

Key congressional committee votes to clarify Internet gambling ban

A bill that would relieve a significant burden on US financial services companies forced to implement a ban on Internet gambling passed a critical hurdle in Congress today.

The Payments System Protection Act (H.R. 6870), approved by the House Committee on Financial Services, would direct the Department of the Treasury and Federal Reserve System, in consultation with the Attorney General, to appoint a special Administrative Law Judge to define the types of unlawful online gambling and conduct an economic impact study on the costs for compliance.

The enactment of the bill would have the practical impact of delaying implementation of the Unlawful Internet Gambling Enforcement Act of 2006 (UIGEA) regulations through a process designed to ensure that the regulations do not impair the functioning of the U.S. payments system, or inappropriately prevent legal online transactions.

The Committee also approved an amendment to the bill that requires federal regulators to issue regulations to financial institutions within 60 days of enactment to block all Internet gambling wagers on sports, except for those involving horse racing, dog racing and jai-lai.

Under the amendment, unlawful sports operators and sites would be specified by the U.S. Treasury on a list that would be consulted by financial institutions to implement the prohibition. The legislation and amendment were introduced by House Financial Services Committee Chairman Barney Frank.

„This important vote acknowledges that the previous attempt to

prohibit Internet gambling was overly burdensome and unworkable," said Jeffrey Sandman, spokesperson for the Safe and Secure Internet Gambling Initiative. „We hope this vote indicates a willingness of Congress to develop a more sensible approach towards Internet gambling. Rather than prohibit an activity millions of Americans enjoy in the privacy of their homes, just as they can do in a casino, Congress should create a framework to regulate Internet gambling as a way to protect consumers and collect billions in much-needed federal revenue.“

Representative Frank introduced the Payments System Protection Act in response to concerns raised by the financial services industry that the proposed rules to implement UIGEA forced banks and other payments services to determine for themselves what types of online activity are lawful and what are not, when the federal government itself was unable to specify the distinction between lawful and illegal online gambling activities. Representative Frank stated that once the bill is passed „at least the banks will know what is and isn't illegal.“

He listed representatives of the U.S. financial services industry, including the Chamber of Commerce, The Financial Services Roundtable and the Credit Union National Association, as all supporting the bill. Each had previously criticized the proposed regulations implementing UIGEA, describing them as unworkable and burdensome.

Sources present at the Committee mark-up of the bill stated that the language exempting sports prohibitions from the further rule-making and mandating sports-only regulations to go forward within sixty days from enactment appeared to have been developed in consultation with the sports leagues. Accordingly, the last-minute objection made by the leagues to the bill immediately before the committee vote came as a surprise.

According to Sandman, at the mark-up Frank expressed his disappointment with the sports leagues, stating that he was working to do „everything that they wanted.“

During debate on the bill and amendment, Representative William Lacy Clay stated his view that the position of the sports leagues was disingenuous. Further, he asked what was different between wagering on sports via the Internet and wagering on sports in a land-based casino in Las Vegas.

The Internet Gambling Regulation and Enforcement Act of 2007 (H.R. 2046), introduced last year by Frank, would establish an enforcement framework for licensed gambling operators to accept bets and wagers from individuals in the US. It includes a number of built-in consumer protections, including safeguards against compulsive and underage gambling, money laundering, fraud and identity theft.

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 by Congressman Jim McDermott.

McDermott also introduced, the Investing in our Human Resources Act (H.R.6051), which would direct new revenue generated by regulated Internet gambling activities to be spent on job training for those in the declining sectors of the economy and educational assistance for youth in foster care. The bill also includes provisions to encourage responsible Internet gambling behavior and an awareness of unsafe practices, something problem gambling advocates praise.