

**Western Union Responses to Questions Posed by  
Division of Reserve Bank Operations and Payment Systems /  
Federal Reserve Board of Governors  
on Proposed Regulations for Unlawful Internet Gambling Enforcement Act**

**April 28, 2008  
Via Teleconference**

**Western Union:**

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- Aaron Henry
- Peter Ziverts

**Federal Reserve Board:**

Division of Reserve Bank Operations and Payment Systems

- Louise Roseman
- Jeffrey Marquardt
- Joseph Baressi
- Joshua Hart

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- Stephanie Martin
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**US Department of the Treasury:**

- Charles Klingman

**Does Western Union have relationships with companies that provide gaming services? Is Western Union able to block U.S. senders while allowing people from other permitted jurisdictions to send funds for gambling purposes?**

Western Union does have relationships with companies in the internet gaming industry that are located outside of the United States and in jurisdictions that do not prohibit the operation of internet gaming-related businesses. Western Union, however, systematically blocks transactions to internet gaming-related commercial subscribers from individuals in jurisdictions where internet gaming is not permitted, such as the United States. Conversely, Western Union allows transactions to internet gaming-related commercial subscribers from jurisdictions where internet gaming is permitted. The controls in place are such that they cannot be overridden by a consumer or a Western Union Agent.

To send to a commercial subscriber, that entity must be listed in the commercial money transfer system as a company to which money transfers may be sent. For a consumer located in the United States or another country in which using Western Union services to send to internet gaming companies is prohibited, the list of commercial subscribers available to that sender and viewable by the send Agent will not include an internet gaming company. For example, if ABC Gambling (fictional) in Antigua & Barbuda is a registered Western Union commercial subscriber, information on this subscriber is neither visible to U.S. Agents in our will call system, nor visible to consumers via our websites. For consumers and Agents in the U.S., it is as if there is no relationship between Western Union and ABC Gambling.

**Do commercial subscribers receive money directly from Western Union, or through a receive Agent?**

Western Union settles with commercial subscribers through the commercial banking system. Generally, Western Union will send a wire transfer from its bank account to the commercial subscriber's bank account. When available, the ACH system will often be utilized for these settlements. Western Union settles commercial transactions with its Send Agents. Our Agents do not send any money transfers directly to commercial subscribers.

**Does Western Union allow money transfer transactions to be sent to or from individuals other than natural persons?**

Transactions initiated from an Agent location or received at an Agent location can only be initiated or received, respectively, in the name of a natural person. If a Western Union Agent has knowledge that a sender is making the transfer on behalf of someone else (a "3rd Party"), or that a recipient is receiving payment on behalf of a 3rd Party, the Agent must obtain and record the name, address, date of birth, occupation and the SSN or taxpayer identification number (TIN) of the 3rd Party. If the 3rd Party (person or organization) does not have a SSN or TIN, the Agent must obtain and record the 3rd Party's AIN or passport number and country of issuance (if it is known), or note the lack of such number (#). For transactions to or from Cuba, 3rd Party transactions cannot be processed.

Commercial subscribers can receive transactions sent by natural persons. A limited number of commercial subscribers are also permitted to send transfers directly through Western Union to natural persons. From time to time, we have also conducted business to business transfers, but to date that has not been a significant part of our business.

**How does Western Union monitor transactions? Is monitoring an effective means of thwarting illegal gambling transactions?**

Western Union monitors person-to-person money transfer transactions through a proprietary system called "Wire Watch." The monitoring is not "real time" but occurs after transactions are initiated. The system allows us to aggregate transactions occurring from the same or multiple locations and within a day or over multiple days. The system is used to identify suspicious activity and to identify transactions requiring either a SAR filing or a CTR filing.

On a real time basis, transactions over certain dollar amounts or sent by or to a person or entity on our interdiction list will be held in process and will not be available for payout until the transactions are manually cleared by one of our monitoring employees.

Western Union's interdiction programs focus on various suspicious activities, including illegal internet gaming. When a consumer's transaction is interdicted, he or she is not allowed to conduct any Western Union Money Transfer transactions until the customer completes a personal interview and the proposed transaction appears to be lawful to the reasonable satisfaction of Western Union's Compliance Department. Ongoing use of this interdiction capability provides Western Union with control over those who utilize the Western Union Money Transfer system. Western Union has the ability to add names to the interdiction list with relative ease provided it receives sufficient information to properly identify known offenders.

Western Union also analyzes transaction data looking for suspicious activity at particular Agent locations to determine if an Agent may be involved in illegal internet gaming related payouts. Action will be taken against Agents so identified to stop such activity. Western Union has also sent letters to all of its Agents to remind them of Western Union's prohibition on handling illegal internet gaming transactions.

If Western Union becomes aware that a particular transaction sent from the U.S. is internet gaming related after the transaction is paid out, we will block both the sender and the receiver from our system for future transactions, and file a SAR, if appropriate. If we determine it is internet gaming related prior to the transaction being paid out to the designated receiver, we will block the transaction and file a SAR.

Monitoring is one component of our program to prevent our money transfer system from being used to facilitate illegal internet gaming transaction. As part of the program, we also prohibit consumers in our terms of use from using our system for such purposes. Similarly, Agents are also prohibited from engaging in illegal activities. We take action against consumers and Agents who we determine are violating those prohibitions. As noted below, we have extensive procedures to screen commercial subscribers and to limit their ability to receive prohibited transfers from senders located in jurisdictions prohibiting internet gaming. We also have a program to search online for websites that direct consumers to use our services to send illegal internet gaming transactions. When located, we contact such websites and demand that such activity cease. Western Union is the industry leader in its anti-money laundering efforts. Overall, we consider our program to prevent illegal internet gaming transactions effective in minimizing the number of illegal transactions flowing through our system.

**What is Western Union's due diligence process for commercial subscribers, particularly those off shore?**

All domestic and international commercial subscribers are subject to due diligence reviews as part of established Western Union policy. Current industry practices for commercial due diligence and know your customer requirements under the Bank Secrecy Act provide a reasonable structure for companies such as Western Union to implement due diligence practices.

For off-shore or international commercial subscribers, Western Union conducts enhanced due diligence process. As part of its enhanced due diligence, beneficial ownership information is highly scrutinized along with corporate activities and affiliated entities. Should any adverse information be identified through the review, appropriate risk-based decisions drive the acceptance or denial of the potential subscriber.

Furthermore, our commercial subscriber contracts contain language specifically disallowing the use of our services for internet gambling purposes except for those entities specifically authorized to do so under our established control framework.

**Western Union staff also noted the following:**

- Some foreign Internet gambling businesses use natural-person receivers in conjunction with "random name generators," particularly in jurisdictions where verification of the receiver's identity is not required (although Western Union generally requires ID to receive funds worldwide). In these cases, it is more difficult to detect suspicious activity than if the business were to use employees (under their real names) to obtain funds through Western Union, because there would not be a pattern of certain individuals receiving an unusually high number of payments.

- When a U.S. consumer visits the Western Union website and uses a card to fund payment, the card transaction will reflect a merchant category code of “cash advance.”
- Outside of the Western Union system, U.S. consumers may use their credit or debit cards to fund accounts with foreign web-based e-wallets, and subsequently initiate payment from the e-wallet to an Internet gambling business.
- Outside of the Western Union system, U.S. consumers may purchase phone-minute credits through a phone company that in turn may remit the value of those minutes to an Internet gambling business.

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