

*****NCLGS LEGISLATIVE ALERT*****

DATE: APRIL 4, 2008
TO: NCLGS LEGISLATORS
FROM: SUSAN NOLAN
NCLGS EXECUTIVE DIRECTOR
RE: **HOUSE SUBCOMMITTEE HEARING ON INTERNET GAMING ACT**

Attachment

- *Congress Hearings on Gambling: Summary* (4/3 Online Casino Reports)
- *Feds Say Internet Gambling Law Ambiguous* (4/2 Associated Press)
- *Murky Language is Frank's Trump Card in Overturning Internet Gambling Ban* (4/2 The Hill)
- *Prohibition on Internet Gambling a Failure* (4/2 Las Vegas Review-Journal)
- *Regulators Struggling with Internet Gambling Rules* (4/2 Reuters)

The U.S. House Subcommittee on Domestic and International Monetary Policy, Trade, and Technology on Wednesday, April 2, held a hearing on proposed regulations to implement the Unlawful Internet Gambling Enforcement Act (UIGEA), which have been claimed by many to be vague, costly, burdensome, and ineffective.

BACKGROUND

In October 2007, the Department of the Treasury and Federal Reserve released a joint proposed rule, as required by Congress, to implement the provisions of the *Unlawful Internet Gambling Enforcement Act (UIGEA) of 2006*. The *UIGEA* prohibits U.S. banks, as well as credit card and other financial instrument companies, from processing payments to offshore online gambling businesses. U.S. Treasury and Federal Reserve officials have since been reviewing over 200 comments from banks, churches, poker players, and others.

THE CONTROVERSY

Concerns with joint proposed guidelines include:

- ambiguity in the definition of illegal online gambling
- reliance on existing and conflicting state and federal laws to decide illegality
- accepted exemptions to the rule
- burden of proof and subsequent costs to financial institutions
- over-blocking of legal internet transactions
- complications with international banking transaction

HEARING PANELISTS

See attached articles or click on [Proposed UIGEA Regulations: Burden without Benefit?](#) to view quotes and testimony.

- **Louise L. Roseman**, Director, Division of Reserve Bank Operations and Payment Systems, Board of Governors of the Federal Reserve System
- **Valerie Abend**, Deputy Assistant Secretary for Critical Infrastructure Protection and Compliance Policy, U.S. Department of the Treasury
- **Harriet May**, President and Chief Executive Officer, GECU of El Paso, Texas on behalf of the Credit Union National Association
- **Wayne A. Abernathy**, Executive Vice President, Financial Institutions Policy and Regulatory Affairs, American Bankers Association
- **Leigh Williams**, BITS President, The Financial Services Roundtable
- **Ted Teruo Kitada**, Senior Company Counsel, Legal Group, Wells Fargo & Co.

SUBCOMMITTEE MEMBERS

- **Subcommittee Chairman Luis V. Gutierrez (D-IL)**
“It is inappropriate to have financial institutions essentially acting as the final arbiter in determining which transactions are legal or illegal.”
- **Ranking Member Spencer Bachus (R-AL)**
“Illegal Internet gambling is a scourge on our society that leads to addiction and gambling addicts that turn to crime to support their habit.”
- **Congressman Ron Paul (R-TX)**
“. . . I urge my colleagues to oppose the new regulations and support Chairman Frank’s HR 2046, of which I am a cosponsor. . . . The passage of HR 2046 would restore the rights of Americans to decide for themselves whether or not to gamble online.”

NCLGS FOCUS

NCLGS continues to view the issue from a consumer protection and states’ rights perspective—that states have the authority to decide the forms of gaming within their borders and to oversee the regulation and taxation of that gaming in order to protect their constituents and economies. NCLGS plans to revisit its position on Internet gaming at its Summer Meeting in June.

NCLGS will discuss Internet gaming and WTO rulings in light of the proposed regulations at its State-Federal Relations Committee on Friday, June 13, as well as at a general session on Saturday, June 14, entitled *Internet Gaming Regulation & the WTO: Building to a Perfect Storm?* The events will be held in conjunction with the NCLGS Summer Meeting scheduled for June 13 through 15, 2008, in Napa, California.