

Attention: House Financial Services Committee LA



COMPETITIVE ENTERPRISE INSTITUTE



September 15, 2008

Dear Representative:

As the House Financial Services Committee moves towards consideration of H.R. 6870 (The Payment Systems Protection Act) and any other legislation that could modify the Unlawful Internet Gambling Enforcement Act, we urge you to give strong and serious consideration to the deep flaws in UIGEA. At a time when a number of social and economic forces seem likely to destabilize the banking system, we strongly question the need for **unnecessary and unrelated** banking regulation. We perceive three major problems with the bill:

- **UIGEA and its proposed implementing regulations are vague:** Neither the UIGEA statute nor the regulations currently under consideration offer a clear definition of what activities are and are not “unlawful.” Thus, they offer no list of what activities banks and credit unions are supposed to block. The law, as written will almost certainly result in the blocking of many perfectly legal transactions.
- **UIGEA will impose significant costs on consumers:** Largely because the statute and regulations remain so vague, banks will likely have to expend significant resources in order to deal with UIGEA. Because they—by definition—have direct billing and/or payment relationships with all of their customers, it is very easy for banks and credit unions to pass on these charges in the forms of higher interest rates on loans and lower interest rates on deposits and investments. Consumers, not stockholders, will end up paying the bills.
- **As written, UIGEA is unenforceable:** UIGEA seems almost certain to damage reputable, **responsible**, mainstream companies that provide [lawful games of skill and chance](#). The sheer flexibility of the Internet, however, means that many less law-abiding operators will use offshore transaction providers to dodge UIGEA’s strictures. The result, ironically, could be more of the fraud and problem gambling that UIGEA’s sponsors say they want to prevent.

With these factors in mind, we urge you to give you careful, deliberate and full consideration to H.R. 6870 and any other measures that might serve to fix the manifest problems with UIGEA. In the long term, we urge you to consider measures that would repeal UIGEA altogether.

Sincerely,

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