

# UNLAWFUL INTERNET GAMBLING ENFORCEMENT ACT



# INTERNET GAMBLING & YOUR BANK

**Banks are required to restrict illegal Internet gambling. Here's what you should know.**

# INTERNET GAMBLING AND YOU

**W**ith the dramatic increase in Internet-based wagering, Congress has acted to ensure that **illegal Internet gambling** is thwarted, and has enlisted banks to assist in this effort. Congress concluded that new mechanisms for enforcing gambling laws on the Internet were necessary because traditional law enforcement mechanisms are often inadequate for enforcing gambling prohibitions or regulations on the Internet, especially when it crosses state or national borders.



Whether you are an *individual* who engages in Internet wagering...or a *business* that processes these wagers, it is important to know what banks are now doing to ensure that these activities are not being conducted unlawfully. The Unlawful Internet Gambling Enforcement Act (UIGEA) **requires** banks to do certain things, and **permits** them to do others. Here's what you should know:

## **What Banks Must Do**

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Under Federal rules, banks must have policies and procedures to block transactions that finance Internet gambling by **credit and debit cards**.

- Banks are permitted to rely on the procedures established by the credit card operators (e.g., Visa, MasterCard, American Express, Discover) to block illegal gambling transactions. While

it is up to these operators to determine their specific procedure, it is possible that they may not differentiate between lawful and unlawful gambling, choosing instead to block all gambling transactions.

- Banks must screen commercial customers at the time of an account opening to establish the level of risk that the new account holder might be for participating in restricted activities.
- When a bank receives a report from a law enforcement or regulatory agency that an account is processing restricted transactions, the bank must first determine whether the transactions are legal or illegal, and if illegal, take appropriate actions (such as closing the account or restricting access to certain payment systems, for example).
- Finally, banks are required to notify their commercial customers that illegal Internet gambling transactions are prohibited and cannot be processed through the bank.

## **What Banks Are Permitted to Do**

If they choose, banks and credit card operators are permitted to “over block” transactions, which means that they can block Internet gambling transactions whether legal or illegal. Because of this option, your bank may, for example, permit a certain wagering transaction, but the credit card operator may decide to block it (see above). Conversely, your bank may block a transaction, even though it would have complied with the credit card operator’s procedures.

## **What You Should Do**

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*The UIGEA does not make any gambling activity illegal that was previously legal, and does not make any gambling activity legal that was previously illegal. Of course, individuals and businesses should never participate in illegal gambling activities of any kind. Just as important is to know which activities are lawful and permitted, and which are not. There are a myriad of Federal, state and Tribal laws prohibiting or regulating gambling, and you should be knowledgeable about those that affect your particular activities.*

Your bank maintains written policies and procedures for how it will comply with the Unlawful Internet Gambling Enforcement Act. To learn more, see your banker.

