

Flaws in Internet Gambling Law Subject of Upcoming Congressional Hearing

Momentum grows to regulate Internet gambling

Washington – Congressman Barney Frank (D-MA), chairman of the House Committee on Financial Services, will hold a hearing in early April to explore the burden on U.S. financial institutions to comply with the Unlawful Internet Gambling Enforcement Act of 2006 (UIGEA). The law was intended to deter illegal Internet gambling activity. Meanwhile, support for legislation that would regulate Internet gambling continues to gain momentum as Congressman George Miller (D-CA), one of the most influential members of Congress, signed on last week as a co-sponsor of the bill introduced by Congressman Frank.

„The banks have a lot of other things to worry about right now,“ said Frank, as reported by Politico, referencing the mortgage crisis and other challenges faced by the industry. „I don't think poker should be one of them.“

Hundreds of comments submitted to the Department of the Treasury and Federal Reserve highlight the ambiguity in the proposed rules to implement the Unlawful Internet Gambling Enforcement Act of 2006 (UIGEA). One of the major criticisms is that the rules do not clearly differentiate between legal and illegal Internet gambling activities. Concerns raised by the American Bankers Association and others state that the proposed rules will be a compliance trap and is not likely to stop anyone from gambling with foreign-based Internet gambling operators.

„This hearing is significant and must address the issues being raised by the financial services sector and others. The proposed Treasury Department regulations are unclear,

burdensome and untenable," said Jeffrey Sandman, spokesman for the Safe and Secure Internet Gambling Initiative. „It becomes clearer each week that the attempt to prohibit Internet gambling activity is doomed to fail. Rather than waste valuable resources attempting to enforce UIGEA, the U.S. should instead regulate and tax Internet gambling.“

Some of the views expressed by Congressman Frank and many financial institutions are shared by Republican Senators John Sununu (N.H.) and Pete V. Domenici (N.M.). In a letter to the Treasury Department and Federal Reserve, the senators stated, „in failing to provide more detail, the proposed rules would inordinately burden every bank, credit union, credit card company, money transmitting business and payment system in the country, leading to non-uniform compliance and confusion.“

The Internet Gambling Regulation and Enforcement Act of 2007 (H.R. 2046), introduced by Congressman Frank, would require licensed operators to put in place safeguards to protect consumers and ensure the individual placing the bet or wager is physically located in a jurisdiction that permits a particular form of Internet gambling. States would also have the right to control what, if any, level of Internet gambling is permissible within their borders and could apply additional taxes and restrictions.

A companion piece of legislation that would ensure the collection of taxes on regulated Internet gambling activities, the Internet Gambling Regulation and Tax Enforcement Act of 2008 (H.R. 5523) was introduced earlier this week by Congressman Jim McDermott (D-WA). The legislation strengthens provisions in an earlier version of the bill introduced last year. A recent letter sent by Congressman McDermott to fellow members of Congress stated that, according to a tax revenue analysis prepared by PricewaterhouseCoopers, taxation of Internet gambling is expected to generate between USD 8.7 billion to USD 42.8 billion in federal revenues over its first ten years.

„It is encouraging to see the momentum building in support of regulating Internet gambling,“ said Sandman. „It is time for Congress to address this issue and support legislation that would not only protect consumers, but generate billions in revenue needed for critical government programs.“