Internet Gambling: Frank introduces the Payments Systems Protection Act of 2008

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Good news for the internet gambling industry today. Democratic Chairman of the House Financial Services Committee Barney Frank of Massachusetts introducted a bill to congress to help clarify and define a "internet gambling" financial transaction and help regulate the industry. The GOP vows in their 2008 Republican Platform to work hard to keep the ban on internet gambling enforced. Page 47 of the 2008 GOP Platform states "We support the law prohibiting gambling over the internet". Point-Spreads.com urges its readers to vote for Democratic Presidential Candidate Barack Obama or a third party candidate in the 2008 Presidential Election. Over the course of the next few weeks, we will be profiling several candidates running for Congress that support legalizing and regulating internet gambling and are trying to help Barney Frank and Texas Congressman Ron Paul overturn UIGEA.

Here is a press release from The Safe and Secure Internet Gambling Initiative about the Payments System Protecton Act of 2008:

House Committee on Financial Services Chairman Barney Frank (D-Mass.) today introduced the Payments System Protection Act of 2008, which would direct the Department of the Treasury and Federal Reserve System, in consultation with the Attorney General, to create a formal process to define what types of online gambling are unlawful to make it possible for the U.S. financial services industry to comply with the current ban on Internet gambling, as required by the Internet Gambling Enforcement Act of 2006, or UIGEA. In response to concerns raised by the financial services industry about the burden and ambiguity in the proposed rules to implement UIGEA, the bill would require federal regulators to appoint a special Administrative Law Judge to define unlawful Internet gambling activities and conduct an economic impact study on the costs for compliance.

“Chairman Frank is doing the right thing by saying it is unfair to burden U.S. financial service companies with the job of the Internet gambling police at a time when their undivided attention ought to be on the economy,” said Jeffrey Sandman, spokesperson for the Safe and Secure Internet Gambling Initiative. “The reality is that UIGEA is dangerous to the payments system and unlikely to stop anyone from using the Internet to play poker, bet on horses, or engage in other types of wagering.”

Earlier this year, Reps. Frank and Ron Paul (R-Tex.) introduced the first version of the Payments System Protection Act (H.R. 5767), which attempted to stop the U.S. government from taking any further steps in developing regulations to implement UIGEA. Ultimately, the bill, along with an amendment offered by Rep. Peter King (R-N.Y.), was defeated in the House Committee on Financial Services.

During the vote on the Payment System Protection Act on June 25, 2008, Rep. Frank told his colleagues that Congress is putting the U.S. financial services industry at risk by not clarifying the regulations to enforce UIGEA and defining unlawful Internet gambling activities. “Hijacking the financial payment system at a time when it is under major stress and giving them the job of carrying out an unclear mandate doesn’t make sense,” he said.

Representatives of the U.S. financial services industry, including the Chamber of Commerce, The Financial Services Roundtable, Credit Union National Association, and National Association of Federal Credit Unions, pledged their support of the original version of the Payments System Protection Act and King amendment in letters to Rep. Frank and members of the Financial Services Committee.

“I wish to be clear that we do not support the notion that financial services companies should be ‘deputized’ to police gambling activity in any form or function,” wrote Mr. Steve Barlett, president and CEO of The Financial Services Roundtable on June 23, 2008. “While we would support the passage of H.R. 5767 as introduced, I agree that the King Amendment makes essential improvements to a deeply flawed law and therefore support its inclusion.”

Concerns about the impact of UIGEA were also raised by the Americans for Tax Reform and Competitive Enterprise Institute in a letter to members of the Committee on Financial Services dated June 23, 2008, which said that “if implemented as proposed in current regulations, UIGEA would have a number of serious, negative consequences for the nation’s economy.”

Concerns about the proposed rules to implement UIGEA were previously raised at a congressional hearing on April 2, 2008 (“Proposed UIGEA Regulations: Burden without Benefit?”) and in hundreds of comments submitted to the Department of the Treasury and Federal Reserve System. At the hearing, representatives of the Department of the Treasury and Federal Reserve System acknowledged the challenges U.S. financial institutions will face in attempting to comply with UIGEA.

The Internet Gambling Regulation and Enforcement Act of 2007 (H.R. 2046), introduced by Rep. Frank, would establish an enforcement framework for licensed gambling operators to accept bets and wagers from individuals in the U.S. It includes a number of built-in consumer protections, including safeguards against compulsive and underage gambling, money laundering, fraud and identity theft. A companion piece of legislation that would ensure the collection of taxes on regulated Internet gambling activities, the Internet Gambling Regulation and Tax Enforcement Act of 2008 (H.R. 5523) was introduced by Congressman Jim McDermott (D-WA).

Additionally, Rep. McDermott introduced, the Investing in our Human Resources Act (H.R.6051), which would direct new revenue generated by regulated Internet gambling activities to be spent on job training for those in the declining sectors of the economy and educational assistance for foster care youth. The bill also includes provisions to encourage responsible Internet gambling behavior and an awareness of unsafe practices, something which has been praised by problem gambling advocates.

The Safe and Secure Internet Gambling Initiative promotes the freedom of individuals to gamble online with the proper safeguards to protect consumers and ensure the integrity of financial transactions. For more information on the Initiative, please visit www.safeandsecureig.org. The Web site provides a means by which individuals can register support for regulated Internet gambling with their elected representatives.