

**ATTORNEY GENERAL
STATE OF MONTANA**

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

Department of the Treasury
Office of Critical Infrastructure Protection and Compliance Policy
Room 1327, Main Treasury Building
1500 Pennsylvania Avenue N.W.
Washington, DC 20220

RE: Docket Number R-1298, Proposed Rules Implementing Prohibition on Funding of Unlawful Internet Gambling

Dear Federal Regulators:

The National Association of Attorney Generals, in 2006, encouraged Congress to help combat the skirting of state gambling regulations by enacting legislation which would address Internet Gambling, while at the same time ensuring that the authority to set overall gambling regulation and policy remains with the states. Congress responded by enacting the Unlawful Internet Gambling Enforcement Act of 2006 (UIGEA), which has effectively driven many illicit gambling operators from the American marketplace.

Montana prohibits Internet gambling and has sought to enforce the state's laws to protect citizens from the social costs and criminal activity associated with Internet gambling. While criminal activity includes illegal gambling, fraud and credit card theft, more serious are the dangers of underage gambling, credit gambling and compulsive gambling.

I support the proposed rules that provide regulation of card systems and money transmitting businesses. Credit cards are the most available and common form of payment system used by the types of Internet gamblers who are likely to be underage, problem gamblers or fraudulently utilizing a credit card.

I would ask that in drafting final rules that the federal regulators recognize that historically states have regulated gambling and are a resource that can assist in providing the effective regulation that UIGEA envisioned. I would make the following recommendations:

- List of unlawful Internet gambling businesses – The Montana Department of Justice supports the establishment of a list of unlawful internet businesses. State enforcement agencies can readily identify unlawful Internet gambling websites and related businesses for their states, and in most cases these websites will also be unlawful under UIGEA. In most cases a business that also engages in lawful gambling maintains a separate website for unlawful activities. In our view, businesses that conduct unlawful Internet gambling should not have the “lawful” portion of their business protected if they are conducting unlawful Internet gambling. A list of unlawful Internet gambling businesses would provide a useful tool for enforcement as well as financial institutions wanting to exercise due diligence.
- Policies and procedures should provide contact information – A non-exempt transaction provider should identify in their written policies a person that can be contacted by gambling enforcement agencies. Credit card issuers should maintain a list of all merchant bank contacts for their card. Contact information should be maintained at federal regulator website or on websites of the non-exempt transaction provider.

I would urge the federal regulators to weigh, not only the costs to the financial institutions they regulate, but the broader social costs of Internet gambling. Many of the costs and problems of underage gambling, fraud, compulsive gambling and credit gambling fall on the states. I believe federal regulators and state enforcement agencies working together can reduce the availability of illegal Internet gambling.

Very truly yours,



MIKE McGRATH
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