

U.S. issues Internet gambling rule, ignoring lawmaker

Washington (Reuters) – The U.S. Treasury Department and the Federal Reserve issued a final rule on Wednesday aimed at stopping illegal Internet gambling, two days after a leading Democratic lawmaker called for a delay because of the problems he said it would cause for banks.

The regulation pleased Republican lawmakers, who still controlled the Congress in 2006 when it passed the Unlawful Internet Gambling Enforcement Act. They have wanted the Bush administration to issue the rule before leaving office in January.

„No longer will the offshore gambling interests benefit from any turning any computer into a casino that is available every minute of the day,“ Rep. Spencer Bachus, an Alabama Republican, said in a statement welcoming the new rule, which he noted was more than one year late.

The 2006 law cost Europe’s online gambling companies billions in lost market value as they were forced to retreat from one of their most lucrative markets.

The legislation barred businesses from knowingly accepting payments in connection with unlawful Internet gambling, including payments made through credit cards, electronic fund transfers and checks.

The rule issued on Wednesday to implement the 2006 act requires „U.S. financial firms that participate in designated payment systems to establish and implement policies that are reasonably designed to prevent payments to businesses in connection with unlawful Internet gambling,“ the Treasury Department said in a statement.

„For purposes of the rule, unlawful Internet gambling generally would cover the making of a bet or wager that involves use of the Internet and that is unlawful under any applicable federal or state law in the jurisdiction where the bet or wager is initiated, received or otherwise made,“ the Treasury said.

Companies have until December 1, 2009 to comply with the new rule, the Treasury said.

On Monday, House Financial Services Committee Chairman Barney Frank, a Massachusetts Democrat, accused the Bush administration of rushing to implement the new regulation, which he said should be left to the incoming administration of President-elect Barack Obama.

„This midnight rulemaking will tie the hands of the new administration, burden the financial services industry at a time of economic crisis and contradict the stated intent of the Financial Services Committee,“ Frank said.

The new regulation also failed to define unlawful Internet gambling, Frank said, „leaving it to each financial institution to reconcile conflicting state and federal laws, court decisions and inconsistent Department of Justice interpretations when determining whether to process a transaction.“

„Furthermore, some of the information needed to make this determination would likely be unavailable to banks because customers or financial institutions in foreign jurisdictions will likely be unwilling or unable to provide it,“ he added.

The House Financial Services passed a bill to block Treasury and the Federal Reserve from issuing the new rules and require them instead to define the term „unlawful Internet gambling.“

However, the full Congress has not approved that legislation.