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The Illusion Economy

Who Really Wins from Online Gambling?

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The global online gambling industry (iGaming) has experienced enormous and unprecedented growth over the past decade, evolving from a limited local entertainment sector into a highly sophisticated digital ecosystem now valued at more than US$120 billion worldwide. Driven by the widespread adoption of mobile communications, the seamless integration of advanced third-party payment gateways, and the widespread use of decentralised cryptocurrencies, its daily transaction volume now rivals that of major global financial exchanges and traditional banking institutions. However, this vast technological and economic expansion has far outpaced the development and enforcement of international regulatory frameworks.

As a result, the online gambling sector has become a serious structural vulnerability within the global financial architecture and a major source of grave national and international security threats. It is no longer merely a matter of consumer protection, compliance with domestic regulations, or combating isolated fraud. Rather, the sector has been systematically exploited as a strategic instrument by transnational organised crime networks, international drug syndicates, and hostile state-linked actors.

The enormous volume and high-velocity transactions inherent in online casinos, digital sports betting platforms, and prediction markets provide an ideal layer of structural opacity for illicit finance. This structure actively facilitates money laundering, terrorist financing, the procurement of illicit drug precursors, and the systematic circumvention of sanctions on a macroeconomic scale, effectively undermining the foreign policy objectives of sovereign states.

Moreover, the data-rich environments maintained by these platforms, containing millions of records of personal information, biometric verification data, and direct financial credentials, have become high-value repositories and prime targets for state-sponsored cyber espionage and extortion. These environments are now systematically exploited by Advanced Persistent Threat (APT) groups, particularly those officially aligned with North Korea and China, which target both licensed operators and cryptocurrency payment gateways. Such state-backed actors use the sector to generate strategic revenue to finance sanctioned weapons programmes and to gather intelligence to track illicit capital flows or to extort high-value targets.

First: The Historical Evolution of the Gambling Industry

The online gambling industry has undergone a series of structural transformations shaped by the convergence of successive technological developments and international legal loopholes. The sector has evolved from a limited form of entertainment into a complex parallel financial network. In recent years, the global market value of the sector has exceeded US$60 billion and continues to set record highs, while industry observers expect it to surpass the US$100 billion threshold by 2026. This historical and technological evolution has unfolded through three principal stages:

1. The Foundation Phase: Legal and Technological Origins (Mid-1990s)

The Caribbean region laid the legal and conceptual foundations of the global online gambling industry. In 1994, the government of Antigua and Barbuda enacted the Free Trade & Processing Act. This legislation enabled the small island state to grant the world's first official operating licences to companies seeking to establish online casinos. The measure established the concept of the state-backed digital casino that transcends geographical boundaries.

The technological infrastructure required to operate the industry emerged in parallel with these legal developments. Companies such as Microgaming developed the first secure online gambling software in 1994. These firms designed and deployed an integrated infrastructure for virtual casinos. Shortly thereafter, CryptoLogic introduced encrypted and reliable communications protocols. This technology enabled the first financial transactions to be conducted securely over the Internet. Collectively, these developments established the foundational structure of an informal financial system. By 1996, CryptoLogic's InterCasino had begun accepting wagers, and this live operation accelerated the emergence of the industry, enabling its core infrastructure to become fully operational within a few years.

The number of online casinos in operation consequently increased from 15 in 1996 to more than 200 by 1997. Global interactive gambling revenues reached approximately US$1.69 billion by 1998. These figures demonstrated the enormous financial viability of digital casinos. This foundational phase permanently separated the location of betting activity from the regulatory authority that governs it. Moreover, this development established the principle of cross-border service provision, whereby any company registered in a low-tax jurisdiction could offer financial and entertainment services to citizens of other countries without being subject to their local laws.

2. The Phase of Rapid Expansion and Open Access (2000-2010)

The industry entered a phase of major expansion at the beginning of the new millennium, driven by the spread of broadband Internet and the development of global communications systems. Internet infrastructure also matured during the following decade, thereby enabling broad user access. This expansion was heavily influenced by the emergence of smartphones, as betting activities moved beyond desktop computers with the spread of mobile connectivity and the development of dedicated applications. These applications placed digital casinos within reach of every user. As a result, betting platforms became easily and directly accessible to all users.

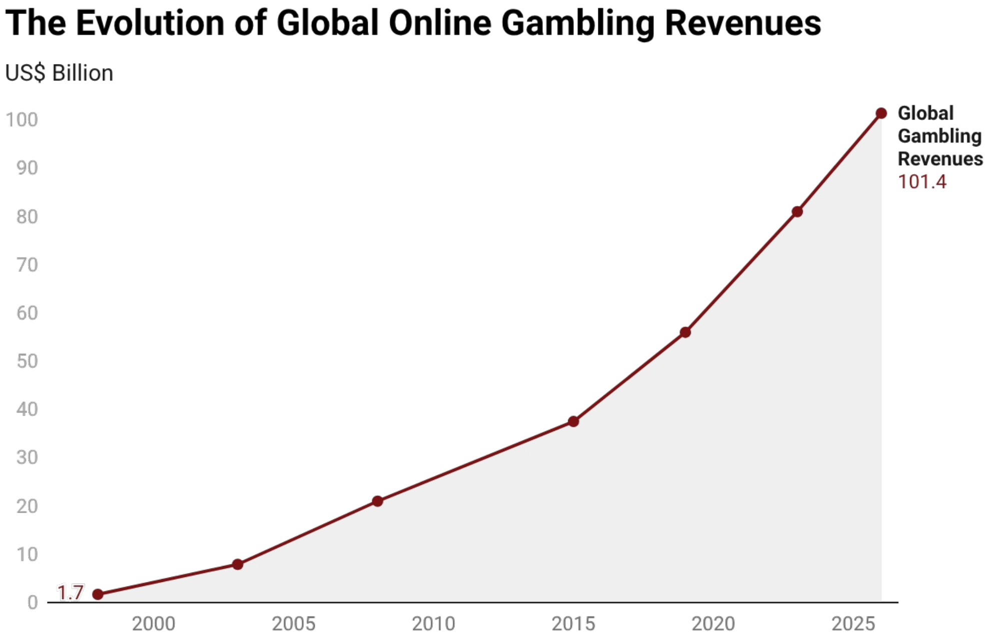
The sector also recorded substantial financial growth during this period. According to data from H2 Gambling Capital, the global interactive gambling market grew from approximately US$7.9 billion in 2003 to around US$21 billion by 2008. Digital sports betting also emerged as a large-scale economic activity alongside this growth. Platforms evolved to include live betting services, allowing users to place wagers as events unfolded. This direct access substantially increased daily transaction volumes, while the customer base expanded to include entirely new segments of society.

This expansion eliminated the geographical barriers that had previously constrained the operations of traditional casinos. These developments outpaced legacy regulatory frameworks, which continued to treat gambling as a land-based activity tied to physical establishments. At the same time, the volume and speed of global financial transactions increased thanks to users' ability to connect third-party payment gateways, local bank accounts, and credit cards to foreign platforms through their mobile devices.

This rapid growth encountered a temporary obstacle in the United States when the government enacted the Unlawful Internet Gambling Enforcement Act of 2006 (UIGEA) to cut off funding to foreign gambling websites. As a result, the share prices of more than 90% of publicly traded online gambling companies fell sharply on the day after the law was passed, while some firms lost as much as 75% of their revenues. Rather than ending the sector, however, the legislation pushed major operators to operate covertly. These entities subsequently established strong bases in jurisdictions characterised by more permissive legal frameworks. As a result, companies maintained rapid expansion that exceeded the capacity of local financial supervisory authorities and traditional law enforcement agencies to monitor or effectively regulate decentralised financial flows.

3. The Phase of Financial Obfuscation and Digital Autonomy (Since 2010)

This phase is characterised by greater complexity and risk due to the integration of the online gambling industry with financial technology (FinTech) and distributed ledger technologies, particularly blockchain. The sector underwent a fundamental transformation through the integration of decentralised financial technologies. The post-2010 period was marked by the widespread adoption of cryptocurrencies and blockchain technology, which led to unprecedented growth in capital volumes. The global market value of online gambling increased from US$37.5 billion in 2015 to more than US$81 billion by 2023. The industry recorded a compound annual growth rate (CAGR) of 9.6%, with expectations that the global online gambling market will exceed US$101.4 billion in value by 2026.



The data captures the major milestones in the market's development, highlighting an initial period of steady and balanced growth followed by an exceptional surge in expansion. This acceleration was driven primarily by the convergence of the sector with mobile communications technologies, alongside the rapid growth of unregulated cryptocurrency-based casino ecosystems.

The challenge during this decade centred on concealing the details of financial operations, a concept known as the "Architecture of Obfuscation", rather than merely focusing on platform size or market expansion. Online casinos adopted cryptocurrencies to establish fully fledged platforms known as Crypto Casinos. In recent years, cryptocurrency-based betting has accounted for approximately 25% of the total digital gambling market. These platforms therefore process tens of billions of dollars.

The category of unregulated cryptocurrency casinos raises significant concern among financial regulators. Cryptocurrency gambling alone generated gross revenues of approximately US$81.4 billion in 2024, representing a fivefold increase compared with 2022 levels. This enormous revenue effectively makes the black market larger in scale than the entire regulated online gambling sector in the United States.

These technologies provided a robust layer of anonymity. This feature made it exceedingly difficult for traditional financial authorities to trace players' identities or determine the true sources of funds. The emergence of digital wallets and third-party payment gateways accelerated cross-border fund transfers.

Decentralised payment networks bypass the oversight of central banks and global clearing systems. This circumvention has proven effective largely due to non-compliance with standard verification protocols, commonly known as Know Your Customer (KYC). The emergence of these payment gateways and Virtual Asset Service Providers (VASPs) fundamentally altered the nature of the threat landscape.

Illicit operators made it considerably more difficult for international regulatory authorities to trace funds by relying on highly encrypted records and privacy-enhancing virtual assets. This financial obfuscation enabled transnational criminal networks and certain state-backed actors to conduct rapid financial transfers. Such transfers are conducted without having to pass through the regulated traditional banking system.

The systematic use of digital concealment technologies enabled both operators and players to circumvent geolocation restrictions and national firewalls via Virtual Private Networks (VPNs) and proxy servers. This persistent circumvention rendered local bans in many countries across the Middle East and Asia virtually ineffective.

Second: Where Is Online Gambling Concentrated?

Understanding the geographical distribution of online gambling (iGaming) requires viewing the industry through the lens of regulatory arbitrage rather than through a conventional supply-and-demand framework. The sector is concentrated and expands on the basis of legal gaps between jurisdictions. These differences create geographical areas that function as operational hubs or safe havens, while other regions serve as target markets for financial extraction.

As the industry matured from the late 1990s through the third decade of the twenty-first century, several distinct regional centres emerged. Each region is characterised by a unique regulatory environment, varying levels of oversight, and differing state capacities. Consequently, the global online gambling map has evolved into a mixture of formally regulated markets operating under stringent oversight, grey markets subject to weak supervision, and entirely illicit black markets.

1. Europe: Regulated Hubs &Offshore Havens

Europe represents the largest and most legally mature market for online gambling. This market is divided between domestically regulated jurisdictions that impose stringent taxes and consumer protection requirements, such as the United Kingdom, Sweden, and Italy, and offshore regulatory havens including countries and islands such as Malta, Gibraltar, and the Isle of Man. These jurisdictions serve as major headquarters for most global betting platforms, owing to their near-zero-tax environments and flexible licensing frameworks that allow operators to target players on other continents without being subject to those countries' domestic laws.

The United Kingdom and the Republic of Malta emerged early as two of the principal centres of the regulated online gambling industry. Malta sought to establish itself as a hub for digital services prior to its accession to the European Union in 2004. As a result, Malta became the first EU member state to comprehensively regulate online gambling. The Malta Gaming Authority (MGA) and the United Kingdom Gambling Commission have established robust regulatory frameworks to protect consumers and prevent financial crime. These authorities also implemented Anti-Money Laundering (AML) and Know Your Customer (KYC) protocols at an early stage.

Despite these measures, the enormous volume of transactions and the remote nature of online operations enabled money laundering networks to penetrate these markets. Illicit actors rapidly adapted to these rules. Criminal networks employ stolen identities, complex multi-jurisdictional corporate structures, and nominee directors to conceal the true owners of gambling platforms.

These vulnerabilities led the Financial Action Task Force (FATF) to place both Malta and Gibraltar under enhanced monitoring on its grey list. Malta was subsequently removed from the list in June 2022 after demonstrating strengthened compliance measures. Gibraltar, by contrast, remained on the grey list. FATF officials explicitly stated that Gibraltar needed to substantially strengthen its oversight of key entities within the financial system, particularly gambling operators and lawyers.

The European Commission's Third Supranational Risk Assessment (SNRA), published in 2022, confirmed these concerns. The assessment highlighted a significant increase in risks associated with online gambling, driven by the ease with which anonymity can be maintained and the persistent challenges involved in verifying the identities of actual users remotely.

2. The Caribbean: Legal Reforms and the End of the Master Licensing System

For many years, the Caribbean Island of Curaçao was regarded as one of the most permissive jurisdictions in the world for issuing online gambling licences. For decades, the island operated under a master licence and sub-licence system established pursuant to the National Ordinance on Games of Chance of 1993. Under this framework, the state granted extensive authority to only four private companies holding master licences, allowing them to operate with virtually no effective government oversight. These companies, in turn, issued thousands of sub-licences to operators around the world.

In practice, this system effectively outsourced regulatory and compliance responsibilities to those private entities. The arrangement enabled operators to acquire a veneer of legitimacy while concealing their true ownership structures and financial flows, and to circumvent anti-money laundering laws beyond the reach of international law enforcement authorities.

i n response to growing international pressure from financial oversight bodies and in an effort to protect its reputation, Curaçao enacted comprehensive legislative amendments known as the LOK (Landsverordening op de Kansspelen) reforms. These reforms entered into full force between December 2024 and January 2025.

The new framework completely dismantled the master licensing structure, requiring the Curaçao Gaming Authority (CGA) to issue licences directly. The legislation also mandates the mandatory disclosure of Ultimate Beneficial Owners (UBOs) and requires strict prior approval before any changes in corporate control are made.

This reform represents a critical step towards the global harmonisation of anti-money laundering and counter-terrorist financing protocols. The sudden tightening of regulatory requirements, however, triggered a large-scale geographical migration. Actors involved in illicit finance withdrew from the Caribbean, either unwilling or unable to comply with these stringent requirements. These entities subsequently relocated their infrastructure, servers, and shell companies to highly volatile illicit markets in regions such as Southeast Asia and the Middle East.

3. North America: The Accelerating Market

The regulatory landscape in the United States underwent a fundamental transformation in May 2018. At that time, the U.S. Supreme Court struck down the Professional and Amateur Sports Protection Act (PASPA). This ruling brought an end to the near-total federal prohibition on online sports betting. Thereafter, the legalisation and regulation of online betting and gaming platforms became the responsibility of individual states.

This rapid expansion led to the inflow of billions of dollars in institutional capital into the U.S. market alongside individual participation. Legalisation transformed betting from an undeclared activity into a major component of the sports and media industries. This shift also helped enhance the sector's global legitimacy.

Despite stricter domestic regulation than in foreign markets, the fragmented regulatory framework across U.S. states has created serious vulnerabilities. Companies operating legally in states such as New Jersey, Pennsylvania, and Michigan are required to comply with entirely different compliance regimes. This divergence creates structural gaps that are exploited by illicit actors.

The large volume of legitimate financial flows has also attracted international money-laundering syndicates seeking to channel illicit funds, particularly those derived from drug trafficking, into the U.S. financial system. The rapid normalisation of gambling has further drawn the attention of federal consumer protection agencies.

The Consumer Financial Protection Bureau (CFPB) has begun monitoring the intersection between the gaming industry and non-traditional financial products. This intervention reflects growing federal recognition that online gaming platforms function as de facto unregulated banks, holding billions of dollars in consumer deposits.

4. Asia-Pacific: The Epicentre of Gray/Black Markets

The Asia-Pacific region represents the greatest paradox within the online gambling industry. It constitutes the world's largest market in terms of the volume of money circulating, even though most countries in the region, particularly China, prohibit gambling activities altogether. Companies operate from jurisdictions with weak or lenient regulatory frameworks while targeting citizens in countries where such activities are prohibited.

For many years, the Philippines served as the principal hub for these operations through Philippine Offshore Gaming Operators (POGOs), alongside special economic zones in Cambodia and Myanmar. This largely unregulated expansion created serious security risks, as organised crime groups, including Triads, control large segments of the sector. State-sponsored hacking groups affiliated with countries such as North Korea also exploit the same ecosystem to launder stolen funds and acquire hard currency. These groups rely on crypto casinos to circumvent international sanctions.

5. Middle East and North Africa: Underground Markets and Silent Financial Drain

The Middle East and North Africa (MENA) region is classified as a zero-tolerance zone, where legal and religious considerations prohibit gambling activities outright. Despite this prohibition, online gambling has spread extensively across the region, flourishing almost entirely within the illicit economy. Companies penetrate these markets through the use of Virtual Private Networks (VPNs), growing reliance on cryptocurrencies, and local P2P payment agents.

The regional gambling ecosystem relies almost entirely on informal value-transfer systems, particularly traditional hawala networks and highly opaque cryptocurrency transactions. This pattern has emerged because users are unable to connect their local bank accounts or credit cards to foreign gambling platforms without exposing themselves to severe legal consequences. Under this model, the bettor delivers cash to a local hawala broker. That broker then communicates via encrypted messaging applications with a counterpart in a more permissive jurisdiction, such as Cyprus or a Southeast Asian country. The counterpart subsequently adds the amount to the user's account on the digital casino platform.

The cash is later settled between intermediaries through trade-based money laundering schemes, gold smuggling operations, or the physical movement of large quantities of cash.

This reliance on informal value-transfer systems constitutes a serious security vulnerability. The hawala networks used to settle gambling-related transactions across the region frequently overlap with financing hubs associated with regional armed groups, insurgent movements, and terrorist organisations. This overlap represents a direct and high-priority threat to global efforts to combat terrorist financing and to broader global security structures.

As a result, the region constitutes a drained market that lacks any legal protection for users. Hard currency leaves local economies daily and covertly through capital flight before ultimately ending up in the accounts of offshore operators. This financial outflow generates a hidden economic haemorrhage that places severe pressure on the local currencies of many countries across the region.

6. Latin America and Africa: The Emerging Frontiers

As European markets approach saturation, the industry's focus is increasingly turning towards Latin America and Africa. Countries such as Brazil have recently moved to legalise and regulate the sector, marking a significant step in this expansion. The rapid expansion across these emerging frontiers is being driven by the widespread adoption of mobile money services and the extensive penetration of smartphones among young people.

At the same time, however, many of these countries lack the cybersecurity infrastructure and financial oversight required to combat anti-money laundering and counter-terrorist financing (AML/CFT) risks. These countries are unable to cope with the enormous scale and speed of digital transactions. This lack makes these emerging markets easy targets for money laundering operations conducted under the cover of online gambling.

Third: Divergent Legal Frameworks: From Strict Regulation to Complete Prohibition

The legal frameworks governing online gambling vary, ranging from stringent regulation to outright prohibition. Some Western and Asian countries have legalised the sector within detailed licensing and supervisory regimes. These frameworks require identity and age verification, as well as the implementation of responsible gambling safeguards. The relevant legislation also requires gambling services to be provided through licensed operators subject to taxation and financial oversight.

By contrast, many countries in the Middle East impose a near-total prohibition on online gambling based on religious and cultural considerations. In these jurisdictions, gambling and betting activities are criminalised without the establishment of a legal framework governing their digital equivalents. Other countries have adopted a limited regulatory approach that falls between these two models. Authorities in such jurisdictions may grant licences to a single platform or to a specific category while maintaining a broader prohibition on gambling activities. As a result, the activity shifts from absolute prohibition to a regulated exception subject to strict regulatory conditions.

The Grey Zone: Widespread Expansion Without Legal Recognition

Many countries lack explicit legal provisions governing or licensing online gambling, while continuing to criminalise gambling in its traditional forms. This gap creates a grey zone that drives users towards foreign platforms operating from outside the country without possessing local licences. This grey zone stems from the substantial disparity between the rapid evolution of digital platforms and the slow pace of legislative updates.

Online gambling activities remain widespread in practice despite the absence of legal recognition, player protection mechanisms, and tax collection systems. Several Arab countries are currently seeking to close this legislative gap. Some are considering specific online gambling laws, while others are expanding the definition of online gambling within existing cybercrime legislation to encompass all digital platforms.

Full Prohibition and Enhanced Criminalisation

Under full prohibition regimes, the establishment, operation, or promotion of online gambling platforms constitutes a criminal offence punishable by law. Criminal liability also extends to parties that facilitate financial transactions for such platforms, with penalties ranging from imprisonment to fines. Authorities typically prosecute these offences under general criminal statutes or specialised cybercrime legislation. Some legislative frameworks go beyond penalising primary gambling platforms to target local intermediaries and payment networks involved in processing financial transfers. These activities are often treated as unauthorised money-transfer operations or as direct violations of societal values and public morality. In many countries, lawmakers are increasingly moving towards imposing stricter penalties. Online gambling is being classified as a form of addiction that poses a serious threat to societal security. This classification has been used to justify the introduction of more severe criminal penalties through recent amendments to cybercrime legislation.

The Offshore Platform Dilemma and the Challenge of Law Enforcement

Most major online gambling platforms register their operations in tax havens or jurisdictions that offer flexible offshore licensing regimes. This arrangement provides these platforms with legal cover in their jurisdictions of incorporation, while placing them largely beyond the direct reach of authorities in the countries where their users reside. As a result, affected states are often limited to measures such as blocking access to websites, prosecuting local intermediaries, and restricting financial transactions linked to these platforms. The effectiveness of such measures is frequently undermined by the widespread use of virtual private networks (VPNs) and alternative digital payment methods. This divergence between the licensing jurisdiction's laws and those of the user's country reinforces a state of legal duality. An activity may be fully lawful in the jurisdiction hosting the platform while remaining prohibited or unrecognised in the jurisdiction where the user is located. The resulting contradiction creates a significant regulatory gap that industry operators can exploit to generate profits at the expense of consumer protection and the regulatory sovereignty of states.

Fourth: The Digital Landscape of the Online Gambling Industry

The global online gambling market exceeded US$88 billion in 2025 and is projected to reach between US$116 billion and US$120 billion in 2026. This rapid expansion has been driven primarily by the growth of digital sports betting and high-frequency products such as in-play wagering and loot boxes.

Total revenues generated by the regulated sports betting sector reached approximately US$94 billion in 2024. Nearly 65% of these revenues were generated through digital channels, making digital sports betting the principal financial engine of the broader online gambling (iGaming) industry.

The licensed gaming and gambling sector channels hundreds of millions of dollars annually into responsible gambling programmes and addiction-prevention campaigns. This proactive investment is intended to mitigate mounting legal pressures. At the same time, such substantial expenditure reflects the scale of the reputational and regulatory risks associated with the industry's continued expansion. This system redistributes hundreds of billions of dollars, most notably through the following channels:

Digital Sports Betting

Between 60% and 70% of sports betting activity has migrated to digital platforms. High-frequency products, particularly in-play and micro-betting, now account for an increasingly significant share of industry revenues. In some European markets, live betting represents more than half of the total wagers placed on a single sporting event. At the same time, most match-fixing cases detected in recent years have been concentrated in lower-tier competitions rather than major professional tournaments. Lower salaries at these levels make it easier, and less costly, to influence specific aspects of a match, such as the number of cards or fouls.

The global financial losses associated with match-fixing are estimated at billions of dollars annually, with such activities particularly prevalent in Asian and European betting markets. Organised criminal groups frequently rely on networks of agents (junkets) and shell-company structures to coordinate these operations. These networks distribute wagers across multiple channels and launder proceeds through numerous small and fragmented financial transactions.

The nature of in-play betting further reduces the need to manipulate the outcome of an entire match. Instead, it creates hundreds of betting opportunities within a single match. Compromising the performance of a single player or referee in a lower-tier league may be sufficient to generate substantial financial returns. This model typically relies on a series of precisely placed wagers distributed across offshore betting platforms.

As a result, each match is transformed into a dense array of betting opportunities. Every action on the field, whether a corner kick, a foul, a booking, or a shot on goal, becomes a potential point for deploying illicit funds, offering low-risk, high-return opportunities.

Esports and Video Games

Field data indicate that approximately 31% of children aged 11-16 in the United Kingdom engaged with loot boxes in video games over the course of a single year. In addition, 13% of individuals within this age group participated in games that simulate online gambling, indicating that minors continue to engage in such activities despite legal restrictions on their use of real money for wagering.

Observers increasingly link spending on loot boxes to elevated rates of gambling-related behaviour. A study tracking more than 7,400 players identified a direct correlation between expenditure on loot boxes and the severity of gambling-related problems. This relationship is entirely absent in other forms of digital purchases that lack elements of chance and uncertainty.

Analysis of aggregated data also indicates a rise in the proportion of adolescents displaying indicators of gambling-related harm in the United Kingdom, reaching 1.7% within just two years. Estimates suggest that the number of affected minors exceeds 50,000. This rapid increase has occurred despite a broader long-term decline in gambling-related problems among adults over the past two decades.

Regulatory authorities have further noted that loot boxes closely replicate the mechanics of slot machines. Their design relies on rapid repetition, intermittent rewards, visual and audio stimuli, and uncertain outcomes. Nevertheless, in most jurisdictions, loot boxes continue to be sold within a legal framework that does not classify them as gambling products.

Field observations have also documented cases in which adolescents have lost digital assets and virtual items through skin betting, with some losses amounting to thousands of dollars in real-world value. These losses occur through wagers placed on external websites that use digital assets as a betting currency, making the origin of those assets difficult to trace.

As a result, these parallel markets effectively integrate minors into a fully functioning gambling ecosystem. This ecosystem encompasses placing wagers, estimating odds of winning, and receiving winnings that can ultimately be converted into cash. Minors can participate in this process without undergoing age-verification checks or being subject to conventional Know Your Customer (KYC) procedures.

Betting on Public Events and Risk Markets

Platforms such as Polymarket host hundreds of open prediction markets. At one point, the platform offered more than 100 markets related to regulatory decisions and over 150 markets focused on security-related issues. These figures reflect the scale of direct wagering on sensitive decisions.

The cumulative number of trades executed on the platform has reached approximately 588 million, with an estimated aggregate trading volume of around US$67 billion across its various markets. This scale of activity has transformed prediction platforms into venues where public and economic expectations are converted into tradable financial prices.

Although liquidity in prediction markets remains significantly lower than in conventional financial markets, it is nevertheless sufficient to generate signals that can mislead public opinion. A rise in the implied probability that a particular candidate will win on a widely followed platform can direct attention to that candidate. Observers may interpret such movements as evidence of informed expectations or broad consensus, when in reality a single actor, or a coordinated group of actors with shared interests, may have injected substantial capital to create precisely that effect.

These markets also provide a dual utility for relevant authorities. On the one hand, they can serve as indicators of investor sentiment regarding events such as elections and sanctions. On the other hand, they can function as instruments for assessing the effectiveness of targeted disinformation campaigns. Such assessments become possible when capital is deliberately deployed to steer market expectations in a preferred direction.

Consequently, prediction markets do more than merely reflect international risks. They can directly help reshape them. This effect emerges when betting prices themselves become subjects of media coverage and instruments of public influence.

Transaction Fragmentation and the Concealment of Financial Flows

A substantial share of financial transactions is now conducted through electronic wallets, digital payment gateways, and peer-to-peer transfer networks. These transactions are distributed across millions of micro-transactions, making it considerably more difficult for anti-money laundering (AML) systems to detect unusual transactions. Traditional AML frameworks are primarily designed to identify unusual transactions or transfers involving large sums, leaving them less effective in environments characterised by highly fragmented payment flows.

Prediction markets and cryptocurrency-based betting platforms frequently rely on stablecoins and other crypto assets to facilitate transactions. This dependence enables funds to be transferred across multiple jurisdictions simultaneously while reducing transaction traceability through the traditional banking system to a minimum

The layering of funds constitutes a technical practice that further complicates financial tracing. Within the online gambling (iGaming) ecosystem, a single transaction may pass through a chain of intermediaries, including payment gateways, wallet providers, third-party payment processors, and, in some cases, cryptocurrency exchanges, before ultimately reaching the platform's primary account. Each system often records these stages under different coding and classification structures, which may obscure the transaction's original connection to gambling activity.

In this digital environment, millions of legitimate low-value transactions can collectively provide cover for large-scale money-laundering operations. Distinguishing between gambling as a recreational activity and gambling as a mechanism for concealing illicit funds becomes increasingly difficult. This challenge exceeds the capabilities of conventional monitoring systems employed by financial technology institutions.

Fifth: Economic Consequences for Individuals and Distortions in the Global Financial System

Economic Impact on Individuals and Households: Debt Accumulation and Rising Bankruptcy Rates

Specialised reports estimate that between 0.4% and 1.6% of the population in developed countries suffer from gambling disorder. Although this represents a relatively small proportion of the population, its financial impact is disproportionately large. The disorder is strongly associated with exceptionally high rates of personal bankruptcy. A study tracking 517 gamblers suffering from gambling disorder found that a substantial share had been forced to declare bankruptcy directly as a result of accumulated gambling debts.

Data collected from specialised gambling support helplines further illustrate the severity of the problem. Approximately 67% of callers reported significant difficulties in meeting essential household expenses, including rent, electricity, and water bills. Around 65% had used personal savings, retirement funds, or home equity to finance gambling activities, while 50% had sold or pledged assets in order to continue gambling.

Average individual losses amounted to approximately US$83,000, while average individual debt exceeded US$10,000.

Among callers to specialised gambling support helplines, 17% reported having filed for bankruptcy at least once as a result of gambling, while 11% had declared bankruptcy on multiple occasions for the same reason. This recurrence transforms gambling disorder from a form of financially risky behaviour into a persistent pathway towards direct personal insolvency.

The prevalence of harmful gambling behaviour among the general population is estimated to range between 1% and 7%. However, this figure rises to approximately 11% among individuals experiencing homelessness. Furthermore, the prevalence of cumulative gambling-related problems among those who have previously experienced homelessness ranges between 30% and 58%. This disparity demonstrates a clear interplay between homelessness and worsening gambling-related harm. In this context, online gambling functions as a mechanism through which financial risk is transferred from the formal financial system to socially vulnerable groups. Although numerically limited, these populations bear a disproportionate share of bankruptcy, homelessness, and sustained household economic decline.

Local Wealth Depletion and Capital Flight

Some reports on casinos and parallel banking networks in East and Southeast Asia suggest that both physical and digital casino networks have evolved into major pillars of underground banking systems. This transformation has occurred in close coordination with cryptocurrency platforms, enabling the movement of billions of dollars in illicit funds. Network operators integrate these funds into the formal financial system through nominal or simulated gambling transactions designed to conceal their true origin.

Official data indicate that the illegal casino industry and its associated networks have contributed to capital outflows estimated at approximately US$157 billion. At least five million individuals participate in underground banking activities linked to these networks.

These figures relate to only one geographical region. This indicates that the global scale of currency leakage and wealth extraction facilitated by online gambling is substantially greater than these estimates suggest. Explanations of persistent foreign-exchange shortages in developing economies lose analytical accuracy when confined solely to informal trade or conventional smuggling. A proper assessment must also account for the leakage of these funds through offshore online gambling (iGaming) platforms.

The Expansion of the Informal Economy and the Distortion of Economic Indicators

International estimates indicate that the informal economy accounts for between 11% and 20% of global GDP, representing an economic value ranging from US$11 trillion to US$17 trillion. These financial flows operate entirely outside formal taxation systems and official statistical frameworks.

In low-income countries, the informal economy can exceed 40% of GDP. This activity constitutes the primary source of distortion in macroeconomic indicators in some emerging economies. This structural imbalance directly affects calculations of budget deficits, savings rates, and aggregate consumption levels.

Online gambling plays a dual role within this context. First, it contributes to the expansion of the informal economy by generating substantial financial flows that are not formally recorded in the user's country of residence. Users in developing economies transfer betting funds in US dollars, euros, or cryptocurrencies to platforms operating in jurisdictions that offer tax exemptions.

Second, these platforms channel the resulting financial flows into other countries' economies, where they are recorded as digital service revenue or corporate profits. This mechanism creates a significant gap between financial losses not captured in official records in one jurisdiction and profits legally recognised in another. Such disparities complicate efforts by public authorities to trace the movement of funds. Consequently, this situation leads to inaccurate readings of actual productivity and national income.

Impact on the Stability of Banking Institutions

The tightening of regulatory frameworks in recent years has resulted in substantial financial penalties for deficiencies in anti-money laundering (AML) controls, and in the case of TD Bank, penalties and settlements exceeded US$3 billion in 2024. These sanctions stemmed from compliance failures that allowed funds linked to drug-trafficking organisations and other illicit activities to pass through the financial system.

Companies operating in the gaming and entertainment sectors have likewise incurred penalties amounting to tens of millions of dollars. Regulatory authorities imposed these sanctions for failures to implement required verification procedures and for shortcomings in reporting suspicious financial transactions. One major entertainment group was fined A$73 million for repeated violations of anti-money-laundering and counter-terrorist-financing regulations.

These penalties generate two principal consequences. The first is a direct financial impact, reflected in the erosion of the capital base of banks and gaming operators. This financial deterioration reduces these institutions' ability to provide credit facilities or expand investment activity.

The second consequence is indirect but equally significant. Banks are increasingly required to undertake comprehensive monitoring of financial activity and bear substantial costs in responding to the gambling economy. As a result, banking institutions are compelled to invest heavily in advanced monitoring systems. These systems track transactions linked to gambling activity, including cross-border online gambling (iGaming) data.

Sixth: Online Gambling as a Threat to National and International Security

Money Laundering and Terrorist Financing: Virtual Casinos as Rapid Laundering Mechanisms

A report by the United Nations Office on Drugs and Crime on casinos and underground banking systems describes physical and virtual casinos, electronic junkets (e-junkets), and cryptocurrency platforms as core components of underground banking infrastructures. Organised criminal networks across East and Southeast Asia rely on these structures to integrate billions of dollars in illicit proceeds into the formal financial system.

The migration of operations to digital betting platforms and cryptocurrency ecosystems has further enhanced criminal networks' ability to move substantial sums through thousands of fragmented transactions. These networks frequently utilise stablecoins, particularly USDT, across low-fee blockchain networks. This approach significantly reduces the ability to trace funds through conventional monitoring indicators that rely on transaction size and value.

Specialised counter-terrorist financing (CTF) guidance confirms that the gaming and gambling sector falls within the scope of the Financial Action Task Force's recommendations. Experts classify gambling-related activities as high-risk sectors for both money laundering and terrorist financing. This classification stems from gambling platforms' ability to commingle legitimate and illicit funds, thereby facilitating the re-entry of funds into the traditional banking system after their origin has been obscured through nominal or simulated gaming activity.

Consequently, virtual casinos function as rapid money-laundering mechanisms. These platforms serve as conduits linking proceeds derived from drug trafficking, human trafficking, and cyber-enabled fraud to financial networks used to fund violence and entities designated as terrorist organisations. As a result, monitoring systems face increasing difficulty distinguishing between ordinary recreational betting activity and transactions intended to conceal or transfer illicit funds.

Circumventing International Sanctions: The Case of North Korea and Its Digital Networks

North Korea remains subject to one of the most comprehensive sanctions regimes in the world. The Financial Action Task Force identifies the country as a fundamental and ongoing source of money-laundering and terrorist-financing risks and has called on all jurisdictions to implement countermeasures to protect the international financial system from threats originating from North Korea.

Multiple international and US reports indicate that the North Korean regime employs sophisticated networks of shell companies and digital operations. These activities include the establishment of illegal gambling platforms and employing software developers to work remotely within the gaming sector. The primary objective of these operations is to generate and circulate foreign currency outside official financial channels. These funds support the country's military and nuclear programmes.

Some reports have also identified a money-laundering network valued at approximately US$3 billion linked to North Korea. This network is reported to accumulate funds through cyber theft, technology-enabled fraud, remote employment schemes, and other digital activities. The proceeds are subsequently laundered through multiple layers, including cryptocurrency platforms, corporate accounts, gambling activities, and online betting operations spanning multiple jurisdictions.

Reports issued by the Financial Action Task Force on proliferation financing and sanctions-evasion typologies further document the use by North Korean actors of various categories of Designated Non-Financial Businesses and Professions (DNFBPs). These intermediaries include casinos and gambling platforms, which are utilised as part of broader efforts to circumvent restrictions on access to the traditional banking system. Taken together, these developments suggest that the online gambling sector has become an essential component of a wider sanctions-resilient economic ecosystem. In particular, offshore platforms that rely on cryptocurrency infrastructure possess a demonstrated capacity to facilitate the movement and recycling of billions of dollars beyond the reach of traditional oversight and compliance mechanisms.

Data Breaches and Cyber Espionage

Online gambling platforms collect highly sensitive data, including personal identity information, financial details, and behavioural spending patterns. Some platforms also record geolocation data and device fingerprints, while others employ biometric verification technologies, such as facial recognition, to link accounts to individual users. The aggregation of such extensive datasets transforms these platforms into repositories of highly valuable information in the event of a breach or hostile control.

At the same time, these datasets can be leveraged to blackmail high-profile individuals, including government officials, business executives, military officers, and banking professionals. The risk is amplified by the growing prevalence of data-driven extortion, whereby perpetrators threaten to disclose gambling records, reveal financial losses, or demonstrate potential links to illicit financial activity. Furthermore, integrating gambling-related data with other datasets, including social media information and leaked banking records, enables the construction of detailed maps of financial and behavioural relationships. These maps are used by hostile actors to trace capital flows. They also enable the targeting of specific individuals for influence, recruitment, or espionage.

Within the cybersecurity community, there is growing discussion about the evolution of certain gaming and online gambling platforms into multifunctional digital ecosystems. These platforms may combine gambling services with payment gateways, social networking features, and messaging applications. This technological convergence can create environments particularly conducive to intelligence gathering and surveillance. It may also facilitate the concealment of money laundering operations within high-volume daily user activity.

Enabling Transnational Organised Crime

A report issued by the United Nations Office on Drugs and Crime describes Southeast Asia as a testing ground for a new criminal economy built upon the integration of casinos, shadow banking systems, digital gambling platforms, and cryptocurrency exchanges. Together, these interconnected sectors have created a structural foundation that organised crime groups exploit to move and launder vast quantities of cash and digital funds.

This infrastructure enables organised crime groups to dispense with the need to transport funds across borders physically.

Instead, financial value is transferred through betting and cryptocurrency networks. These funds are subsequently reintroduced into the economy as luxury assets, real estate, or bank deposits in other jurisdictions.

As a consequence, banks and payment institutions in major financial centres may receive financial flows that appear clean on the surface. In reality, however, these funds originate from complex chains of online gambling transactions and cryptocurrency-based transfers. This layered concealment significantly complicates the work of financial intelligence units and regulatory authorities. More broadly, it steadily increases the risk that organised crime proceeds will become embedded in the core structures of the global financial system.

Conclusion

The trajectory of the online gambling industry underscores the extent to which this sector has become directly intertwined with international security, digital espionage, and economic instability. These platforms have evolved into major instruments for facilitating illicit cross-border financial activity. Organised crime networks increasingly integrate their operations with cryptocurrency technologies to launder billions of dollars beyond the reach of traditional banking oversight. This persistent exploitation undermines the effectiveness of international sanctions regimes and facilitates the financing of prohibited activities. These cross-border financial flows exert a destabilising effect on national economies. Offshore platforms channel billions of dollars out of local markets. This capital outflow deprives governments of critical tax revenues. The resulting financial leakage contributes to rising personal bankruptcy rates and expands the scale of unrecorded economic activity. These distortions pose serious threats to domestic security and contribute to increased criminal activity.

The risks associated with this sector extend well beyond financial concerns to encompass the compromise of sensitive data. Certain states and cybercriminal groups increasingly exploit stolen databases to blackmail high-profile individuals and trace financial flows. Threat actors leverage technical vulnerabilities to penetrate core corporate systems and conduct large-scale cyber operations. Addressing these threats requires a decisive response capable of keeping pace with ongoing technological change. Traditional oversight mechanisms are increasingly ineffective in the face of modern digital technologies. This reality necessitates the implementation of robust verification frameworks supported by advanced technological tools. Such systems must be capable of closely monitoring financial transactions while ensuring reliable user identification. Securing the digital gambling sector can no longer be viewed as a purely operational concern. Rather, it has become an urgent requirement for safeguarding global economic stability. Achieving this objective demands sustained coordination among financial regulators, cybersecurity agencies, and industry operators. Such cooperation is essential to closing regulatory loopholes and effectively countering illicit networks.

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