

## Dissenting Views on H.R. 6870, "Payments System Protection Act of 2008"

H.R. 6870 would undermine the effective implementation of the Unlawful Internet Gambling Enforcement Act of 2006 (UIGEA) (Public Law 109-347). UIGEA was intended to stem the growth of gambling on the Internet, by making it illegal for financial institutions and credit card companies to process payments for settling Internet gambling wagers and imposing new criminal penalties on Internet gambling businesses. Prior to UIGEA's enactment, the United States had few tools to enforce applicable state and Federal law because the sites offering Internet gambling services were located overseas and beyond the jurisdictional reach of U.S. law enforcement.

UIGEA was supported by an overwhelming majority of Members on the Financial Services Committee and the full House, and by college and university presidents, the American Bankers Association, the American Psychiatric Association and major sports organizations including the National Collegiate Athletic Association (NCAA), Major League Baseball (MLB), the National Football League (NFL), National Basketball Association (NBA) and the National Hockey League (NHL).

H.R. 6870 would require the Federal Reserve Board and Treasury Department to scrap the proposed regulations mandated by UIGEA, except those applicable to sports betting. It would also require the Treasury Department and Federal Reserve, in consultation with the Justice Department, to jointly develop and implement regulations that define 'unlawful Internet gambling,' after an administrative hearing and a full economic impact study. There is no deadline for the agencies to finish their work. Thus, while H.R. 6870 would result in financial transactions involving sports betting being blocked, it would allow a wide variety of other addictive forms of gambling to continue unimpeded, including poker, blackjack, roulette, craps, baccarat, and slots.

Enactment of H.R. 6870 would harm families and communities. The consequences of unfettered illegal Internet gambling are profound and its characteristics are unique: online players can gamble twenty-four hours a day from home; children may play without sufficient age verification; and betting with a credit card can undercut a player's perception of the value of cash, leading to gambling addiction, bankruptcy and crime. As a professor of business at the University of Illinois noted, the Internet is 'crack cocaine' for gamblers. 'There are no needle marks,' he says. 'There is no alcohol on the breath. You just click the mouse and lose your house.'

The real victims are the young people who by the tens of thousands become compulsive, addictive gamblers. Studies show that the earlier one begins gambling, the more likely it is he or she will become an addicted problem gambler. In the most recent study of Internet gambling in Canada, where Internet gambling is regulated, the University of Lethbridge Professor Robert Williams found that the average monthly loss of Internet gamblers is \$541, compared to an \$82 loss of all gamblers.

Since UIGEA, gambling companies such as PartyGaming, which runs the PartyPoker.com and PartyBingo.com web sites, have withdrawn from the U.S. market. According to the Annenberg Public Policy Center, weekly use of the Internet for gambling among college-age youth declined precipitously, dropping from 5.8 percent in 2006 to 1.5 percent in 2007. 'The strong drop in use of Internet sites also suggests that Federal legislation restricting the transfer of funds to Internet gambling sites has had its intended effect,' the Director of the Annenberg survey stated.

In addition to its destructive influence on families and our nation's youth, Internet gambling has the potential to

undermine our national security. FBI and Justice Department experts have repeatedly warned that Internet gambling sites are vulnerable to exploitation by money launderers, drug traffickers and even terrorist financiers. These sites evade rigorous U.S.-based regulations that control gambling by minors and problem gamblers and ensure the integrity of the games.

In October 3, 2001 testimony before the Financial Services Committee, Dennis Lormel, then-chief of the FBI's Financial Crimes Section, stated:

Internet gambling and online capabilities have become a haven for money laundering activities. We believe there is a huge potential for offshore sites being utilized to launder money, and there are examples of pending cases, particularly in our organized crime program, involving enterprises using these types of services as conduits for money laundering.

In a March 2004 'International Narcotics Control Strategy Report,' the U.S. Department of State expressed a similar concern:

The Internet gambling operations are, in essence, the functional equivalent of wholly unregulated offshore banks with the better accounts serving as bank accounts for account holders who are, in the virtual world, virtually anonymous. For these reasons, Internet gambling operations are vulnerable to be used, not only for money laundering, but also criminal activities ranging from terrorist financing to tax evasion.

While the proponents of this bill have endeavored to refine and modify a previous legislative proposal that the Committee rejected on June 25, 2008 (H.R. 5767), H.R. 6870 remains a fundamentally flawed legislative product. Congress should stop meddling in the regulatory process and allow UIGEA to be fully implemented.

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