



Prohibition on Payments to Internet Gambling Websites Bill Summary

The “Unlawful Internet Gambling Enforcement Act of 2006” was part of H.R. 4954, “The Safe Ports Act” passed by Congress in late September. The President is expected to sign the bill.

Sponsored by Rep. Jim Leach (R-IA) and Senator Jon Kyle (R-AZ), the Internet gambling legislation prohibits online casinos from accessing the payments system and holds banks and credit card companies accountable for monitoring and blocking payments to Internet gambling websites. Similar legislation is being considered to control criminal behavior such as Internet child pornography and prescription drug sales.

These are the key details:

- Prohibits gambling companies from accepting funds in connection with Internet gambling.
- Applies to all forms of gambling on the Internet except for horseracing and where the activity occurs within a single state or within Indian lands.
- The Treasury and Federal Reserve will jointly write regulations within 270 days of enactment spelling out policies and procedures financial institutions must follow. The agencies may exclude check and ACH payments on the grounds that it is not reasonably practical to track and block individual transactions.
- Policies and procedures developed by the Treasury and Fed must attempt to avoid disrupting lawful Internet gambling transactions. It will be difficult to craft and comply with this requirement. Procedures would have to discern the difference between legal and illegal forms of Internet gambling, which may depend on the exact location of the individual gambler. This goes well beyond what banks are required to do to root out terrorist financing and money laundering. However, financial institutions are shielded from liability for inadvertently blocking legal transactions.
- The law clearly states that the “business of betting or wagering” does not include the activities of a financial institution.
- Financial institutions are given limited protection from court injunctions that would attempt to override the Treasury and Fed regulations. If this protection proves inadequate, the industry may be forced to ask for broader injunctive relief to maintain the workability of the payments system.
- Authorizes state attorneys general to enforce the law against online casinos or payment processors.
- Penalties include monetary fines and up to five years in prison.