

For Immediate Release: April 11, 2008

## Frank, Paul Introduce Legislation to Stop Implementation of Antigambling Regulations

Washington, DC - House Financial Services Committee Chairman Barney Frank (D-MA) and senior Financial Services Committee member Ron Paul (R-TX) have introduced legislation to prohibit the federal government from issuing regulations called for in the Unlawful Internet Gambling Enforcement Act of 2006. The legislation, H.R. 5767, will forbid the Secretary of the Treasury and the Board of Governors of the Federal Reserve System from proposing, prescribing, or implementing any regulation that requires the financial services industry to identify and block internet gambling transactions.

"These regulations are impossible to implement without placing a significant burden on the payments system and financial institutions, and while I do disagree with the underlying objective of the Act, I believe that even those who agree with it ought to be concerned about the regulations' impact," said Rep. Frank.

"The ban on Internet gambling infringes upon two freedoms that are important to many Americans: the ability to do with their money as they see fit, and the freedom from government interference with the Internet. The regulations and underlying bill also force financial institutions to act as law enforcement officers. This is another pernicious trend that has accelerated in the aftermath of the Patriot Act, the deputization of private businesses to perform intrusive enforcement and surveillance functions that the federal government is unwilling to perform on its own," said Rep. Paul.

Specifically, at issue is the fact that the regulations, like the underlying legislation, fail to define the term "unlawful internet gambling," leaving it to each financial institution to reconcile conflicting state and federal laws, court decisions and inconsistent Department of Justice interpretation, when determining whether to process a transaction. Furthermore, some of the information needed to make this determination would likely be unavailable to banks, either because customers or financial institutions in foreign jurisdictions are unwilling or unable to provide it. At the hearing, the regulators themselves admitted that there are substantial problems in crafting regulations to implement the UIGEA that does not have a substantial adverse effect on the efficiency of the nation's payment system.

Chairman Frank and Congressman Paul opposed the UIGEA, and the two have been working on legislation, H.R. 2046 that would license and regulate online gaming. However, it was clear at the hearing that the regulations are unworkable for the financial services industry, and this bill would, therefore prohibit their implementation.

On Wednesday, April 2, the DIMP Subcommittee held a hearing "Proposed UIGEA Regulations: Burden Without Benefit?" to examine the regulations issued last year by the Federal Reserve and Treasury on the Unlawful Internet Gambling Enforcement Act, which garnered more than 200 comment letters.

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Mr. FRANK of Massachusetts (for himself and Mr. PAUL) introduced the following bill; which was referred to the Committee on Financial Services

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110th CONGRESS 2d Session - IN THE HOUSE OF REPRESENTATIVES - April 10, 2008

### H. R. 5767 - A BILL

To prohibit the Secretary of the Treasury and the Board of Governors of the Federal Reserve System from proposing, prescribing, or implementing any regulation under subchapter IV of chapter 53 of title 31, United States Code, and for other purposes.

*Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,*

#### SECTION 1. PROHIBITION.

The Secretary of the Treasury and the Board of Governors of the Federal Reserve System, whether acting jointly or separately, may not propose, prescribe, or implement any regulation under subchapter IV of chapter 53 of title 31, United States Code, or otherwise give effect to such subchapter or any such regulation, including the proposed regulations published in the Federal Register on October 4, 2007.

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## Congress moves to suspend internet gambling ban

14 Apr 2008

WASHINGTON, DC -- (PRESS RELEASE) -- The Safe and Secure Internet Gambling Initiative (SSIGI) announced its support for new legislation, H.R.5767, that would prohibit the Department of the Treasury and Federal Reserve System from proposing, prescribing or implementing any regulations related to the current ban on Internet gambling, as required by the Unlawful Internet Gambling Enforcement Act of 2006 (UIGEA). The bill was introduced yesterday by Reps. Barney Frank (D-Mass.) and Ron Paul (R-Texas). 'The Frank-Paul bill would stop the U.S. government from taking any further steps on regulations that would require all of the country's financial institutions to block Internet Gambling payments,' said SSIGI spokesman Jeff Sandman. 'It's a bold move, but a necessary one, in light of the warnings from the Treasury and Federal Reserve that they did not know how to write regulations to solve the problems created by UIGEA. Further, witnesses representing a broad spectrum of the financial services community unanimously stated that the current ban on Internet gambling is dangerous to the payments system and ineffective in stopping people from using the Internet to play poker, make bets on horses, or engage in other types of wagering.'

The current Internet gambling ban creates significant additional burdens for U.S. financial institutions, which say that it is unfair to turn them into the Internet gambling police at a time when their undivided attention ought to be on the economy.

Testimony before Congress last week offered proof that financial services institutions would face serious regulatory burdens in attempting to enforce UIGEA and related regulations, which is unlikely to stop millions of Americans from gambling online.

Representatives from the Credit Union National Association, Financial Services Roundtable, American Bankers Association and Wells Fargo & Co. testified about the burden they would unnecessarily face before the House Committee on Financial Service's Subcommittee on Domestic and International Monetary Policy, Trade, and Technology on April 2. The current UIGEA law is ambiguous and allows for multiple interpretations of what may or may not be illegal activities.

Their comments reflect the concerns echoed in the more than 200 comments submitted to the Department of the Treasury and Federal Reserve System.

Frank introduced legislation last year, the Internet Gambling Regulation and Enforcement Act (H.R. 2046), that would regulate Internet gambling. The bill would require licensed Internet gambling operators to put in place safeguards to protect against underage and compulsive gambling and ensure the integrity of financial transactions.

A companion piece of legislation to the Frank bill introduced by Rep. Jim McDermott (D-WA), the Internet Gambling Regulation and Tax Enforcement Act of 2008 (H.R. 5523), would ensure the collection of taxes on regulated Internet gambling activities. According to a tax revenue analysis prepared by PricewaterhouseCoopers, taxation of regulated Internet gambling is expected to generate between \$8.7 billion to \$42.8 billion in federal revenues over its first 10 years.

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**House Members Try To Stop Efforts To Police Internet Gambling** - A bipartisan delegation is drumming up support to overturn portions of the Unlawful Internet Gambling Enforcement Act. [InformationWeek](#) - April 23, 2008

Members of the U.S. House Committee on Financial Services are trying to pass legislation that would stop the [federal government](#) from implementing regulations requiring financial institutions to police Internet gambling. Committee Chairman Barney Frank, D-Mass.; ranking member Ron Paul, R-Texas; and committee members Luis V. Gutierrez, D-Ill., and Peter King, R-N.Y., sent a [letter](#) to all members of Congress seeking support. They said that representatives from the regulatory agencies have admitted there are "substantial problems" with creating regulations under the Unlawful Internet Gambling Enforcement Act of 2006 without hindering payment systems.

The UIGEA requires civil and/or criminal penalties for banks, credit card companies, and others who process Americans' payments to gambling [Web sites](#). Supporters say it would prevent underage and compulsive gambling. Opponents argue that it violates U.S. citizens' constitutional rights and sets a dangerous precedent for Web commerce by criminalizing the transfer of funds if the end result is illegal.

Frank and Paul introduced H.R. 5767 earlier this month. The bill would stop the Department of the Treasury and the Federal Reserve System from proposing, prescribing, or implementing regulations required by UIGEA. Frank, Paul, Gutierrez, and King also asked the Treasury and Federal Reserve System to stop creating and enforcing regulations related to UIGEA. "Given the many other priorities that are pending at your agencies ... we believe it would be imprudent for you to devote additional agency resources to this Sisyphean task," they explained in letters to the leaders of the Treasury and Federal Reserve.

Representatives from the Credit Union National Association, Financial Services Roundtable, American Bankers Association, and Wells Fargo also testified earlier this month about the burden they would face using "ambiguous regulations" to determine which customer activities are legal and which are not.

Frank has also proposed legislation that would require licensed Internet gambling operators to prevent underage and compulsive gambling, while protecting the integrity of financial transactions. A companion bill from U.S. Rep. Jim McDermott, D-Wash., would ensure tax collection on regulated Internet gambling. PricewaterhouseCoopers predicted that regulated Internet gambling could generate between \$8.7 billion and \$42.8 billion in federal tax revenue during the first 10 years.

Jeffrey Sandman, spokesman for the [Safe and Secure Internet Gambling Initiative](#), praised the House efforts. "These bipartisan congressional leaders understand that the proposed regulations can't work," he said in a statement. "Their legislation would relieve U.S. financial services companies from the burden of policing the Internet and implementing a ban on Internet gambling that is doomed to fail. U.S. financial services companies should be focusing their undivided attention on the economy, not trying to stop people from exercising their freedom to use the Internet to play poker, bet on horses, or engage in other types of gambling activities."

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Antiguan Legal Counsel Critical Of U.S. DOJ Involvement In WTO Case; ***"What I have finally concluded is that this case is almost 100 per cent about the DOJ"***

Antigua's legal counsel during its online gambling dispute with the United States at the World Trade Organization has been sharply critical of American motivations and Department of Justice involvement this week. Mark Mendel from Texas-based solicitors Mendel-Blumenfeld told iGaming Business that outdated impressions of online gambling by some in the US Department of Justice (DOJ) are behind America's stance, adding that the position taken by the DOJ has been detrimental to the World Trade Organization (WTO). "What I have finally concluded is that this case is almost 100 percent about the DOJ," said Mendel. "One or more DoJ members have been present at almost every meeting we have held with the United States over the past four years, at almost every WTO session - their footprint is big in this case."

Mendel revealed that one DOJ representative in particular still speaks as if he is in a bad 1950s gangster film with mobsters ruling the world and buying politicians. "This may sound odd but I think that this issue, remote gambling, has been hijacked of sorts by a kind of dated old crowd in the DOJ who are still lost in the days of Bugsy Malone and smoky backrooms when gambling was run by the mob," the lawyer said.

The Internet gambling case with the WTO had been damaging to the continued success of the organization but that, with the European Union (EU) becoming involved, the United States will ultimately have no choice but to fold its hand. "While Antigua is going to have to work hard and be creative to find ways to effectively retaliate against the United States, the EU won't have any trouble at all," said Mendel. "The United States is literally facing multi-billions of trade retaliation from the EU in all sorts of trade completely unrelated to gambling. All of a sudden, for example, American exporters of auto parts, electric guitars or cotton sweaters to the EU are going to be shut or priced out of the market. "All of those sectors stand to be sacrificed or at least severely compromised by the United States in this case. All so the United States can protect its domestic gambling industry or perhaps, even worse, to satisfy some dated little constituency in the DOJ. Simply boggles the mind."