryptocurrency exchanges as critical components of their financial infrastructure. These platforms are frequently used to mix and disguise illicit funds as legitimate gambling profits, enabling criminals to launder billions of dollars with minimal scrutiny.

Money laundering typically follows three stages:

- Placement – Introducing illicit funds into the financial system
- Layering – Obscuring the source of the funds through transactions
- Integration – Reintroducing the "cleaned" money into the legitimate economy

Illegal online gambling platforms facilitate these processes through methods like cash-in cash-out transactions, collusion between gamblers, and offsetting arrangements. By disguising illicit funds as

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<sup>3</sup> chrome-extension://efaidnbmnnnibpcajpcglclefindmkaj/https://www.unodc.org/roseap/uploads/documents/Publications/2024/TOC\_Convergence\_Report\_2024.pdf

chrome-extension://efaidnbmnnnibpcajpcglclefindmkaj/https://www.unodc.org/roseap/uploads/documents/Publications/2024/Casino\_Underground\_Banking\_Report\_2024.pdf

chrome-extension://efaidnbmnnnibpcajpcglclefindmkaj/https://www.usip.org/sites/default/files/2024-05/ssg\_transnational-crime-southeast-asia.pdf

<sup>4</sup> <https://www.usip.org/publications/2024/05/transnational-crime-southeast-asia-growing-threat-global-peace-and-security>

gambling winnings, criminals can reintegrate them into the economy to purchase luxury goods, stocks, and property.

The anonymous nature of payment methods and the lack of regulatory oversight make these illegal platforms highly attractive for money laundering, further complicating law enforcement efforts—especially with the integration of cryptocurrencies. Most illegal gaming operators are based offshore in unregulated or underregulated jurisdictions, some of which are on the Financial Action Task Force’s (FATF) grey list<sup>5</sup> of countries under increased monitoring to address strategic deficiencies in their regimes to counter money laundering and terrorist financing, or on the black list<sup>6</sup> of high risk countries designated as having serious strategic deficiencies. Some of these offshore operators function completely outside a regulatory framework and place profits above compliance.

The relationship between organized crime, human trafficking, cyberfraud, and illegal online gambling has become deeply interconnected, fueling the growth of the illicit economy. Major investigative reports from *Reuters*<sup>7</sup>, *BBC*<sup>8</sup>, *The Economist*<sup>9</sup>, *ProPublica*<sup>10</sup>, *The New York Times*<sup>11</sup>, *Radio Free Asia*<sup>12</sup>, and *The Wall Street Journal*<sup>13</sup> have shed light on the scale of these operations. However, as scrutiny increases, criminal organizations are likely to adapt, seeking new business models, partnering with seemingly legitimate enterprises, or relocating operations beyond law enforcement’s reach. Some have already shifted outside Asia, investing in licensed but underregulated offshore gambling companies and technology firms to further obscure their activities. Notably, some of these entities have established U.S. subsidiaries, while their parent or sister companies simultaneously engage in illegal markets.

Transnational organized crime groups have infiltrated both legal markets and financial systems to diversify their operations and evade detection. Cases have emerged of criminals owning or supplying illegal online casinos, as well as leasing technology to both legal and illegal operators. Recent law enforcement actions in Southeast Asia suggest that some vendors, suppliers, and technology partners may be profiting from both black-market and regulated gambling sectors. The infiltration of

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<sup>5</sup> <https://www.fatf-gafi.org/en/publications/High-risk-and-other-monitored-jurisdictions/increased-monitoring-october-2024.html>

<sup>6</sup> <https://www.fatf-gafi.org/en/publications/High-risk-and-other-monitored-jurisdictions/Call-for-action-october-2024.html>

<sup>7</sup> <https://www.reuters.com/technology/cybersecurity/trafficking-cyber-fraud-an-increasingly-globalised-crime-interpol-says-2023-12-08/>

<https://www.reuters.com/world/asia-pacific/philippines-cracks-down-illegal-offshore-gambling-firms-2024-06-13/>

<sup>8</sup> <https://www.bbc.com/news/articles/c04nx1vnw17o>

<https://www.bbc.com/news/articles/cd60611407no>

<https://www.bbc.com/news/articles/c2d3w90x86po>

<https://www.bbc.com/news/articles/cw076g5wnr3o>

<https://www.bbc.com/news/world-asia-67471138>

<sup>9</sup> <https://www.economist.com/audio/podcasts/scam-inc>

<sup>10</sup> <https://www.propublica.org/article/human-traffickers-force-victims-into-cyberscamming>

<sup>11</sup> <https://www.nytimes.com/interactive/2023/12/17/world/asia/myanmar-cyber-scam.html>

<https://www.nytimes.com/2025/02/19/magazine/cryptocurrency-scam-kansas-heartland-bank.html>

<https://www.nytimes.com/2024/09/10/business/scammers-trafficking-cybercrime.html>

<sup>12</sup> <https://www.rfa.org/english/news/cambodia/prince-group-investigation-02022024124011.html>

<https://www.rfa.org/english/news/cambodia/prince-group-investigation-02082024130529.html>

<https://www.rfa.org/english/news/cambodia/prince-group-investigation-02122024143012.html>

<sup>13</sup> <https://www.wsj.com/world/china/china-mafia-broken-tooth-wan-kuok-koi-online-fraud-scam-70c09afb>

legal markets by transnational organized crime groups is not limited to gambling operations abroad; similar dynamics are at play within the U.S. financial system. As these groups expand their reach, they increasingly rely on professional money laundering networks to conceal illicit funds, creating a direct link between global criminal enterprises and domestic financial crime.

A growing body of research shows that professional money laundering networks tied to transnational crime groups are actively operating within the U.S., aiding other criminal organizations—including drug cartels—in laundering funds. The U.S. Department of the Treasury’s 2024 National Money Laundering Risk Assessment<sup>14</sup> highlights the growing role of Chinese Money Laundering Organizations (CMLOs), which have become dominant players in the U.S. and global financial system. Their success is due in part to the use of real-time mirror transactions, which allow them to move money while avoiding the risks of physically transporting cash. The misuse of illegal online gaming platforms by these organizations has become an increasing concern as these networks integrate billions of dollars in criminal proceeds into the formal financial system. The way in which Transnational Organized crime groups and cyber criminals have innovated these services and then sold and marketed them to other crime groups will likely mark one of the most significant developments in financial crime in recent decades.

Without the proper regulatory framework, and a concerted enforcement effort, illegal online gambling platforms will remain a gateway for financial crime, enabling organized crime to flourish in the shadows.

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<sup>14</sup> [chrome-extension://efaidnbmnnnibpcajpcglclefindmkaj/https://home.treasury.gov/system/files/136/2024-National-Money-Laundering-Risk-Assessment.pdf](https://home.treasury.gov/system/files/136/2024-National-Money-Laundering-Risk-Assessment.pdf)