US congress hears UIGEA testimony

A Congressional Subcommittee heard in US the testimony from banks, credit card companies and some Democrat Members of Congress, regarding the implementation of proposals for the Unlawful Internet Gambling Enforcement Act (UIGEA), which could ensnare innocent customers and threaten the viability of e-commerce.

The House of Representatives Subcommittee on Domestic and International Monetary Policy, Trade and Technology heard from the US Treasury, Federal Reserve, the American Bankers Association, Financial Services Roundtable, Wells Fargo and Credit Union National Association on the shortcomings of the legislation as well as the apparent lack of understanding as to what officially constitutes „illegal“ online gambling.

UIGEA was passed in 2006 and forces banks and other financial institutions to block the flow of money to and from Americans engaged in online gambling. Under pressure from Republicans and social conservatives, the Federal Reserve and the Treasury Department published draft regulations last year to enforce the Act but financial institutions say these would disrupt legal transactions unless dramatic changes are made before the rules take effect.

“Consumers will be placed at risk of having lawful transactions blocked,” said Luis Gutierrez, a Democrat Representative from Illinois and Chairman of the Subcommittee. “It is easy to see how these regulations if implemented in their current form could wreak havoc on electronic commerce in the US”.

He added: “The regulations have been widely criticized as being vague and costly for financial institutions to implement. One of the most common complaints is that the proposed rules fail to sufficiently define key terms, leaving financial institutions with significant compliance difficulties."

"There is a risk that financial institutions would misclassify a payment as illegal and thus be exposed to liability," said Leigh Williams on behalf of the Financial Services Roundtable. "We also believe that 'monitoring of websites' is inappropriate to include in a financial institution's monitoring activity," he concluded.