

December 10, 2007

Jennifer J. Johnson, Secretary
Board of Governors of the Federal Reserve System
20th Street and Constitution Avenue, N.W.
Washington, D.C. 20551

Re: Notice of Joint Proposed Rulemaking on Prohibition of Funding of Unlawful Internet Gambling (Docket Number R-1298)

Dear Ms. Johnson:

We at UMB Financial Corporation appreciate the opportunity to comment on the Notice of Joint Proposed Rulemaking (Regulation GG) implementing the Unlawful Internet Gambling Enforcement Act of 2006. UMB Financial Corporation is a multi-bank holding company with over \$8 Billion in assets and 130 banking locations in seven states.

While we agree with the intent of the proposed regulation to limit the number of financial institutions responsible for compliance by listing exemptions in Section 233.4, we are not certain that the proposed language clearly expresses the intent of the regulation as outlined in the preamble. According to the preamble, the only financial institutions responsible for compliance in an ACH, Wire Transfer, or Check Clearing transaction are those holding accounts for and receiving credits into accounts held by companies operating unlawful Internet gambling web sites. However, the exemptions outlined in the proposed regulation do not appear to contemplate the possibility that a gambler might actually receive a payment of winnings from his or her Internet gambling activities. The definition of a "Restricted Transaction" refers to prohibiting "any person engaged in the business of betting or wagering" from receiving payments related to unlawful Internet gambling. It is possible to argue that the gambler is engaged in such a business and is, therefore, subject to the same restrictions. Since a gambler might receive a payment from an internet gambling company as an enticement to expanding his or her unlawful activities, and the exemptions do not clearly eliminate such transactions from a financial institution's compliance responsibilities, we are concerned that the proposal as written would require financial institutions to identify individuals engaged in unlawful Internet gambling and block their ACH, Wire Transfer, and Check Clearing transactions. We do not believe that this was the intent of the Regulation and would suggest that clarifying language be added to eliminate any confusion.

We are also concerned about the ability of financial institutions to identify "restricted transactions" and "unlawful Internet gambling" activities when qualifying customers at account opening, when conducting periodic reviews, or when attempting to identify and "become aware" of unlawful activity after an account is opened. As was noted in the preamble to the proposed regulation regarding the inability of the Agencies to compile a list of businesses engaged in unlawful Internet gambling: "...the Agencies would have to

formally interpret the various Federal and State gambling laws in order to determine whether the activities of each business that appears to conduct some type of gambling-related function are unlawful under those statutes.” However, financial institutions attempting to qualify new accounts or already holding accounts for companies engaged in gambling-related functions are being asked to interpret these same laws when evaluating their customers’ transactions. If Agencies of the Federal Government do not have the resources to perform such evaluations, it is difficult to understand how private companies could be expected to garner the resources necessary to do so. The complexities in interpreting all applicable laws could lead to financial institutions being reluctant to do business with any customer engaged in gambling-related activities resulting in these companies being placed in a situation similar to that encountered by Money Services Businesses and foreign embassies.

Since, as stated in the preamble to the Proposal, “...the Agencies believe that most unlawful Internet gambling businesses do not have direct account relationships with U.S. financial institutions,” and in light of the Treasury Department’s goal of reducing regulatory burden, would it not be more efficient to build upon procedures that financial institutions already have in place rather than adding procedures to the regulatory regime? Financial institutions already screen customers and transactions against government lists provided by OFAC and FinCEN. If the Agencies are uncomfortable in designing a list, similar to OFAC’s SDN list, of Internet gambling businesses whose transactions must be blocked, they could take advantage of the USA PATRIOT Act, Section 314(a) process, to identify accounts held at and transactions processed through financial institutions by businesses suspected of operating unlawful Internet gambling sites. As acknowledged in Section 233.5(e) of the proposed regulation, financial institutions are already required to file Suspicious Activity Reports when unlawful activity is identified. If additional guidance were provided to assist financial institutions in detecting unlawful Internet gambling transactions and if “Unlawful Internet Gambling” were added as one of the characterizations of suspicious activity on the SAR form, this reporting mechanism could be a much more effective means of identifying unlawful Internet gambling transactions and the companies benefiting from those transactions. By relying on the SAR and 314(a) processes, financial institutions would also be relieved of the burden of interpreting Federal and State gambling laws and potentially blocking legal transactions, since they would only be responding to law enforcement requests for additional information regarding suspected Internet gambling businesses or reporting suspected unlawful activity.

In the preamble the Agencies propose that final rules take effect six months after publication. If the final rule reflects all the requirements outlined in the Proposal, we would suggest that compliance not become mandatory until at least twelve to eighteen months following publication. Account opening forms and procedures will need to be adjusted to reflect new due diligence requirements; legal counsel will need to amend deposit, ACH, wire transfer, and foreign correspondent bank agreements; procedures for periodically confirming that existing customers are not engaged in unlawful Internet gambling must be developed; procedures for dealing with customers engaged in unlawful Internet gambling activities of which the financial institution becomes aware must be

drafted; and additional due diligence procedures for ACH third party senders and foreign correspondent bank relationships must be developed. All new forms and procedures will require review and approval by affected business units, and associates tasked with completing new forms or performing additional procedures will have to be trained.

Again, we appreciate the opportunity to comment on this regulatory proposal. We appreciate the efforts made to limit the burden on affected financial institutions by exempting some participants in certain payment systems. We hope that our comments will be useful in further refining the requirements of the proposed regulation.

Sincerely,

/s/ Andrew McDonald
Vice President
UMB Financial Corp

/s/ Nance McFarland
Vice President
UMB Financial Corp