

HOUSE OF REPRESENTATIVES, OCTOBER 1, 2002

TRANSCRIPT FROM CONGRESSIONAL RECORD

Mr. LEACH. Madam Speaker, I move to suspend the rules and pass the bill (H.R. 556), to prevent the use of certain bank instruments for unlawful Internet gambling, and for other purposes, as amended.

The Clerk read as follows:

H.R. 556

*Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,*

**SECTION 1. SHORT TITLE.**

This Act may be cited as the "Leach-LaFalce Internet Gambling Enforcement Act".

**SEC. 2. FINDINGS.**

The Congress finds as follows:

(1) Internet gambling is primarily funded through personal use of bank instruments, including credit cards and wire transfers.

(2) The National Gambling Impact Study Commission in 1999 recommended the passage of legislation to prohibit wire transfers to Internet gambling sites or the banks which represent them.

(3) Internet gambling is a major cause of debt collection problems for insured depository institutions and the consumer credit industry.

(4) Internet gambling conducted through offshore jurisdictions has been identified by United States law enforcement officials as a significant money laundering vulnerability.

**SEC. 3. PROHIBITION ON ACCEPTANCE OF ANY BANK INSTRUMENT FOR UNLAWFUL INTERNET GAMBLING.**

(a) **IN GENERAL.**--No person engaged in the business of betting or wagering may knowingly accept, in connection with the participation of another person in unlawful Internet gambling--

(1) credit, or the proceeds of credit, extended to or on behalf of such other person (including credit extended through the use of a credit card);

(2) an electronic fund transfer or funds transmitted by or through a money transmitting business, or the proceeds of an electronic fund transfer or money transmitting service, from or on behalf of the other person;

(3) any check, draft, or similar instrument which is drawn by or on behalf of the other person and is drawn on or payable at or through any financial institution; or

(4) the proceeds of any other form of financial transaction as the Secretary may prescribe by regulation which involves a financial institution as a payor or financial intermediary on behalf of or for the benefit of the other person.

(b) **DEFINITIONS.**--For purposes of this Act, the following definitions shall apply:

(1) **BETS OR WAGERS.**--The term ``bets or wagers"--

(A) means the staking or risking by any person of something of value upon the outcome of a contest of others, a sporting event, or a game subject to chance, upon an agreement or understanding that the person or another person will receive something of greater value than the amount staked or risked in the event of a certain outcome;

(B) includes the purchase of a chance or opportunity to win a lottery or other prize (which opportunity to win is predominantly subject to chance);

(C) includes any scheme of a type described in section 3702 of title 28, United States Code;

(D) includes any instructions or information pertaining to the establishment or movement of funds in an account by the bettor or customer with the business of betting or wagering; and

(E) does not include--

(i) any activity governed by the securities laws (as that term is defined in section 3(a)(47) of the Securities Exchange Act of 1934) for the purchase or sale of securities (as that term is defined in section 3(a)(10) of such Act);

(ii) any transaction conducted on or subject to the rules of a registered entity or exempt board of trade pursuant to the Commodity Exchange Act;

(iii) any over-the-counter derivative instrument;

(iv) any other transaction that--

(I) is excluded or exempt from regulation under the Commodity Exchange Act; or

(II) is exempt from State gaming or bucket shop laws under section 12(e) of the Commodity Exchange Act or section 28(a) of the Securities Exchange Act of 1934;

(v) any contract of indemnity or guarantee;

(vi) any contract for insurance;

(vii) any deposit or other transaction with a depository institution (as defined in section 3(c) of the Federal Deposit Insurance Act);

(viii) any participation in a simulation sports game or an educational game or contest that--

(I) is not dependent solely on the outcome of any single sporting event or nonparticipant's singular individual performance in any single sporting event;

(II) has an outcome that reflects the relative knowledge and skill of the participants with such outcome determined predominantly by accumulated statistical results of sporting events; and

(III) offers a prize or award to a participant that is established in advance of the game or contest and is not determined by the number of participants or the amount of any fees paid by those participants; and

(ix) any lawful transaction with a business licensed or authorized by a State.

(2) **BUSINESS OF BETTING OR WAGERING.**--The term "business of betting or wagering" does not include, other than for purposes of subsection (e), any creditor, credit card issuer, insured depository institution, financial institution, operator of a terminal at which an electronic fund transfer may be initiated, money transmitting business, or international, national, regional, or local network utilized to effect a credit transaction, electronic fund transfer, stored value product

transaction, or money transmitting service, or any participant in such network, or any interactive computer service or telecommunications service.

(3) **DESIGNATED PAYMENT SYSTEM DEFINED.**--The term ``designated payment system" means any system utilized by any creditor, credit card issuer, financial institution, operator of a terminal at which an electronic fund transfer may be initiated, money transmitting business, or international, national, regional, or local network utilized to effect a credit transaction, electronic fund transfer, or money transmitting service, or any participant in such network, that the Secretary, in consultation with the Board of Governors of the Federal Reserve System and the Attorney General, determines, by regulation or order, could be utilized in connection with, or to facilitate, any restricted transaction.

(4) **INTERNET.**--The term ``Internet" means the international computer network of interoperable packet switched data networks.

(5) **INTERACTIVE COMPUTER SERVICE.**--The term ``interactive computer service" has the same meaning as in section 230(f) of the Communications Act of 1934.

(6) **RESTRICTED TRANSACTION.**--The term ``restricted transaction" means any transaction or transmittal involving any credit, funds, instrument, or proceeds described in any paragraph of subsection (a) which the recipient is prohibited from accepting under subsection (a).

(7) **UNLAWFUL INTERNET GAMBLING.**--The term ``unlawful Internet gambling" means to place, receive, or otherwise transmit a bet or wager by any means which involves the use, at least in part, of the Internet where such bet or wager is unlawful under any applicable Federal or State law in the State in which the bet or wager is initiated, received, or otherwise made.

(8) **OTHER TERMS.**--

(A) **CREDIT; CREDITOR; AND CREDIT CARD.**--The terms ``credit", ``creditor", and ``credit card" have the meanings given such terms in section 103 of the Truth in Lending Act.

(B) **ELECTRONIC FUND TRANSFER.**--The term ``electronic fund transfer"--

(i) has the meaning given such term in section 903 of the Electronic Fund Transfer Act; and

(ii) includes any fund transfer covered by Article 4A of the Uniform Commercial Code, as in effect in any State.

(C) **FINANCIAL INSTITUTION.**--The term "financial institution" has the meaning given such term in section 903 of the Electronic Fund Transfer Act.

(D) **MONEY TRANSMITTING BUSINESS AND MONEY TRANSMITTING SERVICE.**--The terms "money transmitting business" and "money transmitting service" have the meanings given such terms in section 5330(d) of title 31, United States Code.

(E) **SECRETARY.**--The term "Secretary" means the Secretary of the Treasury.

(c) **CIVIL REMEDIES.**--

(1) **JURISDICTION.**--The district courts of the United States shall have original and exclusive jurisdiction to prevent and restrain violations of this section by issuing appropriate orders in accordance with this section, regardless of whether a prosecution has been initiated under this section.

(2) **PROCEEDINGS.**--

(A) **INSTITUTION BY FEDERAL GOVERNMENT.**--

(i) **IN GENERAL.**--The United States, acting through the Attorney General, may institute proceedings under this subsection to prevent or restrain a violation of this section.

(ii) **RELIEF.**--Upon application of the United States under this subparagraph, the district court may enter a preliminary injunction or an injunction against any person to prevent or restrain a violation of this section, in accordance with Rule 65 of the Federal Rules of Civil Procedure.

(B) **INSTITUTION BY STATE ATTORNEY GENERAL.**--

(i) **IN GENERAL.**--The attorney general of a State (or other appropriate State official) in which a violation of this section allegedly has occurred or will occur may institute proceedings under this subsection to prevent or restrain the violation.

(ii) **RELIEF.**--Upon application of the attorney general (or other appropriate State official) of an affected State under this subparagraph, the district court may enter a preliminary injunction or an injunction against any person to prevent or restrain a violation of this section, in accordance with Rule 65 of the Federal Rules of Civil Procedure.

(C) **INDIAN LANDS.**--

(i) **IN GENERAL.**--Notwithstanding subparagraphs (A) and (B), for a violation that is alleged to have occurred, or may occur, on Indian lands (as that term is defined in section 4 of the Indian Gaming Regulatory Act)--

(I) the United States shall have the enforcement authority provided under subparagraph (A); and

(II) the enforcement authorities specified in an applicable Tribal-State compact negotiated under section 11 of the Indian Gaming Regulatory Act shall be carried out in accordance with that compact.

(ii) **RULE OF CONSTRUCTION.**--No provision of this section shall be construed as altering, superseding, or otherwise affecting the application of the Indian Gaming Regulatory Act.

(3) **EXPEDITED PROCEEDINGS.**--In addition to any proceeding under paragraph (2), a district court may, in exigent circumstances, enter a temporary restraining order against a person alleged to be in violation of this section upon application of the United States under paragraph (2)(A), or the attorney general (or other appropriate State official) of an affected State under paragraph (2)(B), in accordance with Rule 65(b) of the Federal Rules of Civil Procedure.

(4) **LIMITATION RELATING TO INTERACTIVE COMPUTER SERVICES.**--

(A) **IN GENERAL.**--Relief granted under this subsection against an interactive computer service shall--

(i) be limited to the removal of, or disabling of access to, an online site violating this section, or a hypertext link to an online site violating this section, that resides on a computer server that such service controls or operates; except this limitation shall not apply if the service is subject to liability under this section pursuant to subsection (e);

(ii) be available only after notice to the interactive computer service and an opportunity for the service to appear are provided;

(iii) not impose any obligation on an interactive computer service to monitor its service or to affirmatively seek facts indicating activity violating this section;

(iv) specify the interactive computer service to which it applies; and

(v) specifically identify the location of the online site or hypertext link to be removed or access to which is to be disabled.

**(B) COORDINATION WITH OTHER LAW.**--An interactive computer service that does not violate this section shall not be liable under section 1084 of title 18, except this limitation shall not apply if an interactive computer service has actual knowledge and control of bets and wagers and--

(i) operates, manages, supervises, or directs an Internet website at which unlawful bets or wagers may be placed, received, or otherwise made or at which unlawful bets or wagers are offered to be placed, received, or otherwise made; or

(ii) owns or controls, or is owned or controlled by, any person who operates, manages, supervises, or directs an Internet website at which unlawful bets or wagers may be placed, received, or otherwise made or at which unlawful bets or wagers are offered to be placed, received, or otherwise made.

**(5) FACTORS TO BE CONSIDERED IN CERTAIN CASES.**--In considering granting relief under this subsection against any payment system, or any participant in a payment system that is a creditor, credit card issuer, financial institution, operator of a terminal at which an electronic fund transfer may be initiated, money transmitting business, or international, national, regional, or local network utilized to effect a credit transaction, electronic fund transfer, or money transmitting service, or a participant in such network, the court shall consider the following factors:

(A) The extent to which such person is extending credit or transmitting funds knowing the transaction is in connection with unlawful Internet gambling.

(B) The history of such person in extending credit or transmitting funds knowing the transaction is in connection with unlawful Internet gambling.

(C) The extent to which such person has established and is maintaining policies and procedures in compliance with regulations prescribed under subsection (f).

(D) The feasibility that any specific remedy prescribed in the order issued under this subsection can be implemented by such person without substantial deviation from normal business practice.

(E) The costs and burdens the specific remedy will have on such person.

**(6) NOTICE TO REGULATORS AND FINANCIAL INSTITUTIONS.**--Before initiating any proceeding under paragraph (2) with respect to a violation or potential violation of this section by any creditor, credit card issuer, financial institution, operator of a terminal at which an electronic fund transfer may be initiated, money transmitting business, or international, national, regional, or local network utilized to effect a credit transaction, electronic fund transfer, or money transmitting service, or any participant in such network, the Attorney General of the United States or an attorney general of a State (or other appropriate State official) shall--

(A) notify such person, and the appropriate regulatory agency (as determined in accordance with subsection (f)(5)) for such person, of such violation or potential violation and the remedy to be sought in such proceeding; and

(B) allow such person 30 days to implement a reasonable remedy for the violation or potential violation, consistent with the factors described in paragraph (5) and in conjunction with such action as the appropriate regulatory agency may take.

**(d) CRIMINAL PENALTY.**--

(1) **IN GENERAL.**--Whoever violates this section shall be fined under title 18, United States Code, or imprisoned for not more than 5 years, or both.

(2) **PERMANENT INJUNCTION.**--Upon conviction of a person under this subsection, the court may enter a permanent injunction enjoining such person from placing, receiving, or otherwise making illegal bets or wagers or sending, receiving, or inviting information assisting in the placing of bets or wagers.

**(e) CIRCUMVENTIONS PROHIBITED.**--Notwithstanding subsection (b)(2), a creditor, credit card issuer, financial institution, operator of a terminal at which an electronic fund transfer may be initiated, money transmitting business, or international, national, regional, or local network utilized to effect a credit transaction, electronic fund transfer, or money transmitting service, or any participant in such network, or any interactive computer service or telecommunications service, may be liable under this section if such creditor, issuer, institution, operator,

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business, network, or participant has actual knowledge and control of bets and wagers and--

(1) operates, manages, supervises, or directs an Internet website at which unlawful bets or wagers may be placed, received, or otherwise made or at which unlawful bets or wagers are offered to be placed, received, or otherwise made; or

(2) owns or controls, or is owned or controlled by, any person who operates, manages, supervises, or directs an Internet website at which unlawful bets or wagers may be placed, received, or otherwise made or at which unlawful bets or wagers are offered to be placed, received, or otherwise made.

**(f) POLICIES AND PROCEDURES TO IDENTIFY AND PREVENT RESTRICTED TRANSACTIONS IN PAYMENT FOR UNLAWFUL INTERNET GAMBLING.--**

(1) **REGULATIONS.**--Before the end of the 6-month period beginning on the date of the enactment of this Act, the Secretary of the Treasury, in consultation with the Board of Governors of the Federal Reserve System and the Attorney General, shall prescribe regulations requiring any designated payment system to establish policies and procedures reasonably designed to identify and prevent restricted transactions in any of the following ways:

(A) The establishment of policies and procedures that--

(i) allow the payment system and any person involved in the payment system to identify restricted transactions by means of codes in authorization messages or by other means; and  
(ii) block restricted transactions identified as a result of the policies and procedures developed pursuant to clause (i).

(B) The establishment of policies and procedures that prevent the acceptance of the products or services of the payment system in connection with a restricted transaction.

**(2) REQUIREMENTS FOR POLICIES AND PROCEDURES.**--In prescribing regulations pursuant to paragraph (1), the Secretary shall--

(A) identify types of policies and procedures, including nonexclusive examples, which would be deemed to be "reasonably designed to identify" and "reasonably designed to block" or to "prevent the acceptance of the products or services" with respect to each type of transaction, such as, should credit card transactions be so designated, identifying transactions by a code or codes in the authorization message and denying authorization of a credit card transaction in response to an authorization message;

(B) to the extent practical, permit any participant in a payment system to choose among alternative means of identifying and blocking, or otherwise preventing the acceptance of the products or services of the payment system or participant in connection with, restricted transactions; and

(C) consider exempting restricted transactions from any requirement under paragraph (1) if the Secretary finds that it is not reasonably practical to identify and block, or otherwise prevent, such transactions.

(3) **COMPLIANCE WITH PAYMENT SYSTEM POLICIES AND PROCEDURES.**--A creditor, credit card issuer, financial institution, operator of a terminal at which an electronic fund transfer may be initiated, money transmitting business, or international, national, regional, or local network utilized to effect a credit transaction, electronic fund transfer, or money transmitting service, or a participant in such network, meets the requirement of paragraph (1) if--

(A) such person relies on and complies with the policies and procedures of a designated payment system of which it is a member or participant to--

(i) identify and block restricted transactions; or

(ii) otherwise prevent the acceptance of the products or services of the payment system, member, or participant in connection with restricted transactions; and

(B) such policies and procedures of the designated payment system comply with the requirements of regulations prescribed under paragraph (1).

(4) **NO LIABILITY FOR BLOCKING OR REFUSING TO HONOR RESTRICTED TRANSACTIONS.**--A person that is subject to a regulation prescribed or order issued under this subsection and blocks, or otherwise refuses to honor, a restricted transaction, or as a member of a designated payment system relies on the policies and procedures of the payment system, in an effort to comply with this section shall not be liable to any party for such action.

(5) **ENFORCEMENT.**--This subsection shall be enforced by the Federal functional regulators and the Federal Trade Commission under applicable law in the manner provided in section 505(a) of the Gramm-Leach-Bliley Act.

#### **SEC. 4. INTERNET GAMBLING IN OR THROUGH FOREIGN JURISDICTIONS.**

(a) **IN GENERAL.**--In deliberations between the United States Government and any other country on money laundering, corruption, and crime issues, the United States Government should--

(1) encourage cooperation by foreign governments and relevant international fora in identifying whether Internet gambling operations are being used for money laundering, corruption, or other crimes;

(2) advance policies that promote the cooperation of foreign governments, through information sharing or other measures, in the enforcement of this Act; and

(3) encourage the Financial Action Task Force on Money Laundering, in its annual report on money laundering typologies, to study the extent to which Internet gambling operations are being used for money laundering.

(b) **REPORT REQUIRED.**--The Secretary of the Treasury shall submit an annual report to the Congress on the deliberations between the United States and other countries on issues relating to Internet gambling.

## **SEC. 5. AMENDMENTS TO GAMBLING PROVISIONS.**

(a) **AMENDMENT TO DEFINITION.**--Section 1081 of title 18, United States Code, is amended--

(1) by designating the five undesignated paragraphs that begin with "The term" as paragraphs (1) through (5), respectively; and

(2) in paragraph (5), as so designated--

(A) by striking "wire communication" and inserting "communication";

(B) by inserting "satellite, microwave," after "cable,"; and

(C) by inserting "(whether fixed or mobile)" after "connection".

(b) **INCREASE IN PENALTY FOR UNLAWFUL WIRE TRANSFERS OF WAGERING INFORMATION.**--Section 1084(a) of title 18, United States Code, is amended by striking "two years" and inserting "5 years".

The SPEAKER pro tempore. Pursuant to the rule, the gentleman from Iowa (Mr. *Leach*) and the gentleman from New York (Mr. *LaFalce*) each will control 20 minutes.

The Chair recognizes the gentleman from Iowa (Mr. *Leach*).

## GENERAL LEAVE

Mr. LEACH. Madam Speaker, I ask unanimous consent that all Members may have 5 legislative days within which to revise and extend their remarks on this legislation and to insert extraneous material.

The SPEAKER pro tempore. Is there objection to the request of the gentleman from Iowa?

There was no objection.

Mr. LEACH. Madam Speaker, I yield myself such time as I may consume.

First, let me express my gratitude to the gentleman from Ohio (Mr. *Oxley*), the gentleman from Wisconsin (Mr. *Sensenbrenner*), the gentleman from New York (Mr. *LaFalce*), the gentleman from Alabama (Mr. *Bachus*), the gentlewoman from New York (Mrs. *Kelly*), the gentleman from Virginia (Mr. *Goodlatte*), the gentleman from Virginia (Mr. *Wolf*), the gentleman from Nebraska (Mr. *Osborne*), the gentleman from Michigan (Mr. *Rogers*), as well as the gentleman from Pennsylvania (Mr. *Pitts*) for their commitment and leadership on this subject.

I would also like to express my appreciation to groups ranging from the Christian Coalition to the Family Research Council, from the NCAA to the NFL and Major League Baseball for their support of this legislation.

The problem posed by Internet gambling is one we ignore at our peril. Gambling on the Internet is fast becoming one of the most critical issues confronting the American family. Casino gambling as it has been sanctioned in Western democracies is only allowed to exist with comprehensive regulation, to protect participants from fraud, and to prevent criminal manipulation of the industry. Generally, casinos also add entertainment and involve elements of socialization. Gambling alone, on the other hand, whether using a laptop at home or computer in the workplace, involves no entertainment or socialization element and lacks the fundamental protections of law and regulation.

The very characteristics that make the Internet such a valuable resource are also the reasons why it has such huge potential to impinge on the stability of the American family, American financial institutions, and our national security. The easy access, anonymity, and speed of transactions which make such positive contributions to efficiency and cost for legitimate American enterprises also in the case of gambling make safeguards for society impractical. Internet

gambling increases consumer debt, makes bankruptcy more likely, money laundering an easy endeavor, and identity theft a likely burden.

The financial and economic implications of Internet gambling cannot be exaggerated. It is simply not good for the economy at large to have Americans send billions to overseas Internet casinos which often have shady or unknown owners. Nearly 80 percent of the money handed over to this industry is impossible to account for because these illegal gambling sites are located in the Caribbean or other jurisdictions with no effective regulation of gambling.

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By definition, activities of these gambling sites are illegal under U.S. law, which means that over 1 million Americans are giving their personal financial information to criminals on a daily basis. Because this industry cannot and is not regulated, there is no way to track how this personal financial information is being used or by whom.

The FBI has testified that Internet gambling is a haven for money laundering and that Internet gambling remains a loophole in our fight against terrorist financing. Additionally, a recent GAO report highlights the ease at which criminal proceeds can be obscured through Internet gambling. Given the commitment of this Congress to quash the money-laundering efforts of terrorists and narco-traffickers, it would be irresponsible to leave such an enormous institutional loophole unplugged.

It is a myth to think that gambling alone only affects gamblers. Gambling losses and the resulting debt spill over to the financial and social services system and to those who may never engage in gambling. Not only does Internet gambling put strains on financial standing but those who become addictive gamblers frequently find themselves contemplating divorce and in some cases suicide.

This bill, which represents the group efforts of the Committee on Financial Services and the Committee on the Judiciary, gives law enforcement new tools to enforce existing laws in a three-pronged approach.

First, it creates a new crime--accepting identifiable instruments such as credit cards or fund transfers for debts incurred in illegal Internet gambling. Secondly, because the perpetrators of this crime are often offshore and beyond the reach of traditional law enforcement, the bill enables State and Federal Attorneys General to request that injunctions be issued to any party such as a financial institution, credit card company, Internet service provider, computer software provider, to assist in the prevention and restraint of this crime. And, thirdly, the bill allows Federal bank regulators to create rules which will require financial institutions to use designated methods to filter illegal Internet gambling transactions.

In conclusion, let me just stress that at a personal level I am a skeptic about all forms of gambling, but each of us is obligated to the maximum extent possible to be respectful of legitimate choices made by others. The problem is that Internet gambling serves no legitimate purpose in our society. It is a danger to the family. It is a danger to society at large. It should be ended.

Madam Speaker, I reserve the balance of my time.

[Time: 16:00]

Mr. *LaFALCE*. Madam Speaker, I yield myself such time as I may consume.

(Mr. *LaFALCE* asked and was given permission to revise and extend his remarks.)

Mr. *LaFALCE*. Madam Speaker, 3 years have passed since the congressionally mandated National Gambling Impact Study Commission released its final report on gambling in the United States. While reaffirming the principle of State regulation of gambling, the commission did make an important exception for Internet gambling. The report called on Congress to enact legislation to restrict illegal Internet gambling, and specifically, legislation to prohibit wire transfers and other payments to known Internet gambling sites.

The bill before us today implements this important recommendation of the national commission. Contrary to what some would have us believe, the bill does not purport to prohibit Internet gambling, nor interfere with any State and tribal rights to regulate gambling within their jurisdiction.

Internet gambling is already illegal under a variety of Federal statutes. What the bill does is provide new enforcement tools for blocking credit card, wire transfer and other forms of payment to illegal Internet gambling sites identified by law enforcement. It simply blocks the payments that permit on-line betting and makes Internet gambling possible.

Any American with a computer and a credit card can find numerous opportunities for high-stakes gambling on the Internet. The number of Internet gambling sites has grown geometrically in recent years. Where the National Commission identified approximately 90 online casinos in 1998, a recent study by Bear Stearns & Company estimated that there are now more than 1,500 such sites. The typical Internet gambling operation is located in places such as Antigua or the Netherlands Antilles, which impose little regulatory scrutiny other than collecting licensing fees. This should make most of these sites highly suspect.

There is no meaningful way to determine the legitimacy of the games or the gambling operators. There are little or no protections against security breaches, hacking, diversion of credit card payments or identity theft.

More importantly, there is a high probability that many offshore gambling operations are being used as part of money laundering and other criminal operations, including terrorist financing. The

FBI director recently testified before us and said offshore Internet gambling is a substantial problem as a loophole in our fight against terrorist financing.

Despite these obvious problems, online gambling continues to attract gamblers and has become extremely lucrative for both the site operators and the host countries. Combined annual revenues received by Internet gambling sites nearly tripled between 1999 and 2001 from \$1.3 billion to \$3.1 billion, and this year revenues will easily exceed \$4 billion.

Over 80 percent of the bets received by Internet gambling sites come from the United States, and almost all of this is illegal under United States law. The very features that make the Internet so attractive, its accessibility, convenience and anonymity, combine to enable and encourage ordinary people to break the law. The Internet breaks down inhibitions to violate the law because the risks appear so much lower. As "Business Week" noted last week, people who would not even jaywalk find themselves bombarded with offers to place bets at offshore casinos that are hard to resist.

The national commission emphasized that the social and economic problems associated with traditional gambling will increasingly be exacerbated by Internet gambling. The problems with compulsive gambling, which were largely confined to areas that legalized high-stakes casino gambling, can now be found virtually anywhere where there is a personal computer. This poses significant risks for our Nation's youth.

A number of factors converge to make today's youth particularly vulnerable to the lure of Internet gambling. They are more experienced and comfortable with computers than their parents and have grown up playing a wide variety of computer and video games, and most have broad access to the Internet, and large numbers of youth now have access to some form of credit, debit or stored-value cards to make online bets. Banks and credit card companies have aggressively marketed credit cards on college campuses for years and have recently initiated new programs to market stored-value cards to high school-aged youth.

A young person sitting alone, whether at home or in a college dormitory with a laptop, can gain access to thousands of gambling sites across the world and can easily run up the credit line on their own credit cards or parents' credit cards on games that appear little different than the computer card games they have played since childhood. It seems an easy opportunity to win a big jackpot, could result in financial losses that could harm their families and destroy their future plans.

Madam Speaker, this is a problem that must be dealt with. The bill does it in a surgical manner. It does it by blocking the source of credit, blocking the use of that credit card so that kids in their college dormitory rooms will not be able to gamble at thousands of casino online sites across the world.

- [Begin Insert]

The issue that needs to be addressed is how we can protect our nation's youth from the growing availability and potential negative consequences of Internet gambling. To me, the answer is simple. We cut off Internet gambling at its source by prohibiting the primary payment vehicles that make illegal on-line betting possible. H.R. 556 would prohibit known Internet gambling sites from accepting any check, credit card, debit card or other form of electronic transfer as payment of any bet or wager over the Internet. The effect of this prohibition is to deny known Internet gambling

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sites from being approved for credit card, debit and other electronic transfer accounts. This is currently being done voluntarily by numerous credit card banks--including American Express, Bank of America, Provident, Citibank and Discover--and there is substantial justification for making this practice obligatory for all institutions and payment networks.

The bill incorporates proposals suggested by Visa and MasterCard that would permit payment transfer networks to establish policies and procedures for identifying and blocking payments to known Internet gambling sites. Financial institutions who are members of these networks and follow these procedures would be considered in compliance under the bill. I believe this is a reasonable accommodation that will expand the means to block illegal gambling payments and also ease the compliance concerns and burdens of individual institutions.

H.R. 556 is endorsed by many of the nation's largest credit card companies and by the largest online payment service, PayPal. It is supported by a growing number of Internet service providers and their trade groups, including NetCoalition.com and the United States Telecom Association. It is supported by law enforcement groups at all levels, including the FBI, the Federal Law Enforcement Officers Association and the Fraternal Order of Police. And it has the support of religious and family organizations across the nation.

Madam Speaker, the time has come to protect our youth from the unnecessary and potentially disastrous consequences of Internet gambling. It is time to eliminate Internet gambling as a convenient financial tool for criminals and terrorists. And it is time to provide law enforcement with the tools it needs to address this growing illegal activity. H.R. 556 can achieve all of these important objectives and deserves our support.

- [End Insert]

Madam Speaker, I reserve the balance of my time.

Mr. LEACH. Madam Speaker, I yield 3 1/2 minutes to the gentleman from Ohio (Mr. *Oxley*), the chairman of the Committee on Financial Services, who has led this effort with great distinction.

(Mr. OXLEY asked and was given permission to revise and extend his remarks.)

Mr. OXLEY. Madam Speaker, this bill is the product of a lot of hard work on the part of many Members, and I want to pay special tribute to the gentleman from Iowa (Mr. *Leach*) for his dogged determination, as well as the hard work of the gentleman from New York (Mr. *LaFalce*) in maybe

his last major effort on a piece of legislation. Well, we hope to get to terrorism insurance before we adjourn; but the gentleman's work has been extraordinary, along with the gentleman from Virginia (Mr. *Goodlatte*) as well as the gentleman from Virginia (Mr. *Wolf*) for their efforts.

This bill has been touted by a number of groups, Madam Speaker. It enjoys universal support from family and religious groups, antigambling groups, professional sports, college athletics, major players in the banking and credit card industries, and law enforcement and Internet service providers. The list goes on and on and is getting larger every day. This is why this bill needs to pass, because of its broad base of support.

Five years ago, Internet gambling was almost nonexistent. The Internet was just coming into its own; but apparently this kind of activity abhors a vacuum, and we have seen a huge growth of this type of gambling taking place, preying on the most vulnerable in our society, including our college-aged students and people who can least afford it.

We heard testimony in the committee from the Department of Justice and the FBI that Internet gambling serves as a haven for money launderers and that unregulated offshore gambling sites can be exploited by terrorists to launder money. That position was reiterated just recently by FBI Director Mueller when he cited Internet gambling as a substantial problem for law enforcement.

We know of at least two open cases before the bureau involving Internet gambling as a conduit for money laundering by organized crime. The GAO, in an interim report to our committee, highlighted law enforcement's concerns with Internet gambling and its vulnerability to money laundering, "including the volume, speed, and international reach of Internet transactions and the offshore locations of Internet gambling sites" which "can promote a high level of anonymity and give rise to difficult jurisdictional issues."

The Financial Action Task Force, an international body that seeks to combat money laundering, stated in a February 2001 report that some member countries had evidence that criminals were using Internet gambling to launder their illicit funds.

For the record, let us make clear what the bill does and what it does not do. It does prohibit the acceptance of U.S. financial instruments, such as credit cards, for use in unlawful Internet gambling transactions. By so doing, it cuts off the financial lifeblood of the illegal Internet gambling industry. It does not expand gambling in any way, shape or form. Those who claim otherwise are not telling the truth, or they simply do not get it.

The bill's provisions kick in only where a court or banking regulator determines that an illegal activity is taking place and relies on current Federal and State law to guide it in that determination.

H.R. 556 protects the right of States to regulate gambling within their borders. It neither expands nor limits gambling beyond what is allowed under existing Federal, State, and tribal law.

This bill represents legislation at its best. It is a direct approach to a serious problem. It will give law enforcement an important new tool to fight crime and will protect families throughout America. It deserves the support and vote of every Member of this House.

Mr. *LaFALCE*. Mr. Speaker, I yield 4 minutes to the gentleman from Michigan (Mr. *Conyers*), the ranking member of the Committee on the Judiciary.

Mr. *CONYERS*. Mr. Speaker, I thank the gentleman for yielding me this time.

Mr. Speaker, this is a bill that had joint jurisdiction at one time. The Committee on Financial Services and the Committee on the Judiciary were working on it together. It is interesting that the Committee on the Judiciary came forward with a bill that affirmed that all Internet wagers were illegal. But what happened?

On page 6 of the bill that is before us, we find that all Internet gambling transactions are illegal, except ``any transaction authorized under State law with a business licensed or authorized by a State."''

Mr. Speaker, I refer Members to this crucial phrase, a legal phrase. Contrary to the Wire Act of 1949, which has already made any interstate gambling by wire illegal, we have created this wonderful little exception. I wonder what it means. And I wonder why the credit card companies are for this bill if they are prohibited from the bill.

And would somebody in the course of this brief discourse before us on this suspension explain to me how the Christian Right, a great group of American patriots in this country, have been persuaded that this bill bans gambling on the Internet; but yet two other industries, the horse racing industry, is supporting this bill because they are persuaded it does not, and State lotteries are found to be supporting the bill because they feel that they will be exempted under this beautiful little provision, section (ix) on page 6, which says any lawful transaction with a business licensed or authorized by the State is exempt from this bill.

We cannot have it both ways. So we are doing nothing here but making some wonderfully effective speeches about what we are stopping from happening on the Internet, but somebody besides the Committee on the Judiciary must be aware that this is not the case.

Mr. LEACH. Mr. Speaker, will the gentleman yield?

Mr. CONYERS. I yield to the gentleman from Iowa.

Mr. LEACH. Mr. Speaker, nothing in this bill is designed to overturn the Wire Act, Federal prohibitions on lotteries, or the Gambling Ship Act.

Mr. CONYERS. Reclaiming my time, this bill exempts any lawful transaction with a business licensed or authorized by the State, including lotteries. The gentleman must know that is a State business.

Mr. LEACH. Mr. Speaker, if the gentleman would continue to yield, only for intra-, not inter-, state and only if authorized by the State law of the State.

This bill is an enforcement mechanism that stops the ability of all interstate Internet gambling.

[Time: 16:15]

Mr. CONYERS. Let me ask the gentleman, why are they supporting the bill?

Mr. LEACH. It is in the national interest.

Mr. CONYERS. I thank the gentleman.

Mr. LEACH. Mr. Speaker, I yield 4 minutes to the distinguished gentleman from Alabama (Mr. *Bachus*), who has led this fight so well.

Mr. BACHUS. Mr. Speaker, I think my comments may shed some light on the last speaker and some of what he said.

Imagine, if you will, if you heard news from home that they had built a casino next to your house, and, worse than that, they had invited your kids over to gamble in the casino which was built next door. You would say that was about as bad a news as you could receive. But it is actually worse than that. Sitting right on the computer desk in your home, or better still up in your child's bedroom, is a computer. On that computer today, there is a child-accessible casino, because we have got 1,500 offshore, and they are offshore, this may address the last speaker's concerns, because it is against the law in all 50 States to operate these Internet gambling sites. It

is against the law in all the States, so they are all offshore. Your child could go in, he could turn on his computer, and he could gamble.

Mr. Speaker, I have five children. I knew nothing about this. We ought to thank the gentleman from Iowa (Mr. *Leach*) and the gentleman from Virginia (Mr. *Goodlatte*). It is also, I think, fortuitous that the gentleman from Iowa sits on the Committee on Financial Services and the gentleman from Virginia sits on the Committee on the Judiciary, because I know that the gentleman from Virginia will continue to do what he can in the Committee on the Judiciary, and this bill which the gentleman from Iowa has offered is going to go a long way.

What about the demographics? What did we hear? We heard that in the over-65 age group, only 1 in 10 senior citizens in that group uses a computer as a hobby or to pursue their interests in an active way. We heard that 7 out of 10 in the 18-to-24 group use a computer. American Demographics, a study 2 years old, 7 out of 10 18-to-24-year-olds are on the computer. A survey for Public Participation in the Arts did a study about 5 years ago, and they said that the average teenager or college student is spending 4 hours on the computer.

What else do we know about college kids? Eighty percent of them have credit cards. What do they need to play on the Internet? All they need is the use of a computer, which they are on 4 hours a day, and a credit card. They have that.

Are they doing it? You bet they are doing it. The NCAA came to us and told us testimony about students losing \$10,000, \$5,000. Gambling addiction by college students as a result partially of Internet gambling on these illegal sites is reaching epidemic proportions.

I guess the most chilling testimony, and I will close with this, is what Dr. Howard Shaffer at Harvard University said. He said, I would compare what this illegal Internet gambling is doing to our youth in the gambling spectrum to what we saw with the introduction of crack cocaine, where it changed the drug experience and caused millions of people to become addicted within a year or two. He said the same thing is happening today with illegal Internet gambling.

We have got to move against it. I commend the gentleman from Virginia. I commend the gentleman from Iowa. This bill shuts off the money. That is what these people are there for, the money. If we shut off the money, we shut off the sites.

Mr. *LaFALCE*. Mr. Speaker, I reserve the balance of my time.

Mr. *LEACH*. Mr. Speaker, I yield 2 minutes to the distinguished gentlewoman from New York (Mrs. *Kelly*).

Mrs. *KELLY*. I thank the gentleman from Iowa for yielding me this time.

Mr. Speaker, I would like to enter into a colloquy with the gentleman from Iowa, the author of this bill.

Certain State, tribal and private entities have raised concerns, and I would like to clarify the intention of the drafters of H.R. 556 on one point. Section 3, subsection (b)(1)(E)(ix) exempts from the bill's provisions lawful transactions carried out with a business licensed or authorized by a

State. Some parties have raised concerns that this could be read broadly to allow the transmission of casino or lottery games in interstate commerce, for example, over the Internet, simply because one State authorizes its businesses to do so.

I want to make clear that this exception will not expand the reach of gambling in any way. It is simply intended to recognize current law, which allows States jurisdiction over wholly intrastate activity, not interstate but intrastate activity, where bets or wagers, or information assisting bets or wagers, do not cross State lines or enter into interstate commerce. The exemption would leave intact the current interstate gambling prohibitions such as the Wire Act, Federal prohibitions on lotteries, and the Gambling Ship Act so that casino and lottery games could not be placed on the Internet.

Put another way, this exemption does not allow for interstate wagering. For example, under this bill a resident of one State could not legally use the Internet to purchase a lottery ticket in another State. This exemption is simply intended to recognize current law, which allows States to regulate wholly intrastate gambling activity and would leave intact the current Wire Act, which prohibits interstate gambling. Is that correct?

Mr. LEACH. Mr. Speaker, will the gentlewoman yield?

Mrs. KELLY. I yield to the gentleman from Iowa.

Mr. LEACH. Mr. Speaker, the gentlewoman's assessment is entirely accurate. I thank the gentlewoman for clarifying this point.

Mrs. KELLY. Reclaiming my time, Mr. Speaker, I thank the gentleman for that clarification. I strongly support this legislation and urge my colleagues to join us in standing against illegal Internet gambling and voting for this bill.

- [Begin Insert]

In a few short years, the Internet gambling industry has exploded. According to an Internet gambling committee of the National Association of Attorneys General, there were less than 25 such sites on the Web in the mid-1990s. Bear Stearns, one of the nation's leading securities firms, estimates that there are between 1,200 and 1,400 e-gaming Web sites. Bear Stearns projects that as the industry continues to grow; such Internet sites could generate an estimated \$5 billion in revenues by 2003. That figure approximates roughly half of last year's casino earnings in the State of Nevada.

Internet gambling presents a complex set of legal, financial, technical, and social challenges. On the legal front, it is believed that most forms of interstate Internet gambling are prohibited by Federal law under the Interstate Wire Act in Section 1084 of Title 18 of the U.S. Code. For years, authorities have used the Wire Act to combat illegal betting by phone or other wire communications. Now, with the advent of Internet technology, the Wire Act and other related

provisions of Federal law also stand as a legal obstacle against the establishment of Internet casinos on U.S. soil.

The most serious offenders in the Internet gambling arena are the virtual casinos operating offshore, beyond the reach of U.S. law. One estimate puts the number of foreign jurisdictions authorizing or tolerating Internet gambling at fifty. This includes not just the well-known bank secrecy jurisdiction of the Caribbean but other countries like Australia.

The lure of lucrative licensing fees and the possibility of sharing in gambling receipts are proving to be powerful incentives to enter the Internet gambling business. Antigua and Barbuda have reportedly licensed more than 80 Internet gaming websites already, charging a \$75,000-\$85,000 licensing fee for a sports betting site and \$100,000 for a virtual casino. A report prepared for the South African government, as reported in the Bear Stearns study, revealed that Internet gaming revenues could yield up to \$140 million in foreign exchange.

While Internet gambling represents a jackpot for such foreign justifications, it is a wheel of misfortune for far too many Americans who struggle with gambling addictions and the loss of jobs, wrecked marriages, and destroyed finances that often follow. With a click of a computer mouse, any American armed with a credit card can have instant, anonymous access to round-the-clock gambling from the privacy of their homes. All of the social hazards associated with problem gambling at brick-and-mortar sites are of equal, if not greater, concern when it comes to on-line gambling.

Furthermore, Internet gambling poses a serious problem to our youth. In the areas in

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which gambling is legal, strict laws have been enacted to ensure our children are prohibited from participating. In many homes the children are far more computer literate than the parents. What possibly would stop a child from placing a bet with their parent's credit card? Since our society has made a conscious decision to keep children from this activity we must take steps to ensure that online casinos do not victimize our children. The issue of what can we do to protect children from these sites will be one of my first questions for our panelists today.

In addition to the social problems associated with Internet gambling, U.S. authorities warn that Internet gaming offers a powerful vehicle for laundering funds from illicit sources as well as to evade taxes. A 2001-2002 Financial Action Task Force (FATF) report on money laundering typologies indicates that there is evidence in some FATF jurisdictions that criminals are using the Internet gambling industry to commit crime and to launder the proceeds thereof. The use of credit cards and the placement of sites offshore make locating the relevant parties, gathering the necessary evidence, and prosecuting those parties difficult if not impossible.

Despite the many problems associated with Internet gambling, there is clearly money to be made in this business, and U.S. firms are increasingly eager to claim their share. U.S., software firms, public relations and advertising companies, and other U.S.-based enterprises are already knee-deep in the Internet gambling business. Within the last year, two U.S. companies--MGM Mirage and Harrah's--have announced new on-line play-for-free or play-for-prizes operations that

are but a short step away from actual Internet gambling. Nevertheless, it is clear that absent strong Congressional action, the United States may be poised itself to head down the slippery slope of Internet gambling.

In 1999, the Congressionally-mandated National Gambling Impact Study Commission unanimously recommended a Federal ban on Internet gambling. Testifying at a hearing before the Banking Committee last Congress, Commission Member Richard Leone explained that unlike the regulatory regimes that have accompanied the expansion of other forms of gambling in the United States, the emergence of Internet gambling has occurred with no regulatory structure. As a result, the current framework of Federal and State laws governing gambling can be easily circumvented. The Commission noted that the problems associated with Internet gambling include: (1) the potential for abuse by gambling operators who can alter, move, or entirely remove sites within minutes; (2) the ability of gambling operators or computer hackers to tamper with gambling software to manipulate games to their benefit; and (3) the provision of additional means for individuals to launder money derived from criminal activities.

The Commission concluded that because Internet gambling crossed state lines, it would be difficult for States to effectively control it and that Federal legislation was the only recourse. The Commission further rejected the argument that Internet gambling could be effectively regulated. and recommended, instead, a ban on any Internet gambling not already authorized by law, and without new or expanded exemptions. Although the States do not normally welcome Federal legislation on such matters, the National Association of Attorneys General, speaking on behalf of State Attorneys General, has indicated strong support for Federal action.

In response to the Commission's recommendations and testimony from other interested parties, the House Financial Services Committee approved this legislation now before us, H.R. 556, the Unlawful Internet Gambling Funding Prohibition Act. This bill tackles the problem of Internet gambling by prohibiting gambling operations from accepting credit cards, checks, or other bank instruments in connection with illegal Internet gambling. The justification for this bill is simple: if we cut off the internet gambling industry's access to money it will die.

If we fail to act and pass this legislation I fear that our actions will be misinterpreted as a green light to those in U.S. industry who are interested in launching on-line gambling operations of one type or another. This issue can no longer simply be left to random events and foreign jurisdictions. It is time for Congress to address these issues and identify an appropriate public policy response. It is time for Congress to pass the Unlawful Internet Gambling Funding Prohibition Act. I ask all my colleagues on both sides of the aisle to join me in support of this important legislation.

Mr. *LaFALCE*. Mr. Speaker, I yield myself such time as I may consume.

Let me point out a little bit of history. In 1994, as chairman of the Committee on Small Business, I conducted some hearings into the problems of the proliferation of gambling across the United States of America. At that time I introduced a bill to create a national commission to study the impact of gambling. In the November elections we lost, and the chief cosponsor of my bill was the gentleman from Virginia (Mr. *Wolf*).

In the next Congress the gentleman from Virginia became the chief sponsor of the bill, and I became the chief cosponsor. With his great leadership and the assistance of a good many groups, and most especially the Christian Coalition, we were able to get the commission enacted into law. It had a difficult time getting started, having members appointed who would give us the type of objective analysis we wanted, but finally it did render a report, and there was one specific provision that, as I recall, they were unanimous on, and that was the issue of Internet gambling.

It has taken us a long time. As soon as they came out with that recommendation, I introduced a bill in the House that proceeded through the payment mechanism. The gentleman from Iowa (Mr. *Leach*) introduced a bill, too, that took slightly different approaches, although we were both going in exactly the same direction. The gentleman from Virginia (Mr. *Goodlatte*) has been magnificent over the years in pursuing it, especially in the Committee on the Judiciary and working with the religious organizations.

Can we nitpick a bill? Sure we can. But as far as I am concerned, if this bill is not perfect, it is 99 percent close to perfect. It is pretty good. It is certainly as good as we are going to be able to pass, and it does block off Internet gambling at its source by going to the credit card, the debit card, any electronic funds transfer. This is a growing, growing problem.

I hope, also, there are countless other problems in the United States of America associated with gambling, that we will have the courage to deal with

those problems, because right now we have legalized gambling within about a half an hour drive of virtually any spot in the United States of America. So it is no longer an economic development tour. Now it is just a way of snaring people's discretionary money, and usually in preying upon people. It needs far more effective regulation than it is receiving from either the Federal or the State governments.

We do not deal with all those problems here. We deal with one very, very narrow but large problem, and that is the problem of Internet gambling, not just because of the way it is preying on our youth, but because of the way it is being used for money laundering, the way it is being used for terrorist activity, et cetera, et cetera. This bill should be passed unanimously.

Mr. Speaker, I reserve the balance of my time.

Mr. LEACH. Mr. Speaker, I yield 1 minute to the gentleman from Virginia (Mr. *Wolf*), one of the Congress' profoundest voices on moral issues, a great friend and a man I admire greatly.

(Mr. WOLF asked and was given permission to revise and extend his remarks.)

Mr. WOLF. Mr. Speaker, I want to personally thank the gentleman from Iowa for staying with this and having the courage, and, as people back in Iowa ought to know, that because of him this thing is up.

I also thank the gentleman from New York (Mr. *LaFalce*), who unfortunately is going to be leaving us, the gentleman from Ohio (Mr. *Oxley*) and the gentleman from Virginia (Mr. *Goodlatte*). Because of them this bill is here.

To vote against this bill would be unbelievable. If anyone votes against this bill, I will not understand it. I just appreciate the gentleman from New York's comments on the critical nature with regard to the terrorism. The FBI has testified there is a huge potential for offshore gambling sites being used for money

laundering, for terrorist and criminal activities. We have said it. Terrorist and criminal activities.

Again, the gentleman from Iowa (Mr. *Leach*) should be thanked by everyone in the country. The gentleman from New York (Mr. *LaFalce*) should be thanked by everyone in the country, as should the gentleman from Ohio (Mr. *Oxley*) and the gentleman from Virginia (Mr. *Goodlatte*). They have made a difference and will save a lot of lives and will really put a stake in the heart with regard to terrorism.

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Mr. Speaker, I rise in strong support of H.R. 556 and want to commend my colleagues *Jim*

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*Leach, John LaFalce, and Mike Oxley and Virginia colleague Bob Goodlatte* for their partnership, their hard work and persistence to get this bill to the floor today.

The legislation before us has at its heart the kind of consensus building and compromise that I believe can attract the level of support needed to pass this important measure to give law enforcement agencies the tools they need to stop the criminal activity associated with unlawful Internet gambling.

In 1999, The National Gambling Impact Study Commission issued a report urging Congress to pass legislation ``prohibiting wire transfers to known Internet gambling sites, or to the banks that represent them." As the author of the legislation that established the Commission, I have maintained a keen interest in following through on its recommendations which included addressing the explosive growth in Internet gambling.

According to the National Gambling Impact Study Commission, gambling on the Internet is especially enticing to youth, pathological gamblers, and criminals. There are currently no mechanisms in place to prevent youth--who make up the largest percentage of Internet users from using their parents' credit card numbers to register and set up accounts for use at Internet gambling sites.

In addition, pathological gamblers may become easily addicted to online gambling because of the Internet's easy access, anonymity and instant results.

Dr. Howard J. Shaffer, director of addiction studies at Harvard University, likens the Internet to new delivery forms of addictive drugs: "As smoking crack cocaine changed the cocaine experience, I think electronics is going to change the way gambling is experienced."

Finally, Internet gambling can provide a nearly undetectable harbor for criminal enterprises. The anonymity associated with the Internet makes online gambling more susceptible to crime.

In 2001, Chairman **LEACH** and Chairman *Goodlatte* listened to the Commission's request and introduced two separate bills to fight illegal Internet gambling. Over the August recess, provisions from the two measures were combined into an amended version of H.R. 556, the Leach-LaFalce Internet Gambling Enforcement Act, which is before us today.

This balanced compromise worked out between the Financial Services and Judiciary committees makes it a crime to accept payment for illegal Internet gambling transactions by credit card, check, or electronic funds transfer. Under the bill, banks and credit card companies would be required to block payments to Internet casinos and other illegal Internet gambling operations. As a testament to the fairness of this bill, it has attracted the support of the major issuers of credit cards including Bank of America, MBNA America, American Express, Citigroup, and Discover Financial Services, among others.

The negative consequences of online gambling can be as detrimental to the families and communities of addictive gamblers as if a bricks and mortar casino were built right next door. Internet gambling is affiliated with a host of social ills, including gambling addiction, bankruptcy, divorce, and even suicide and just as with traditional forms of gambling, the costs must ultimately be borne by society.

As the gambling commission noted, one of the most troubling aspects of Internet gambling is that many of those enticed into addictive online gambling behavior are school-aged children with no previous exposure to gambling. Internet gambling also has been linked to specific cases of corruption in professional and amateur sports.

As a result, H.R. 556 has been endorsed by a host of anti-gambling organizations, including the American Family Association, Christian Coalition of America, Concerned Women for America, Focus on the Family, Family Research Council, the Traditional Values Coalition, the National Collegiate Athletic Association, the National Football League and Major League Baseball, among others.

There is one final and perhaps most critical issue that unlawful Internet gambling raises--Internet gambling has been linked by the FBI to organized crime and international money laundering.

The FBI has testified that there is a huge potential for offshore gambling sites to be used for money laundering for terrorist and criminal activity. The FBI and law enforcement organizations including the Federal Law Enforcement Officers Association and the Fraternal Order of Police agree about the necessity for this legislation to thwart Internet gambling operators attempts to launder money and engage in terrorist and other illegal activities.

Mr. Speaker, it is time for this Congress to address the growing problems associated with illegal Internet gambling. I urge a unanimous vote for H.R. 556, and again want to express my deep gratitude to Mr. **LEACH**, Mr. **LAFALCE**, Mr. **OXLEY** and Mr. **GOODLATTE** for their commitment and their work to pass this legislation.

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Mr. *LaFALCE*. Mr. Speaker, I yield myself 30 seconds. I just want to point out that one of the individuals who was arrested and living in Lackawanna a few weeks or so ago was found to have expended \$89,000 at Casino Niagara in Niagara Falls, Canada. The Governor of the State of New York now has an application pending with the Department of the Interior to establish Indian gambling in Niagara Falls, New York. So these individuals would not have had to go to Canada if we are able to establish Indian gambling in Niagara Falls. They

would be able to go to Niagara Falls, New York, to do whatever they want with their money.

Mr. LEACH. Mr. Speaker, I yield 3 minutes to the gentleman from Virginia (Mr. *Goodlatte*), who has worked harder on this issue and is more thoughtful on this subject than anyone in the history of the Congress.

Mr. *LaFALCE*. Mr. Speaker, I yield 1 minute to the gentleman from Virginia (Mr. *Goodlatte*).

(Mr. *GOODLATTE* asked and was given permission to revise and extend his remarks.)

Mr. *GOODLATTE*. Mr. Speaker, I would like to start by thanking the gentleman from Iowa for yielding me this time and for his perseverance. I know that his work on this dates back a long time, including to when he was chairman of the Committee on Financial Services.

Likewise, I thank the gentleman from New York (Mr. *LaFalce*). He and I have had many conversations and have worked on this for a long time. I know his dedication to dealing with this problem.

Likewise, I thank the gentleman from Wisconsin (Mr. *Sensenbrenner*), and the gentleman from Texas (Mr. *Smith*) of the Committee on the Judiciary, and the gentleman from Ohio (Mr. *Oxley*), and the gentleman from Alabama (Mr. *Bachus*) of the Committee on Financial Services for their hard work on this as well.

Mr. Speaker, just over 40 years ago, Attorney General Robert Kennedy in the midst of a fight in the war against organized crime sent legislation to Congress targeted at organized crime to crack down on gambling over telephone wires. That legislation was passed by the Congress, signed into law and has become commonly known as the Wire Act. However, because the Internet does not always travel over telephone wires, this law, which was written before the invention of the World Wide Web, has become outdated. Therefore, it is fitting that 40 years after enactment of the Wire Act and in the midst of a new war on terrorism, we are considering legislation to update the Wire Act to clarify the state

of the law by bringing the current prohibition against wireline interstate gambling up to speed with the development of new technology.

[Time: 16:30]

I have long been a champion of the Internet and an advocate of limited government regulation of this new medium. However, that does not mean that the Internet should be a regulatory free zone or that our existing laws should not apply to the Internet. I think we can all agree that it would be very bad public policy to allow offline activity deemed criminal by States to be freely committed online and to go unpunished simply because we are reluctant to apply our laws to the Internet.

Gambling on the Internet has become an extremely lucrative business. Numerous studies have charted the explosive growth of this industry, both by the increases in gambling Web sites available and via industry revenues.

Almost all of the more than 1,400 Internet gambling sites are offshore. Why? Because they seek to evade the laws of this country. This bill is directly targeted at those scofflaws sucking billions of dollars out of this country who are unaccountable to the people who go online and place bets, not knowing whether they are going to get fair odds, not knowing whether they are even going to get paid. This indeed will be very effective, so I commend the gentlemen from Iowa and New York.

Mr. Speaker, it adds three provisions from the Committee on the Judiciary bill, which was a tough bill and which I would love to see passed. But we have spent a long time juggling the interests of all of the various legal gambling organizations, and this approach is the right approach at this time, just targeting the offshore folks.

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I want to explain to everybody these three provisions. They are very important and valuable additions to the Committee on Financial Services bill. First, there is a provision that will allow law enforcement to obtain the cooperation of Internet service providers to not only deal with the credit cards and other financial

transactions, but to require the taking down of those prolific ads on the Internet where you can click here and be at some offshore site. Those ads, if they are involving an entity that is engaged in illegal activity, will be subject to being taken down with a court order by the Internet service providers.

Secondly, it increases the penalties for violating the Wire Act from 2 years to 5 years. Finally, it makes it clear, and this is vitally important, it makes it clear that despite the changes in technologies, these new technologies being deployed today do not bypass the Wire Act. It makes it clear that the Wire Act applies regardless of the technology.

So I urge my colleagues to support this fine legislation.

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A study by the research group Christiansen/Cumming Associates estimated that between 1997 and 1998, Internet gambling more than doubled, from 6.9 million to 14.5 million gamblers, with revenues doubling from \$300 million to \$651 million. More recently, Bear, Stearns & Co. Inc. reported that there were at that time as many as 1,400 gambling sites, up from 700 just a year earlier. Other estimates indicate that Internet gambling could soon easily become a \$10 billion a year industry.

Almost all virtual betting parlors accepting bets from individuals in the United States have attempted to avoid the application of United States law by locating themselves offshore and out of our jurisdictional reach. These offshore, fly-by-night Internet gambling operators are unlicensed, untaxed and unregulated and are sucking billions of dollars out of the United States.

The FBI and the Department of Justice have testified that Internet gambling serves as a vehicle for money laundering activities and can be exploited by terrorists to launder money.

The negative consequences of online gambling can be as detrimental to the families and communities of addictive gamblers as if a bricks and mortar casino was built right next door. Online gambling can result in addiction, bankruptcy,

divorce, crime, and moral decline just as with traditional forms of gambling, the costs of which must ultimately be borne by society.

Internet gambling is especially enticing to youth, pathological gamblers, and criminals. There are currently no mechanisms in place to prevent youth--who make up the largest percentage of Internet users--from using their parents' credit card numbers to register and set up accounts for use at Internet gambling sites. In addition, pathological gamblers may become easily addicted to online gambling because of the Internet's easy access, anonymity and instant results. Dr. Howard J. Shaffer, director of addiction studies at Harvard, likens the Internet to new delivery forms of addictive drugs: "As smoking crack cocaine changed the cocaine experience, I think electronics is going to change the way gambling is experienced." Finally, Internet gambling can provide a nearly undetectable harbor for criminal enterprises. The anonymity associated with the Internet makes online gambling more susceptible to crime.

Gambling is currently illegal in the United States unless regulated by the States. As such, every state has gambling statutes to determine the type and amount of legal gambling permitted. With the development of the Internet, however, prohibitions and regulations governing gambling have been turned on their head. Since 1868, the federal government has enacted federal gambling statutes when a particular type of gambling activity has escaped the ability of states to regulate it. For over one hundred years, Congress has acted to assist states in enforcing their respective policies on gambling when developments in technology of an interstate nature, such as the Internet, have compromised the effectiveness of state gambling laws.

The more than 1,400 gambling websites from the Caribbean and elsewhere are unlicensed, untaxed, and unregulated by any state, and thus violate all 50 state laws in which they are available. That is why state attorneys general, pro-family/anti-gambling groups, professional and amateur sports leagues, and the Department of Justice all agree that federal legislation is needed to clarify federal law that offshore Internet gambling businesses are illegal.

The National Gambling Impact Study Commission recommended to Congress that federal legislation is needed to halt the expansion of Internet gambling and to prohibit wire transfers to known Internet gambling sites, or the banks who represent them.

Under current federal law, it is unclear that using the Internet to operate a gambling business is illegal. The closest useful statute is the Wire Act which prohibits gambling over telephone wires. However, because the Internet does not always travel over telephone wires, the Wire Act, which was written well before the invention of the World Wide Web, has become outdated--it is not clear that it applies to the Internet at all.

H.R. 556, as amended by provisions in Internet gambling legislation I introduced, clarifies the state of the law by amending the Wire Act to bring the current prohibition against wireline interstate gambling up to speed with the development of new technology. This provision settles the uncertainty about whether the Wire Act applies to the Internet and at the request of the Justice Department, makes the Wire Act technology neutral so that the law applies to both the telephone and the Internet.

Language has also been included in H.R. 556 from my bill that provides for further cooperation between law enforcement and Interactive Computer Service Providers to combat illegal Internet gambling. This provision provides for ISPs to respond to injunctions to take down illegal gambling websites or websites containing hypertext links hosted by the ISP. The bill makes clear that such injunctions would issue only after the opportunity for a hearing, would specify the service to which the order applies, and provide enough information so that the interactive computer service could locate the site or hypertext link. As a result of striking this balance between the responsibilities of Internet companies and the needs of law enforcement, the bill has the support of the ISP community.

As the National Gambling Impact Study Commission has documented, and Senate and House hearings have confirmed, Internet gambling is growing at an explosive rate. It evades existing anti-gambling laws, endangers children in the home, promotes compulsive gambling among adults, preys on the poor, and facilitates fraud. H.R. 556 will put a stop to this harmful activity before it spread further.

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Mr. LEACH. Mr. Speaker, if I could first inquire of my good friend, the gentleman from New York (Mr. *LaFalce*), we have two speakers and only 1 1/2 minutes remaining.

Mr. *LaFALCE*. Mr. Speaker, I yield 1 minute to the gentleman from Iowa (Mr. *Leach*).

Mr. LEACH. Mr. Speaker, I thank the gentleman from New York (Mr. *LaFalce*) for yielding me time.

Mr. Speaker, I yield 1 minute to the gentleman from Pennsylvania (Mr. *Pitts*), and I note that the gentleman has worked on this very assiduously and is a man of great dignity and respect.

Mr. PITTS. Mr. Speaker, first of all, I want to thank and commend the gentleman from Iowa (Mr. *Leach*), the gentleman from Ohio (Mr. *Oxley*), the gentleman from Virginia (Mr. *Goodlatte*), and the gentleman from New York (Mr. *LaFalce*), and the other sponsors for developing and moving this important legislation.

In the last couple of decades, gambling has exploded across this country, both legal and illegal forms of gambling. While many of us are concerned about legal gambling and its impact on society, this bill is about illegal gambling.

The Internet has made it possible to gamble away your money to offshore criminals right from your bedroom. Millions of Americans send these crooks their money; and up until now, the States have been powerless to do anything about it. With this bill, we solve the problem. It may be impossible to keep illegal

gambling sites off the World Wide Web, but it is entirely possible to prevent American credit cards companies from completing these transactions that these crooks need to make their money, and that is what this bill does. It does nothing to roll back legal gambling in this country. This is entirely about activities that are already against the law and need to be stopped. Some Americans do not seem to have discretion not to do this; this will help keep the money out of the hands of illegal people running these gambling sites, and I urge my colleagues to support the bill.

Mr. LEACH. Mr. Speaker, I yield 1 minute to the gentleman from Nebraska (Mr. *Osborne*), one of Congress's most unique and distinguished Members.

Mr. OSBORNE. Mr. Speaker, I rise in support of H.R. 556. Like others, I would like to thank the gentleman from Iowa (Mr. *Leach*) for his work; the ranking member, the gentleman from New York (Mr. *LaFalce*); the gentleman from Virginia (Mr. *Goodlatte*); and others for their leadership.

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The main reason I am here today is that I am really interested in young people, and I am interested in sports gambling; and of course, Internet gambling has really lead to an explosion of gambling of intercollegiate athletics, and that is one reason why the NCAA, the NFL, and Major League Baseball all support this legislation.

College students often run up huge credit card debts on these sites, and this is involved with sports betting. According to the Federal Trade Commission, Internet gambling sites are advertising on Web pages normally visited by children. A child cannot gamble in a casino or race track or any other establishment because of age limits, but some young people are using parents or their own credit cards on these sites. One really alarming statistic I want to mention: it is estimated that 1.1 million adolescents between the ages of 12 and 18 are pathological gamblers. This is a higher percentage than adults by age group. Young people become addicted to alcohol, drugs, and gambling more quickly than adults because of psychological and physiological immaturity. So I

believe this is especially pernicious and particularly dangerous; and I urge support of this important legislation.

Mr. *LaFALCE*. Mr. Speaker, I yield myself such time as I may consume.

I think this is an extremely important bill. I think it is an extremely important bill for all Americans, but most especially for our youth who use computers every single day, hours and hours every day, and have countless, in the course of a week, dozens or hundreds of opportunities flashed in their face to engage in Internet gambling. They are flooded with credit cards that if they use them will extend their credit far beyond their capacity to pay, perhaps for the next 40, 50 years or so.

There has been a growing tendency too of obtaining student loans to pay off credit card debt, credit card debt that has often been incurred during the course of Internet gambling. There is a difficulty. Student loans cannot be discharged in bankruptcy. So the lives of these students are at stake, and we can do something about it. We can follow the recommendation of the national commission. We can follow the recommendations of the various religious organizations across America, the various athletic associations across America. We can follow the recommendations of the police organizations across America. We can follow the recommendations and vote ``yes," or we could ignore them and flaunt them and vote ``no."

Mr. Speaker, I yield back the balance of my time.

Mr. LEACH. Mr. Speaker, I yield myself such time as I may consume.

Let me just conclude by thanking, if I can, the gentleman from New York (Mr. *LaFalce*) and all of the others who have led this charge. I will just conclude with one observation. Gambling alone leads too easily to addiction. It leads to a situation where fathers lose their homes, mothers their families, students access to college and, in far too many instances, violence to the person and to their friends. This is a family issue. It is a national issue. We must act. I urge its adoption.

- [Begin Insert]

Mr. BACA. Mr. Speaker, I oppose H.R. 556, the Unlawful Internet Gambling Funding Prohibition Act. Although this bill is entitled a "prohibition" act, it is really an authorization act. Section 3 of the bill provides a carve-out for transactions with businesses licensed or authorized by States. It provides exemptions that, in essence, would allow States to license new Internet gaming operations for lotteries, horse tracks, and corporate gambling operations. The House Judiciary Committee rejected a similar provision in July when it adopted an amendment to delete all authorizations for interstate Internet gaming.

Although the bill grants States these exemptions, it does not provide Tribal governments with the same exemptions. I would not be standing here today, in opposition to this bill, if there were a flat prohibition on internet gaming. But that is not what this bill does.

The bill gives an advantage to private gaming enterprises. It does not treat tribal governments as equals. Just when we think that the centuries of mistreatment and discrimination are ending, something comes up to show us that they haven't. We are learning that the more things change, the more they stay the same.

Once again, Congress is trying put tribal governments at a disadvantage. And once against, I will stand up and defend the sovereignty of tribal governments! I will stand up and make sure that our government lives up to its trust responsibility!

Gaming provides the financial resources that tribes need to survive and to bring economic development to their people. It provides the resources that tribal governments need to provide health, education and hope to their people. It is the lifeblood of our Native American brothers and sisters! I will not stand by and watch as Congress puts tribes behind the eight-ball.

I urge my colleagues to vote "no" on H.R. 556.

Mr. PAUL. Mr. Speaker, H.R. 556 limits the ability of individual citizens to use bank instruments, including credit cards or checks, to finance Internet gambling.

This legislation should be rejected by Congress since the federal government has no constitutional authority to ban or even discourage any form of gambling.

In addition to being unconstitutional, H.R. 556 is likely to prove ineffective at ending Internet gambling. Instead, this bill will ensure that gambling is controlled by organized crime. History, from the failed experiment of prohibition to today's futile "war on drugs," shows that the government cannot eliminate demand for something like Internet gambling simply by passing a law. Instead, H.R. 556 will force those who wish to gamble over the Internet to patronize suppliers willing to flaunt the ban. In many cases, providers of services banned by the government will be members of criminal organizations. Even if organized crime does not operate Internet gambling enterprises their competitors are likely to be controlled by organized crime. After all, since the owners and patrons of Internet gambling cannot rely on the police and courts to enforce contracts and resolve other disputes, they will be forced to rely on members of organized crime to perform those functions. Thus, the profits of Internet gambling will flow into organized crime. Furthermore, outlawing an activity will raise the price vendors are able to charge consumers, thus increasing the profits flowing to organized crime from Internet gambling. It is bitterly ironic that a bill masquerading as an attack on crime will actually increase organized crime's ability to control and profit from Internet gambling.

In conclusion, Mr. Speaker, H.R. 556 violates the constitutional limits on federal power. Furthermore, laws such as H.R. 556 are ineffective in eliminating the demand for vices such as Internet gambling; instead, they ensure that these enterprises will be controlled by organized crime. Therefore I urge my colleagues to reject H.R. 556, the Internet Gambling Prohibition Act.

- [End Insert]

Mr. Speaker, I yield back the balance of my time.

The SPEAKER pro tempore (Mr. *Gilchrest*). The question is on the motion offered by the gentleman from Iowa (Mr. *Leach*) that the House suspend the rules and pass the bill, H.R. 556, as amended.

The question was taken; and (two-thirds having voted in favor thereof) the rules were suspended and the bill, as amended, was passed.

A motion to reconsider was laid on the table.