

### Law Banning Transfers for Internet Gambling Is Criticized

By Andrew Noyes

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A law banning the transfer of funds from U.S. banks and credit unions to Internet gambling Web sites was sharply criticized today at a hearing of the House Financial Services Domestic and International Monetary Policy Subcommittee. Opponents on Capitol Hill and in the industry have slammed the law for failing to sufficiently define terms like "unlawful Internet gambling" and "restricted transactions," which could hamper financial institutions' ability to adhere to rules being developed by the Federal Reserve and Treasury Department. Companies impacted might respond by "overblocking transactions to protect themselves," said Domestic and International Monetary Policy Subcommittee Chairman **Luis Gutierrez**, D-Ill. The plan, which has inspired a European Union investigation and a possible World Trade Organization complaint, also does not ensure legal transactions will not be impeded, he said. The rules "could wreak havoc on electronic commerce" and impinge on consumers' lawful activities.

Gutierrez also questioned the appropriateness of the underlying Unlawful Internet Gambling Enforcement Act. If lawmakers are going to impose additional regulations on financial institutions, he said their time would be better spent tackling predatory lending practices. He also questioned the effect the rules might have on the already overburdened remittance systems that immigrants use to send billions of dollars home each year. Financial Services Chairman **Barney Frank** called the change "an intrusion into personal liberty" and said it would set "a precedent of a federalization of the Internet based on the moral views of members of Congress." Frank, who has introduced a bill to exempt licensed operators from the gambling ban, said Congress wrongly "enlisted payment systems and the banks of America to be our anti-gambling cops."

Rep. **Maxine Waters**, D-Calif., who voted for the anti-gambling bill, said she was "seldom in a position where I change my vote but this may be one of those times." Reps. **Peter King**, R-N.Y., and **Jeb Hensarling**, R-Texas, also expressed doubts about the forthcoming rules. King said they run "a severe risk of going too far," while Hensarling said regulatory certainty is needed. "We need black, we need white -- not shades of grey," he said. But Financial Services ranking member **Spencer Bachus** stood firmly in support of the ban, which he said will mitigate "a scourge on our society." He cited a letter signed by 45 state attorneys general who also back the proposal and said FBI and Justice Department officials have testified that Web gambling is a vehicle for money laundering and encourages drug trafficking and tax evasion.

Witnesses from the Federal Reserve and Treasury Department said they have struggled with the legislation's ambiguity. "The payment system wasn't designed for this task," said Louise Roseman of the Federal Reserve. It will be difficult to enforce the law "without a

more bright line on what is included as unlawful Internet gambling," she said. Representatives from the American Bankers Association, Credit Union National Association, Financial Services Roundtable and Wells Fargo & Co. also articulated a variety of fears about how their businesses could be negatively impacted when final rules are adopted.