

December 12, 2007

Jennifer J. Johnson  
Secretary, Board of Governors of the Federal Reserve System  
20<sup>th</sup> Street and Constitution Avenue, N.W.  
Washington, DC 20551

Dear Secretary Johnson:

I appreciate the opportunity to comment on the proposed regulations (Docket No. R-1298) implementing the Unlawful Internet Gambling Enforcement Act of 2006 (UIGEA).

The opponents of Internet poker have written to you kind folks with comments like:

“Internet gambling represents the most invasive and addictive form of gambling in history. Speed, accessibility, availability and anonymity make Internet gambling the perfect storm for gambling addiction. Internet gambling also creates fertile ground for criminal activity and threatens homeland security by potentially funding terrorist activity.”<sup>1</sup>

It sounds scary...almost scary enough to justify taking from Americans the freedoms that are enjoyed throughout Europe and most of the rest of the free world. Fortunately, the truth is not so scary after all. Internet gaming does not lead to more gamblers, nor does it lead to explosions of compulsive gamblers. The recently released United Kingdom Gambling Prevalence Survey illustrates this. This UK government-sponsored study concluded that from 1999 to 2007 (the height of the Internet gaming boom in the UK), the percentage of people who had gambled in the country decreased four percentage points (from 72% in 1999 to 68% in 2007). This was despite the increase in available gaming products. During this time the percentage of problem gamblers increased a mere tenth of a percentage point (from 0.8% in 1999 to 0.9% in 2007). Unfortunately, these unimpeachable statistics are often ignored in favor of inflammatory statements made by some gaming opponents who lack data to back up their assertions.

Additionally, Internet gaming has not been used for funding of terrorist activity (note that Mr. Wildmon says “potentially funding”). U.S. Attorney Catherine Hanaway stated this fact during her testimony at the November 14, 2007 House Judiciary Committee’s *Hearing on Establishing Consistent Enforcement Policies in the Context of Online Wagers*.

I share this with you so your agency will not feel tasked with saving Americans from the freedom to choose to play poker on the Internet. If that were the case, Congress would have passed a law banning all Internet gaming. As you know, Congress did no such thing. Rather, they passed a law deputizing banks and other financial institutions to enforce existing federal and state laws, not to create a federal prohibition on Internet poker and other online non-sports gaming via ambiguous regulations.

Unfortunately, the regulations as written do not give sufficient direction to financial institutions as to the types of transactions they are to prohibit. As a result, banks will likely block legal transactions.

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<sup>1</sup> December 7, 2007; Wildmon, Donald E., American Family Association UIGEA comment

Such overblocking would result in federal usurpation of the right of the states to control gaming within their borders. As such, I ask that the regulations be modified to eliminate this unintended consequence of this legislation.

A primary problem area is interstate Internet poker. **Federal case law is relatively clear in this matter – per appeals court decisions in re MasterCard International Inc. and other cases, the Wire Act covers only sports betting.** There is no other federal law banning interstate Internet poker. **At the state level, only a handful of states prohibit Internet poker.** As such, the regulations should be careful to not impact Internet poker in states that have chosen to not pass laws prohibiting its residents from playing Internet poker.

To preserve the rights of the states to determine what gaming they wish to permit within their borders, **I ask that the regulations specify that state laws enforced by UIGEA must be unambiguous in their application to the Internet and to the specific types of gaming banned by that state. Additionally, states desiring federal assistance in enforcing Internet gaming restrictions should be required to request this assistance in writing from the Secretary of the Treasury.**

Our financial institutions deserve to know exactly what they are required to prevent, and our states should continue to have the right to choose what types of gaming they permit within their borders.

Thank you for your consideration.

Sincerely,

Cynthia Van Pelt