

Banks attack conflicting US gambling rules

Banking lobbyists are warning the US Treasury that regulations proposed in the wake of last year's sweeping anti-gambling law will be impossible to comply with unless the Bush administration clarifies its conflicting views on online betting.

The Financial Services Roundtable, which represents dozens of banks and other financial services firms, said it was „very concerned“ that adoption of the rules could impose „significant“ and costly compliance burdens on banks.

„The statute and the proposed rule expand the role of financial institutions to police laws that are more appropriate for law enforcement agencies,“ the Roundtable said in public filings to the Treasury and Federal Reserve.

The criticism raises new questions about whether regulators will be able to enforce a law that, in effect, requires banks and other institutions to know the purpose and legality of payments in an industry – online gambling – in which federal and state rules often conflict.

The proposed rules would require US financial companies with designated payments systems to have policies and procedures that are „reasonably designed“ to prevent payments being made to illegal gambling businesses. According to the US Treasury, illegal gambling consists of any bet or wager involving the internet that is illegal in the state in which the bet is made.

The proposed rules were drafted after the passage last year of the Unlawful Internet Gambling Enforcement Act, a bill that wiped billions of dollars in value from non-US gambling websites.

At the centre of concerns raised by the Roundtable is the fact that it is far from clear whether banks would also have to block payments from US-based gambling sites, including websites that take bets on horses.

The justice department has long held the view that online interstate betting (within the US) on horses is illegal. However, the handful of established horse-betting sites have never been prosecuted. The horse-betting industry maintains that state laws allowing wagers on horses trump federal laws. Legislators left the issue alone last year by including language in the anti-gambling legislation that said it did not apply to wagers on horses.

In comments about the proposed rules, Bank of America said the US should provide a list of entities with whom banks are forbidden to take payments in the absence of an „unambiguous“ definition of what is legal.

„Without [a definition], financial institutions will be forced to block legitimate transactions in order to avoid the possibility of permitting an illegal transaction,“ it said.

Separately, the US trade representative on Tuesday said press reports had „misrepresented“ an agreement with the European Commission this week to resolve a trade dispute over the US ban on online gambling.

A spokeswoman said the agreement, in which the US offered concessions on the postal, courier and other sectors, would not involve „any change“ in US law or practice and was simply intended to provide greater legal certainty to some sectors.