

U.S. House of Representatives
 Committee on Financial Services
 2129 Rayburn House Office Building
 Washington, DC 20515

April 21, 2008

The Honorable Henry M. Paulson, Jr.
 Secretary
 U.S. Department of the Treasury
 1500 Pennsylvania Avenue, NW
 Washington, DC 20220

Dear Mr. Secretary:

As you know, on Wednesday, April 2, the Committee on Financial Services Subcommittee on Domestic and International and Monetary Policy held a hearing entitled, "Proposed UIGEA Regulations: Burden Without Benefit?" to examine the regulations issued last year by your agency and the Federal Reserve on the Unlawful Internet Gambling Enforcement Act (UIGEA). At that hearing, the testimony of your representatives and the industry made it clear that the regulations are unworkable. Subsequently, we introduced new legislation, H.R. 5767, which would prohibit their implementation.

The regulations, like the underlying legislation, fail to define the term "unlawful internet gambling," leaving it to each financial institution to reconcile conflicting state and federal laws, court decisions and inconsistent Department of Justice interpretations, when determining whether to process a transaction. Furthermore, some of the information needed to make this determination would likely be unavailable to banks, because customers or financial institutions in foreign jurisdictions will likely be unwilling or unable to provide it. At the hearing, representatives from your agency and the Federal Reserve admitted that there are substantial problems in crafting regulations to implement the UIGEA in a manner that does not have a substantial adverse effect on the efficiency of the nation's payment system.

Your agency and the Federal Reserve have been struggling to issue these regulations, but as the hearing made clear, the underlying statute makes your job extremely difficult, if not impossible. Given the many other priorities that are pending at your agencies, including the mortgage crisis, HOEPA, and UDAP rulewriting and many other issues, we believe it would be imprudent for you to devote additional agency resources to this Sisyphean task, especially as we intend to vigorously pursue legislation to prevent the implementation of these regulations.



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