

Development of Internet Gambling Regulations
Conference Call with The National Money Transmitters Association (NMTA)

Call Date: June 3, 2008 / 11:00am EDT

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The NMTA represents roughly 50 of the estimated 700 small to medium-sized money transmitter organizations (MTOs) licensed in the United States. On average, the typical NMTA member maintains 10 state licenses and sends money to 15 countries. It is not uncommon to find the smaller companies specializing in sending funds to just one or two countries. The typical NMTA member has very little domestic transfer volume (going from one U.S. location to another.).

The NMTA provided a framework from which one can compare small and large MTOs. In many respects, smaller MTOs function in a manner comparable to large MTOs. The same laws and regulations apply to all MTOs. Most systems have centralized systems with operators which monitor transactions for compliance, and are capable of spotting anomalous transactions or patterns. The NMTA believes that its statements hold true for MTOs smaller than its member operators as well.

Smaller MTOs differ from their larger counterparts in so far that they typically have a presence in no more than ten states (but usually fewer), and only perform cross-border transactions with one country or a few countries in one region of the world. As a general rule, small MTOs do not have commercial subscribers where the operator sends payments directly to a business, bypassing a receiving agent. The business of most smaller MTOs is person-to-person remittances. Furthermore, most smaller MTOs do not allow Internet-initiated transactions – a customer is usually required to visit an agent location in person in order to perform a transaction.

The NMTA believes that most operators of small MTOs are capable of detecting suspicious transactions where numerous unrelated persons from a broad geographic area send money to one individual in a fashion that is atypical for that provider's customer base. Additionally, the NMTA believes that smaller MTOs typically require the recipient picking up a money transmission at an agent location to show government-issued identification rather than merely a confirmation code to prove identity. This makes it less likely that a gambling business could use a random name generator and have its employees pick up funds without showing personal identification.

According to the NMTA, the smallest MTOs (e.g., an MTO with one location in the United States and one in a foreign country without an operator) are sometimes the best at spotting anomalous transactions. While these businesses may not have computers, they

keep detailed records and tend to know all of their customers, and thus can quickly spot anomalous transactions.

The NMTA believes that Internet gambling firms are unlikely to include the services of small money transmitters as payment options because these money transmitters generally serve very limited market areas. Accordingly, the smaller MTOs would not be an efficient payment solution for unlawful Internet gambling businesses. The NMTA noted, however, that if Internet gambling transactions sent through these systems mimic typical customer patterns, it would be very difficult for operators to uncover these fraudulent payments. The NMTA believes that the best way to prevent MTOs from being used for unlawful Internet gambling transactions is to raise the consciousness of agents and operators, such as through employee training and customer notification.