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## Online Gambling on MySpace?

         *Legal web gambling will open \$7B window for VCs and sites like Facebook or Revver.*

By **Cassimir Medford**, [Red Herring](#)

A proposed U.S. bill to legalize internet gambling could open a \$7 billion betting window for venture capitalists and social networking sites such as MySpace and Facebook, an industry analyst said.

The bill, proposed earlier this week by Barney Frank, the powerful chairman of the U.S. House of Representatives' financial services committee, could take years to become law—if at all—but its passage would likely unleash a frenzy of investment and acquisitions.

The proposed Internet Gambling Regulation and Enforcement Act of 2007 would create an exception to a law passed last year that makes it illegal for financial services groups to process online gambling transactions. The worldwide Internet gambling market topped \$13 billion in 2006, with U.S. accounting for about \$7 billion.

VCs and others invested in strong social networking and entertainment brands like MySpace, Facebook, Revver, and Tribe.net could be the biggest beneficiaries if the bill becomes law, said Christopher Costigan president of Gambling911, a gambling research site.

"Without the taint of illegality, this is a great business for venture capitalists and established brand names like MySpace, or Yahoo," he said.





"The only problem will be that they will be starting from scratch so they will have a steep learning curve in terms of customer care right off the bat."

But top Internet brands they could also acquire any of the dozens of online gambling firms have seen their traffic decline because of the passage of last year's anti-gambling law.

One social networking and communications site, New York City-based **Raketu**, is already seeking out gaming opportunities in places where online betting is legal, such as Asia. Greg Parker, CEO of the closely-held site, said he might set up an online casino targeting U.S. gamblers if it were to become legal to do so.

"This is absolutely an opportunity but we will have to see if this bill passes," Mr. Parker said. "We already have the accounting and billing systems in place so we can get into that market pretty easily."

Industry observers expect U.S. casinos will jump into the online gambling business if Rep. Frank's bill becomes law. But casinos have a spotty online record and Internet entertainment sites should be better equipped to run online gambling businesses, said Mr. Costigan.

"Casinos like MGM Grand tried online gambling in Europe and they failed," he said. "They will no doubt jump into the U.S. online market but I don't think they will dominate it."

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