



Dear Member:

On June 24, 2008, the House of Representatives' Committee on Financial Services will consider legislation modifying the implementation and nature of regulations concerning 31 U.S.C. § 5361–5367 -- Unlawful Internet Gambling Enforcement Act (UIGEA). We urge you to consider this legislation carefully. We believe that, if implemented as proposed in current regulations (Docket Number Treas-DO-2007-0015), UIGEA would have a number of serious, negative consequences for the nation's economy. Among other things, we believe that the proposed regulations would:

**Cause serious problems throughout the nation's payment processing system:** The Department of the Treasury's proposed regulations would "deputize" just about every bank, thrift, credit union, credit card company and wire transfer agent in the country to police unlawful gambling related transactions. This might be possible if the regulations defined which transactions are prohibited and which ones are not. At the moment, however, they remain so vague that they will almost certainly result in the blocking of many perfectly legal transactions. This will result in enormous confusion and—quite possibly—slow and obstruct many of legitimate transactions.

**Drive up banking costs:** Banks, credit card companies, and credit unions will have to expend significant resources to comply with the proposed regulations since they introduce a new reason to monitor every transaction. Given the direct payment-billing relationship that all of them have with their customers, it is highly likely that any costs incurred as a result of the law will hit consumers' wallets directly. Savings account interest rates will go down while mortgage rates and credit card fees will go up.

**Fail at its intended Purpose:** Those wishing to gamble online will continue to do so even if the regulations are implemented and banks attempt to enforce them. The vagueness of the proposed regulations will likely create a situation where some institutions process payments for some gambling sites. Even if this does not happen, a variety of off-shore and "gray market" institutions will continue to process payments.

**Raise Serious Federalism Issues:** In some cases, payment processors—for fear of federal penalties—may adopt broad standards that conflict with black-letter state law. This may raise serious federalism issues that will take enormous time, effort, and money to resolve.

Therefore, we urge you to give strong consideration to any measure that would delay, revise, and clarify the implementation of UIGEA. It's a bad law and the proposed implementing regulations are worse.

Yours truly,

Eli Lehrer (Senior Fellow, The Competitive Enterprise Institute)

Michelle Minton (Policy Analyst, The Competitive Enterprise Institute)

Grover Norquist (President, Americans for Tax Reform)