
Opening Statement of Ranking Member Spencer Bachus, House Financial Services Subcommittee on Domestic and International Monetary Policy Hearing Entitled, "Proposed UIGEA Regulations: Burden without Benefit?"

April 2, 2008

Thank you, Mr. Chairman, for holding this hearing on regulatory implementation of the Unlawful Internet Gambling Enforcement Act. The title of this hearing deals with the regulations proposed by the Treasury and Federal Reserve, although Chairman Frank's legislation, H.R. 2046, which would effectively repeal the ban on illegal Internet gambling that we worked so hard to enact, is of course material to today's hearing.

We have a letter signed by 45 state attorneys general opposing this legislation. They say, "H.R. 2046 effectively nationalizes America's gambling laws on the Internet, 'harmonizing' the law for the benefit of foreign gambling operations that were defying our laws for years, at least until UIGEA was enacted. We therefore oppose this proposal and any other proposal that hinders the rights of States to prohibit or regulate gambling by their residents."

I would like to enter this letter into the record.

Make no mistake: illegal Internet gambling ruins lives and tears families apart. Study after study has shown that gambling is a scourge on our society that leads to addiction, bankruptcy, divorce, crime, and moral decline. Illegal Internet gambling intensifies the devastation wrought by gambling by bringing the casino into the home.

According to a recent study, 74 percent of those who have used the Internet to gamble have become addicted to gambling, and many of these gambling addicts have turned to crime to support their habit. Research also indicates that in 2006 alone, nearly 10 percent of college students gambled online. Indeed, at our Committee's last hearing on this subject, we heard testimony from Greg Hogan, whose son, once the president of his class at Lehigh University, now sits in a Pennsylvania prison after committing bank robbery in a desperate attempt to erase his Internet gambling debts.

But the harms that illegal Internet gambling inflicts on our society extend beyond the personal tragedies of the Hogans and other American families like them. Illegal Internet gambling also jeopardizes the security of our nation. The FBI and the Department of Justice have testified before this Committee that Internet gambling serves as a vehicle to launder the proceeds of illegal activities, helps fund drug trafficking, facilitates tax evasion, and - perhaps most frightening of all - can even be used to finance terrorism.

To address these harms, Congress enacted the Unlawful Internet Gambling Enforcement Act of 2006. Since its enactment, illegal Internet gambling among college-age youth has declined from 5.8 percent in 2006 to 1.5 percent in 2007. This is a significant achievement. But any success the Act has had in decreasing the rate of illegal Internet gambling will be short-lived if criminals believe that the Act will not be enforced. That is why it is critical that the proposed regulations that are the subject of today's hearing be done right and be implemented without further delay.

In their current form, the regulations that the Treasury and the Federal Reserve have proposed require that U.S. financial institutions participating in designated payment systems prevent transactions in connection with unlawful Internet gambling. This requirement is an essential first step, but it is worth emphasizing that all forms of payment should be

covered because a single exemption leaves the law susceptible to evasion.

The proposed rules provide exemptions for U.S. financial institutions that participate in designated payment systems, if the regulators jointly determine that it is not reasonably practical for these firms to prevent illegal transactions. This exemption ensures that financial institutions are not burdened with implementing impossible or impracticable standards. But the rules should make clear that exempted financial institutions that do become aware of restricted transactions should be required to block them.

Thank you again, Mr. Chairman, for holding this hearing, and thank you to all of our witnesses for being here today. We look forward to your testimony.