

c: Lynn Bannon

The Honorable Ben Bernanke
Chairman
Board of Governors of the Federal Reserve System
20th Street and Constitution Ave., NW
Washington, DC 20551

Re: Comments to Notice of Joint Proposed Rulemaking; Prohibition On Funding Of Unlawful Internet Gambling Docket Number R-1298

Dear Chairman Bernanke:

We are writing today regarding your proposed regulation, titled: "Prohibition On Funding Of Unlawful Internet Gambling." Although the proposed regulation attempts to provide guidance to payment processors and banking institutions regarding illegal internet gaming activities, we are concerned that as proposed, the rulemaking might also permit blocking legal state licensed and regulated transactions.

Congressional intent regarding the pari-mutuel industry has been quite clear. Not only did we reference the Internet Horseracing Act within the statute, we also expressly mentioned that, "The Internet gambling provisions do not change the legality of any gambling-related activity in the United States. For instance, if use of the Internet in connection with dog racing is approved by state regulatory agencies and does not violate any Federal law, then it is allowed under the new section 5362(10)(A) of title 31," (152 Cong. Rec. H8026-04; Sept. 29, 2006). Pari-mutuel betting, account wagering, simulcasting, and common pool wagering are lawful in several States. Pari-mutuel transactions use the internet and are authorized and regulated without regard to whether the race is a horse or dog race. Unfortunately, without clarification within your final regulation, we are concerned that there will be over-blocking of legal state licensed transactions within the pari-mutuel industry. The result would be a negative economic impact on the entire pari-mutuel industry where none was intended.

We are also concerned that the proposed regulation will unduly burden the banking and financial community. To comply with the proposed regulation, the banking and financial community must (1) rely on established written policies and procedures which are reasonably designed to identify, block, and otherwise prevent restricted transactions; or (2) establish and comply with their own written policies and procedures that are reasonably designed to accomplish the same thing. As noted, Congress did not intend to restrict legal transactions, including state licensed pari-mutuel transactions. Unless the proposed regulation is clarified, designated payment system participants will be unable to craft written policies and procedures which do not inadvertently block legal pari-mutuel transactions. Such a result would run contrary to Congress' intent in passing the Prohibition On Funding Of Unlawful Internet Gambling.

In order to follow Congressional intent, we urge you to reiterate that the Unlawful Internet Gambling Enforcement Act of 2006, does not impact legal state licensed and regulated transactions within the pari-mutuel industry. Such a clarification would give better guidance to those institutions affected by your regulation.

Sincerely, 

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