

**From:** FJackieMeyer@aol.com on 11/12/2007 09:30:02 AM

**Subject:** Reg. GG -- Internet gambling

Thank you for providing the mechanism for public comment on the proposed banking regulations to implement UIGEA, TREAS-DO-2007-0015, R-1298.

(1) I think there are serious problems with accomplishing the objectives of the legislation without an extensive transaction coding system. The codes needed would be very large, legal/illegal declarations for thousands of jurisdictions, for each of thousands of different games or contests. Statutes for jurisdictions can be very detailed, specifying that legality can be affected by slight differences in the details of how a game is played, how wagers are placed, the number and amount of wagers, etc.

It's inevitable that financial transfers for some legal gaming and some illegal gaming will be lumped together. I have no problem with this so long as the legal gaming is not inhibited. I suppose that the legislators wrote UIGEA to rely on law in state and local jurisdictions out of respect for state sovereignty. As soon as the legal behavior of the citizens of one state are prohibited due to the laws chosen by the citizens of another, then that sovereignty has been violated.

This legislation appears to set the stage for extensive legal battles to clarify the legality or illegality of many different types of games in the many jurisdictions throughout the USA. The proposed regulations appear to be biased toward overenforcement because it targets its penalties at underenforcement incidents. I fear that we will only end up seeing curbed commerce, added financial processing and legal expenses, and ultimately the courts throwing out UIGEA anyway as overbroad and having a chilling effect.

(2) Many Internet gaming merchants appear to be taking sensible steps to protect themselves from fraud, e.g., accepting debit transactions but not credit transactions, requiring deposits into an account from which wagers are made, or other measures. In the case where individuals have accounts with the merchants, the exact use of the funds are not known at the time of the financial transaction depositing funds into the account.

For example, a person could deposit funds into an account of a merchant providing fantasy sports betting, specifically not prohibited by the UIGEA legislation itself. The person could live in a jurisdiction where this is perfectly legal, and the merchant could be similarly situated. But the person could then visit a jurisdiction where fantasy sports betting is illegal and using the Internet make the fantasy sports selections and wagering amounts from there. Also, some merchants will provide multiple services, some of them legal for a particular customer and some not legal.

The only realistic remedy seems to be to require the merchant to check for legality at the time funds are used (if the funds are used to make a wager). But this is not in the scope of UIGEA. I suspect that the financial institutions might push the responsibility for determining legality onto the merchants through modifying their contractual agreements with them. I fear that some of the merchants will not have the best motives and will fail to identify prohibited transactions. Meanwhile the honest merchants will have a daunting task as outlined in (1) above. This is an unsatisfying result.

I'm not an efficiency expert, but I believe the estimated hour burden for each financial institution for implementation is less than what would be needed even for the rather ineffectual effort to modify and promulgate new contractual agreements.

(3) Consider the scenario where Beth runs a gambling business and Alan places a sports bet with her by telephone in contravention of the Wire Act. Suppose they then visit Nevada, meet in person, and make a legal bet there on a coin flip. Alan loses both wagers and writes Beth two checks to settle the gambling debts. If the regulations are to be effective, one of these checks should be flagged while the other is not.

Now suppose that they choose to settle these gambling debts via Western Union transfer or a similar service. This is no better. I don't expect the Western Union clerk to have the legal knowledge necessary to ask the right questions. And I don't expect even a well-intentioned Alan to be able to answer boiler plate questions well enough to get the allowed financial transaction through and the other transaction stopped.

Even if somehow checks and wire transfers could be controlled, I expect that other forms of financial transactions not covered by UIGEA could become popular, such as transfer of ownership of commodities.

I don't think the UIGEA regulations will do much to slow down illegal gaming, so I am hoping that the implementation will avoid bad side effects. I hope that legal gaming is not curbed, as well as other legal commerce. And I hope that the regulatory burden is somehow made very light.

Sincerely,  
Fred Meyer