



# Department of Justice

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**STATEMENT OF  
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FEDERAL BUREAU OF INVESTIGATION**

**BEFORE THE  
COMMITTEE ON OVERSIGHT AND GOVERNMENT REFORM  
U.S. HOUSE OF REPRESENTATIVES**

**FOR A HEARING ENTITLED  
A CASINO IN EVERY SMARTPHONE: LAW ENFORCEMENT  
IMPLICAITONS**

**PRESENTED  
DECEMBER 9, 2015**

**Joseph S. Campbell**  
**Assistant Director, Criminal Investigative Division**  
**Federal Bureau of Investigation**  
**Statement before the Committee on Oversight and Government Reform**  
**U.S. House of Representatives**  
**December 9, 2015**

Good afternoon Chairman Chaffetz, Ranking Member Cummings, and members of the committee. I am pleased to appear before you today to discuss online gambling and the potential criminal activity which could arise within it.

The Department of Justice takes seriously the issue of illegal gambling, including illegal online gambling, and has carefully used its limited resources to focus its investigation and prosecutions of Internet gambling on those groups engaged in egregious criminal conduct. This includes conduct tied to organized crime, including the La Cosa Nostra, conduct that is part of a larger criminal scheme, and/or conduct that includes locating at least part of the gambling/collection operation within the United States. The Department of Justice continues to successfully investigate and prosecute illegal Internet gambling.

In addition to the Department of Justice's own work in this area, the Federal Bureau of Investigation (FBI) works hard to establish and maintain strong partnerships with both public and private entities in order to combat illegal gaming. One of our priorities has been to work with private sector partners, like the American Gaming Association, to publicize our Internet Crime Complaint Center (IC3). The IC3 is an online tool which allows the public to report tips about suspected online criminal activity, including within the illegal gambling sector. This initiative also leverages the IC3 network to address transnational organized crime (TOC) groups that use illegal gambling as a way to finance violent and illicit activities.

The FBI has also been successful in investigating, and the Department of Justice has been successful in prosecuting, such illegal gambling rings. In 2014-2015, there were four federal trials in Oklahoma City of individuals involved in an online gambling scheme involving Legendz Sports. To date in this prosecution through pleas and convictions at trial, a total of 23 individuals and 2 companies have been convicted for their involvement in this illegal online gambling operation. Of these convictions, 20 individuals and 2 companies have been convicted of RICO conspiracy. The evidence proved these individuals conspired with others from 2003 to 2013 to run Legendz Sports, an international criminal operation that ran online and telephone gambling services based out of Panama City, Panama. The illegal activity involved racketeering conspiracy, operation of an illegal gambling business, and money laundering conspiracy. Legendz Sports took more than \$1 billion in illegal wagers, mostly from gamblers in the United States who were betting on American sporting events. The proceeds were then funneled from

the U.S. to Panama. This is just one example of how the FBI has worked in conjunction with other Federal law enforcement officials, such as the IRS, and state and local law enforcement partners to find those individuals who engage in illicit gambling and end their operations.

In its law enforcement efforts, the Department of Justice is mindful of technological advances and the ever-changing online landscape, and there are several ways in which online gambling can give rise to potential criminal activity. We suspect online casinos, like physical casinos, are potentially susceptible to criminal schemes and money laundering schemes because of the possibility of criminal actors hiding their identity. Online gambling could provide criminal actors with the potential to be anonymous to an even greater extent than in physical casinos. Using online tools, like TOR networks and Virtual Private Networks, criminal actors could conceal their identity, location, and true gambling activity.

Criminal actors could fraudulently manipulate games and conspire with others to use their online gambling accounts to transfer criminally derived funds to each other. A “private tournament or game” could create a platform allowing one person to transfer funds to another person. Once the private tournament is created, the criminal actor could raise their bet to the maximum permitted bet and then fold or intentionally lose. The movement of funds, which appears as gambling winnings to one and gambling losses to the other, is simply a transfer of criminally derived funds. Or the manipulation of a game by co-conspirators could have been a fraudulent scheme intended to steal funds from unsuspecting gamblers.

One of the goals of criminals who generate revenue from criminal activity is to launder their proceeds through our financial systems to make the funds appear legitimate. Criminal actors use numerous methods to launder their proceeds. One of those methods is through the use of casinos. Internet-based casinos, like physical casinos, can be used to launder criminal proceeds.

A person’s online gambling account can be funded through various methods. Some of these methods include prepaid cards, debit cards, credit cards, previous gambling winnings, or in-person presence at a physical casino. An individual wishing to launder criminal proceeds by funding their online gambling account at the casino could structure their transactions in efforts to evade regulatory reporting. A criminal actor could additionally use cash generated from criminal activity to purchase numerous prepaid debit cards. The criminal actor could then use these prepaid debit cards to fund their online gambling account.

The Department of Justice and the FBI continue to use all available tools to detect such illegal activity. For example, Bank Secrecy Act (BSA) regulations applicable to physical casinos also apply to legal online casinos. These Bank Secrecy Act regulations are designed to detect money laundering activity. Bank Secrecy Act regulations also require casinos to file BSA Reports when the casino detects suspicious funding or gaming activity. The FBI reviews these reports regularly in coordination with the Financial Crimes Enforcement Network.

In the age of the Internet, what used to be a crime conducted by local bookies on street corners can now operate as an international criminal enterprise. Working with the Department of Justice and our federal partners, the FBI is committed to bringing criminals to justice no matter where they operate.

Thank you again for the opportunity to appear today. I now look forward to any questions you might have.



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**Joseph S. Campbell**  
**Assistant Director, Criminal Investigative Division**  
**Federal Bureau of Investigation**

On May 15, 2014, Director James B. Comey announced his selection of Joseph S. Campbell to serve as assistant director of the FBI's Criminal Investigative Division at FBI Headquarters in Washington, D.C. Mr. Campbell most recently served as deputy assistant director of the division, where he oversaw investigations into complex financial crime, public corruption, and civil rights violations.



Mr. Campbell began his career as an FBI special agent in August 1990 and reported to the Chicago Field Office, where he investigated white-collar crime, public corruption, organized crime, and drug matters.

In November 1998, Mr. Campbell was promoted to supervisory special agent in the Counterterrorism Division, Weapons of Mass Destruction (WMD) Operations Unit at FBI Headquarters. In February 2001, he transferred to the Denver Field Office, where he supervised the Joint Terrorism Task Force, directing intelligence collection and the investigation of terrorist activity.

Mr. Campbell was promoted in September 2004 to serve as an assistant inspector in the Inspection Division at FBI Headquarters. Then, in December 2005, he was promoted to assistant special agent in charge of the Denver Field Office, where he coordinated the intelligence, WMD, counterterrorism, counterintelligence, and cyber programs.

In March 2008, Mr. Campbell returned to FBI Headquarters as a section chief in the Weapons of Mass Destruction Directorate. In November 2009, he transferred to the Inspection Division at FBI Headquarters, where he served as an inspector.

In September 2011, Mr. Campbell was selected to serve as special agent in charge of the San Juan Field Office, where he led all FBI criminal and national security investigations in Puerto Rico and the U.S. Virgin Islands.

In September 2012, Mr. Campbell was promoted to deputy assistant director of the Criminal Investigative Division.

Mr. Campbell earned a Juris Doctorate from Washburn University and a Bachelor of Arts in political science from the University of Kansas.