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(Original Signature of Member)

110TH CONGRESS  
1ST SESSION

**H. R.**

To amend title 31, United States Code, to provide for the licensing of Internet gambling facilities by the Director of the Financial Crimes Enforcement Network, and for other purposes.

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IN THE HOUSE OF REPRESENTATIVES

Mr. FRANK of Massachusetts (for himself and [see ATTACHED LIST of cosponsors]) introduced the following bill; which was referred to the Committee on \_\_\_\_\_

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**A BILL**

To amend title 31, United States Code, to provide for the licensing of Internet gambling facilities by the Director of the Financial Crimes Enforcement Network, and for other purposes.

1 *Be it enacted by the Senate and House of Representa-*  
2 *tives of the United States of America in Congress assembled,*

3 **SECTION 1. SHORT TITLE.**

4 This act may be cited as the “Internet Gambling Reg-  
5 ulation and Enforcement Act of 2007”.

1 **SEC. 2. FEDERAL LICENSING REQUIREMENT FOR INTER-**  
2 **NET GAMBLING OPERATORS.**

3 (a) IN GENERAL.—Chapter 53 of Title 31, United  
4 States Code, is amended by adding at the end the fol-  
5 lowing new Subchapter:

6 “SUBCHAPTER V—REGULATION OF LAWFUL  
7 INTERNET GAMBLING

8 **“§ 5381. Congressional findings and purpose**

9 “(a) FINDINGS.—The Congress finds the following:

10 “(1) Internet gambling is a \$13,000,000,000  
11 and growing industry worldwide.

12 “(2) Gambling is a popular activity domesti-  
13 cally, with some form of gambling being permitted  
14 in nearly every State.

15 “(3) Internet gambling is a licensed, regulated  
16 activity in more than 50 countries, providing billions  
17 of dollars in tax revenue to those countries.

18 “(4) The global gaming market grossed about  
19 \$258,000,000,000 in 2005, with online revenues rep-  
20 resenting an estimated 5.0 percent. North American  
21 residents accounted for an estimated 47 percent of  
22 the global gross gaming yield in 2005.

23 “(5) A licensing and regulatory regime for  
24 Internet gambling in the United States is needed to  
25 provide appropriate protections against underage  
26 gambling, compulsive gambling, money laundering,

1 and fraud for those citizens who choose to gamble  
2 online.

3 “(6) Licensing and regulating Internet gam-  
4 bling in the United States would provide additional  
5 tax revenues, and would reduce tax avoidance.

6 **“§ 5382. Definitions**

7 “For purposes of this subchapter, the following defi-  
8 nitions shall apply:

9 “(1) DIRECTOR.—The term ‘director’ means  
10 the Director of the Financial Crimes Enforcement  
11 Network.

12 “(2) BET OR WAGER.—The term ‘bet or wager’  
13 shall have the same meaning as in section 5362(1).

14 “(3) LICENSEE.—The term ‘licensee’ shall  
15 mean an Internet gambling operator licensed by the  
16 Director in accordance with this subchapter.

17 “(4) STATE.—The term ‘State’ means any  
18 State of the United States, the District of Columbia,  
19 or any commonwealth, territory, or other possession  
20 of the United States.

21 “(5) INTERNET.—The term ‘Internet’ means  
22 the international computer network of interoperable  
23 packet switched data networks.

1           “(6) SPORTING LEAGUE.—The term ‘sporting  
2 league’ shall mean any sporting association, whether  
3 professional, scholastic, or amateur.

4           “(7) OPERATE AN INTERNET GAMBLING FACIL-  
5 ITY.—The term ‘operate an Internet gambling facil-  
6 ity’ means the direction, management, supervision,  
7 or control of an Internet site through which bets or  
8 wagers are placed, accepted, or otherwise made,  
9 whether by telephone, Internet or other wire commu-  
10 nication.

11           “(8) INDIAN LANDS AND INDIAN TRIBE.—The  
12 terms ‘Indian lands’ and ‘Indian tribe’ have the  
13 same meanings as in section 4 of the Indian Gaming  
14 Regulatory Act.

15 **“§ 5383. Establishment and administration of licens-  
16 ing program**

17           “(a) FINCEN REQUIREMENTS.—Subject to the over-  
18 sight and direction of the Secretary of the Treasury, the  
19 Director shall prescribe such regulations as may be nec-  
20 essary to administer and enforce the requirements under  
21 this subchapter.

22           “(b) INTERNET GAMBLING LICENSING PROGRAM.—  
23 No person shall engage in the business of Internet betting  
24 or wagering in the United States without a license issued  
25 by the Director in accordance with this subchapter.

1 “(c) APPLICATION FOR LICENSE.—

2 “(1) IN GENERAL.—Any person seeking author-  
3 ity to engage in the business of betting or wagering  
4 in the United States may apply for a license issued  
5 by the Director.

6 “(2) INFORMATION REQUIRED.—Any applica-  
7 tion for a license under this subchapter shall contain  
8 such information as may be required by the Direc-  
9 tor, including—

10 “(A) a complete financial statements of the  
11 applicant;

12 “(B) documentation showing the corporate  
13 structure of the applicant and all related busi-  
14 nesses and affiliates; and

15 “(C) a certification that the applicant  
16 agrees to be subject to United States jurisdic-  
17 tion and all applicable United States laws relat-  
18 ing to Internet gambling activities.

19 “(d) REVIEW OF LICENSEES.—

20 “(1) IN GENERAL.—After the filing of a com-  
21 plete application, the Director shall evaluate the gen-  
22 eral fitness of the applicant on the basis of such fac-  
23 tors as the Director determines to be appropriate.

24 “(2) FACTORS.—The factors taken into account  
25 by the Director under paragraph (1) shall include—

1           “(A) the financial condition of the appli-  
2           cant;

3           “(B) the business experience and record of  
4           the applicant, including the applicant’s compli-  
5           ance with similar laws and requirements in for-  
6           eign jurisdictions;

7           “(C) if the applicant is an individual, a  
8           background check to determine if the individual  
9           has any criminal record; and

10          “(D) if the applicant is a corporation,  
11          partnership, or other business entity, such  
12          background check shall occur with respect to  
13          the president or other chief executive of the cor-  
14          poration, partnership, or other business entity  
15          and other partners or senior executives and di-  
16          rectors of the corporation, partnership, or enti-  
17          ty, as determined appropriate by the Director,  
18          in the Director’s sole discretion.

19          “(e) ASSESSMENTS FOR ADMINISTRATIVE EX-  
20          PENSES.—

21          “(1) IN GENERAL.—

22                 “(A) IN GENERAL.—The cost of admin-  
23                 istering this subchapter with respect to each li-  
24                 censee, including the cost of any review or ex-  
25                 amination of a licensee to ensure compliance

1 with the terms of the license and this sub-  
2 chapter, shall be assessed by the Director  
3 against the licensee institution by written notice  
4 in an amount appropriate to meet the Direc-  
5 tor's expenses in carrying out such administra-  
6 tion, review, or examination.

7 “(B) DISPOSITION.—Amounts assessed by  
8 the Director as user fees under subparagraph  
9 (A) shall—

10 “(i) be maintained by the Director for  
11 solely for use in accordance with clause  
12 (ii);

13 “(ii) be available to the Director to  
14 cover all expenses incurred by the Director  
15 in carrying out this subchapter; and

16 “(iii) not be construed to be Govern-  
17 ment Funds or appropriated monies, or  
18 subject to apportionment for the purposes  
19 of chapter 15 or any other authority.

20 “(C) HEARING.—Any licensee against  
21 whom an assessment is assessed under this  
22 paragraph shall be afforded an agency hearing  
23 if such person submits a request for such hear-  
24 ing within 20 days after the issuance of the no-  
25 tice of assessment.

1 “(D) COLLECTION.—

2 “(i) REFERRAL.—If any licensee fails  
3 to pay an assessment under this paragraph  
4 after the assessment has become final, the  
5 Director shall recover the amount assessed  
6 by action in the appropriate United States  
7 district court.

8 “(ii) APPROPRIATENESS OF ASSESS-  
9 MENT NOT REVIEWABLE.—In any civil ac-  
10 tion under clause (i), the validity and ap-  
11 propriateness of the assessment shall not  
12 be subject to review.

13 “(2) DIRECT AND EXCLUSIVE OBLIGATION OF  
14 LICENSEE.—The user fee shall be the direct and ex-  
15 clusive obligation of the licensee and may not be de-  
16 ducted from amounts available as deposits to any  
17 person placing a bet.

18 “(f) APPROVAL OF LICENSE.—The Director shall  
19 grant licenses under this subchapter if, in the Director’s  
20 sole discretion, the applicant meets the criteria set by the  
21 Director and is generally fit to engage in the business of  
22 Internet gambling.

23 “(g) SAFEGUARDS REQUIRED OF LICENSEE.—No  
24 person shall receive or retain a license under this section



1 unless the person implements and maintains the following  
2 requirements with respect to any Internet bet or wager:

3           “(1) Appropriate safeguards to ensure that the  
4 individual placing a bet or wager is 18 years of age  
5 or older.

6           “(2) Appropriate safeguards to ensure that the  
7 individual placing a bet or wager is physically lo-  
8 cated in a jurisdiction that permits Internet gam-  
9 bling at the time the bet or wager is placed.

10           “(3) Appropriate mechanisms to ensure that all  
11 taxes relating to Internet gambling due to Federal  
12 and State governments and to Indian tribes from  
13 persons engaged in Internet gambling are collected  
14 at the time of any payment of any proceeds of Inter-  
15 net gambling.

16           “(4) Appropriate mechanisms to ensure that all  
17 taxes relating to Internet gambling due to Federal  
18 and State governments and to Indian tribes from  
19 any licensee are collected as required by law.

20           “(5) Appropriate safeguards to combat fraud  
21 and money laundering as may be prescribed by regu-  
22 lations issued by the Director or a designee of the  
23 Director.

24           “(6) Appropriate safeguards to combat compul-  
25 sive Internet gambling.

1           “(7) Appropriate safeguards to protect the pri-  
2           vacy and security of any person engaged in Internet  
3           gambling.

4           “(8) Appropriate mechanisms to ensure that  
5           any assessment under subsection (e) is paid to the  
6           Director.

7           “(9) Such other requirements as the Director  
8           may establish by regulation or order.

9           “(h) LICENSES DENIED.—

10           “(1) IN GENERAL.—No license shall be granted  
11           to any individual who has been convicted under the  
12           laws of any foreign country, the United States, or  
13           any State for any criminal violation involving gam-  
14           bling laws, financial markets, or financial laws, in-  
15           cluding any money laundering, fraud, privacy, or in-  
16           formation security law.

17           “(2) APPLICABILITY TO BUSINESS ENTITIES.—  
18           If an applicant for a license is a corporation, part-  
19           nership, or other business entity, paragraph (1) shall  
20           apply with respect to each partner, officer, or direc-  
21           tor of such corporation, partnership, or entity.

22           “(i) TERM AND RENEWAL OF LICENSE.—

23           “(1) TERM.—Any license issued under this sec-  
24           tion shall be issued for a 1-year term beginning on  
25           the date of issuance.

1           “(2) RENEWAL.— Licenses may be renewed in  
2           accordance with the requirements prescribed by the  
3           Director pursuant to this subchapter.

4           “(j) REVOCATION OF LICENSE.—

5           “(1) IN GENERAL.—Any license granted under  
6           this subchapter shall be terminated or revoked by  
7           the Director if—

8                   “(A) the licensee fails to comply with any  
9                   provision of this subchapter; or

10                   “(B) the licensee, or in any case in which  
11                   the licensee the licensee is a corporation, part-  
12                   nership, or other business entity, any officer,  
13                   partner, or director of that corporation, part-  
14                   nership, or other entity, is convicted of a crime  
15                   involving the payments system, financial mar-  
16                   kets, or Internet gambling laws of the United  
17                   States or of the jurisdiction in which the li-  
18                   censee is located.

19           “(2) FINAL ACTION.—Any revocation of a li-  
20           cense under paragraph (1) shall be treated as a final  
21           action by the Director .

22           “(k) COMPLIANCE WITH FEDERAL LAWS.—Licens-  
23           ees shall be required to comply with anti-money laun-  
24           dering, anti-fraud, anti-terrorism, and such other regula-

1 tions, requirements, and limitations as may be prescribed  
2 by the Director.

3 “(l) ADMINISTRATIVE PROVISIONS.—

4 “(1) GENERAL POWERS OF DIRECTOR.—Sub-  
5 ject to the oversight and direction of the Secretary  
6 of the Treasury, the Director may—

7 “(A) require a class of licensees to main-  
8 tain appropriate procedures to ensure compli-  
9 ance with this subchapter and regulations pre-  
10 scribed under this subchapter;

11 “(B) examine any licensee and any books,  
12 papers, records, or other data of licensees rel-  
13 evant to any recordkeeping or reporting require-  
14 ments imposed by the Director under this sub-  
15 chapter;

16 “(C) summon a licensee or an applicant  
17 for a license, an officer or employee of a li-  
18 censee or any such applicant (including a  
19 former officer or employee), or any person hav-  
20 ing possession, custody, or care of the reports  
21 and records required by the Director under this  
22 subchapter, to appear before the Director or a  
23 designee of the Director at a time and place  
24 named in the summons and to produce such  
25 books, papers, records, or other data, and to

1 give testimony, under oath, as may be relevant  
2 or material to any investigation in connection  
3 with the enforcement of this subchapter or any  
4 application for a license under this subchapter.

5 “(2) ADMINISTRATIVE ASPECTS OF SUM-  
6 MONS.—

7 “(A) PRODUCTION AT DESIGNATED  
8 SITE.—A summons issued pursuant to this sub-  
9 section may require that books, papers, records,  
10 or other data stored or maintained at any place  
11 be produced at any business location of a li-  
12 censee or applicant for a license or any des-  
13 igned location in any State or in any territory  
14 or other place subject to the jurisdiction of the  
15 United States not more than 500 miles distant  
16 from any place where the licensee or applicant  
17 for a license operates or conducts business in  
18 the United States.

19 “(B) NO LIABILITY FOR EXPENSES.—The  
20 United States shall not be liable for any ex-  
21 pense incurred in connection with the produc-  
22 tion of books, papers, records, or other data  
23 under this subsection.

24 “(C) SERVICE OF SUMMONS.—Service of a  
25 summons issued under this subsection may be

1 by registered mail or in such other manner cal-  
2 culated to give actual notice as the Director  
3 may prescribe by regulation.

4 “(3) CONTUMACY OR REFUSAL.—

5 “(A) REFERRAL TO ATTORNEY GEN-  
6 ERAL.—In case of contumacy by a person  
7 issued a summons under this subsection or a  
8 refusal by such person to obey such summons  
9 or to allow the Director to conduct an examina-  
10 tion, the Director shall refer the matter to the  
11 Secretary of the Treasury for referral to the At-  
12 torney General.

13 “(B) JURISDICTION OF COURT.—The At-  
14 torney General may invoke the aid of any court  
15 of the United States within the jurisdiction of  
16 which—

17 “(i) the investigation which gave rise  
18 to the summons or the examination is  
19 being or has been carried on;

20 “(ii) the person summoned is an in-  
21 habitant; or

22 “(iii) the person summoned carries on  
23 business or may be found,  
24 to compel compliance with the summons.

1           “(C) COURT ORDER.—The court may issue  
2           an order requiring the person summoned to ap-  
3           pear before the Director or a delegate of the  
4           Director to produce books, papers, records, and  
5           other data, to give testimony as may be nec-  
6           essary to explain how such material was com-  
7           piled and maintained, to allow the Director to  
8           examine the business of a licensee, and to pay  
9           the costs of the proceeding.

10           “(D) FAILURE TO COMPLY WITH ORDER.—  
11           Any failure to obey the order of the court may  
12           be punished by the court as a contempt thereof.

13           “(E) SERVICE OF PROCESS.—All process  
14           in any case under this subsection may be served  
15           in any judicial district in which such person  
16           may be found.

17   **“§ 5384. Financial institutions**

18           “(a) INVESTMENT BANKING.—No person shall be  
19           held liable for engaging in investment banking activities  
20           for or on behalf of a licensee or involving a licensee, if  
21           such activities are performed in compliance with this sub-  
22           chapter, the Sarbanes-Oxley Act, the Securities Act of  
23           1933 Act, the Securities Exchange Act of 1934, and any  
24           other applicable laws governing securities.

1       “(b) PAYMENT AND TRANSACTION PROCESSING.—  
2 No person shall be held liable for engaging in payments  
3 processing activities for or on behalf of a licensee or involv-  
4 ing a licensee, if such activities are performed in compli-  
5 ance with this subchapter.

6       “(c) FINANCIAL INSTITUTIONS.—No financial insti-  
7 tution shall be held liable for engaging in financial activi-  
8 ties and transactions for or on behalf of a licensee or in-  
9 volving a licensee, if such activities are performed in com-  
10 pliance with this subchapter and with applicable Federal,  
11 State, and foreign banking laws and regulations.

12 **“§ 5385. Prohibition and limitation of licenses in**  
13 **States and Indian lands**

14       “(a) STATE OPT OUT.—

15               “(1) IN GENERAL.—No Internet gambling li-  
16 censee may engage, under any license issued under  
17 this subchapter, in the business of Internet betting  
18 or wagering in any State which prohibits such busi-  
19 ness within such State if the Governor or other chief  
20 executive officer of such State informs the Director  
21 of such prohibition before the end of the 90-day pe-  
22 riod beginning on the date of the enactment of the  
23 Internet Gambling Regulation and Enforcement Act  
24 of 2007, or in accordance with paragraph (3), until  
25 such time as any notice of any subsequent repeal of



1 such prohibition becomes effective under paragraph  
2 (3).

3 “(2) LIMITATIONS IMPOSED BY STATES.—No  
4 Internet gambling licensee may engage, under any li-  
5 cense issued under this subchapter, in the business  
6 of conducting any particular types of gambling ac-  
7 tivities or other contests in any State which pro-  
8 hibits or limits such particular types of gambling ac-  
9 tivities or other contests if the Governor or other  
10 chief executive officer of such State informs the Di-  
11 rector of such prohibition or limitation , in a manner  
12 which clearly identifies the nature and extent of such  
13 prohibition or limitation, before the end of the 90-  
14 day period beginning on the date of the enactment  
15 of the Internet Gambling Regulation and Enforce-  
16 ment Act of 2007, or in accordance with paragraph  
17 (3), until such time as any notice of any amendment  
18 or repeal of such specific prohibition or limitation  
19 becomes effective under paragraph (3).

20 “(3) CHANGES TO STATE LIMITATIONS.— The  
21 establishment, repeal, or amendment by any State of  
22 any prohibition or limitation referred to in para-  
23 graph (1) or (2) after the end of the 90-day period  
24 beginning on the date of the enactment of the Inter-  
25 net Gambling Regulation and Enforcement Act of

1 2007 shall apply, for purposes of this subchapter,  
2 with respect to the business of Internet betting or  
3 wagering in such State by any licensee beginning on  
4 the first January 1 that occurs after the end of the  
5 30-day period beginning on the later of—

6 “(A) the date a notice of such establish-  
7 ment, repeal, or amendment is provided by the  
8 Governor or other chief executive officer of such  
9 State in writing to the Director; or

10 “(B) the effective date of such establish-  
11 ment, repeal, or amendment.

12 “(b) INDIAN TRIBE OPT OUT.—

13 “(1) IN GENERAL.—No Internet gambling li-  
14 censee may engage, under any license issued under  
15 this subchapter, in the business of Internet betting  
16 or wagering within the tribal lands of any Indian  
17 tribe which prohibits such business within such trib-  
18 al lands if the principal chief or other chief executive  
19 officer of such Indian tribe informs the Director of  
20 such prohibition before the end of the 90-day period  
21 beginning on the date of the enactment of the Inter-  
22 net Gambling Regulation and Enforcement Act of  
23 2007, or in accordance with paragraph (3), until  
24 such time as any notice of any repeal or amendment

1 of such prohibition becomes effective under para-  
2 graph (3).

3 “(2) LIMITATIONS IMPOSED BY INDIAN  
4 TRIBES.—No Internet gambling licensee may en-  
5 gage, under any license issued under this sub-  
6 chapter, in the business of conducting any particular  
7 types of gambling activities or other contests in the  
8 tribal lands of any Indian tribe which prohibits or  
9 limits such particular types of gambling activities or  
10 other contests if the principal chief or other chief ex-  
11 ecutive officer of such Indian tribe informs the Di-  
12 rector of such prohibition or limitation , in a manner  
13 which clearly identifies the nature and extent of such  
14 prohibition or limitation, before the end of the 90-  
15 day period beginning on the date of the enactment  
16 of the Internet Gambling Regulation and Enforce-  
17 ment Act of 2007, or in accordance with paragraph  
18 (3), until such time as any notice of any amendment  
19 or repeal of such specific prohibition or limitation  
20 becomes effective under paragraph (3).

21 “(3) CHANGES TO INDIAN TRIBE LIMITA-  
22 TIONS.— The establishment, repeal, or amendment  
23 by any Indian tribe of any prohibition or limitation  
24 referred to in paragraph (1) or (2) after the end of  
25 the 90-day period beginning on the date of the en-

1 actment of the Internet Gambling Regulation and  
2 Enforcement Act of 2007 shall apply, for purposes  
3 of this subchapter, with respect to the business of  
4 Internet betting or wagering in the tribal lands of  
5 such Indian tribe by any licensee beginning on the  
6 first January 1 that occurs after the end of the 30-  
7 day period beginning on the later of—

8 “(A) the date a notice of such establish-  
9 ment, repeal, or amendment is provided by the  
10 principal chief or other chief executive officer of  
11 such Indian tribe in writing to the Director; or

12 “(B) the effective date of such establish-  
13 ment, repeal, or amendment.

14 “(c) ENFORCING STATE AND INDIAN TRIBE LIMITA-  
15 TIONS.—

16 “(1) IN GENERAL.—The Director shall take ef-  
17 fective measures to ensure that any licensee under  
18 this subchapter, as a condition of the license, com-  
19 plies with any limitation or prohibition imposed by  
20 any State or Indian tribe to which the licensee is  
21 subject under paragraph (1), (2) or (3) of subsection  
22 (a) or (b), as the case may be.

23 “(2) VIOLATIONS.—It shall be a violation of  
24 this subchapter for any licensee knowingly to accept  
25 bets or wagers, or engage in any Internet gambling

1 activity within any State or in the tribal lands of  
2 any Indian tribe for which a notice is in effect under  
3 paragraph (1), (2), or (3) of subsection (a) or (b),  
4 as the case may be.

5 “(d) INTERMEDIATE ROUTING.—The intermediate  
6 routing of electronic data shall not determine the location  
7 or locations in which a bet or wager is initiated, received  
8 or otherwise made.

9 **“§ 5386. Sporting leagues may prohibit internet gam-**  
10 **bling on league activities**

11 “(a) SPORTING LEAGUE OPT-OUT.—No Internet  
12 gambling licensee may engage, under any license issued  
13 under this subchapter, in the business of Internet betting  
14 or wagering in connection with any sport event or contest  
15 of any sporting league which prohibits such business if the  
16 chief executive officer of such sporting league informs the  
17 Director of such prohibition before the end of the 90-day  
18 period beginning on the date of the enactment of the  
19 Internet Gambling Regulation and Enforcement Act of  
20 2007, or in accordance with subsection (c), until such time  
21 as any notice of any repeal of such prohibition becomes  
22 effective under paragraph (3).

23 “(b) ESTABLISHMENT OR REPEAL OF SPORTING .—  
24 The establishment or repeal by any sporting league of any  
25 prohibition referred to in subsection (a) after the end of

1 the 90-day period beginning on the date of the enactment  
2 of the Internet Gambling Regulation and Enforcement Act  
3 of 2007 shall apply, for purposes of this subchapter, with  
4 respect to the business of Internet betting or wagering in  
5 connection with any sport event or contest of such sport-  
6 ing league by any licensee beginning on the first January  
7 1 that occurs after the end of the 30-day period beginning  
8 on the later of—

9           “(1) the date a notice of such establishment or  
10        repeal is provided by the chief executive officer of  
11        such sporting league in writing to the Director; or

12           “(2) the effective date of such establishment or  
13        repeal.

14        “(c) VIOLATION OF SPORTING LEAGUE LIMITA-  
15        TION.—

16           “(1) IN GENERAL.—The Director shall take ef-  
17        fective measures to ensure that any licensee under  
18        this subchapter, as a condition of the license, com-  
19        plies with any prohibition imposed by any sporting  
20        league to which the licensee is subject under sub-  
21        section (a) or (b).

22           “(2) VIOLATIONS.—It shall be a violation of  
23        this subchapter for any licensee knowingly to engage  
24        in the business of Internet betting or wagering in  
25        connection with any sport event or contest of any

1 sporting league for which a notice is in effect under  
2 subsection (a) or (b).

3 **“§ 5387. Safe harbors**

4 ““It shall be a defense against any prosecution or  
5 enforcement action under any Federal or State law  
6 against any person possessing a valid license under this  
7 subchapter that the activity is authorized under and has  
8 been carried out lawfully under the terms of this sub-  
9 chapter.

10 **“§ 5388. Criminal penalties**

11 “(a) IN GENERAL.—Whoever knowingly violates any  
12 provision of this subchapter shall be fined under title 18,  
13 or imprisoned for not more than 5 years, or both.

14 “(b) PERMANENT INJUNCTION.—Upon conviction of  
15 a person under this section, the court may enter a perma-  
16 nent injunction enjoining such person from placing, receiv-  
17 ing, or otherwise making bets or wagers or sending, receiv-  
18 ing, or inviting information assisting in the placing of bets  
19 or wagers.

20 **“§ 5389. Rules of construction**

21 “(a) NO EFFECT ON OTHER LAW.—No provision of  
22 this subchapter shall be construed as altering, limiting, or  
23 extending any Federal or State law or Tribal-State com-  
24 pact prohibiting, permitting, or regulating gambling with-  
25 in the United States.

1           “(b) COORDINATION WITH CERTAIN GAMBLING  
2 LAWS.—No provision of this chapter shall be construed  
3 as permitting any bet or wager that would otherwise vio-  
4 late any provision of—

5                   “(1) the Interstate Horse Racing Act;

6                   “(2) the Professional and Amateur Sports Pro-  
7 tection Act;

8                   “(3) the Gambling Devices Transportation Act;

9           or

10                   “(4) the Indian Gaming Regulatory Act.”.

11           (b) TECHNICAL AND CONFORMING AMENDMENT.—  
12 Section 310(b)(2) of title 31, United States Code is  
13 amended—

14                   (1) by redesignating subparagraphs (J) and (K)  
15 as subparagraphs (K) and (L), respectively; and

16                   (2) by inserting after subparagraph (I) the fol-  
17 lowing new subparagraph:

18                           “(J) Administer the requirements of sub-  
19 chapter V of chapter 53.”

20           (c) CLERICAL AMENDMENT.—The table of sections  
21 for chapter 53 of title 31, United States Code, is amended  
22 by adding at the end the following:

“SUBCHAPTER V—REGULATION OF LAWFUL INTERNET GAMBLING

“5381. Congressional findings and purpose.

“5382. Definitions.

“5383. Establishment and administration of licensing program.

“5384. Financial institutions.

“5385. Prohibition and limitation of licenses in States and Indian lands.

“5386. Sporting leagues may prohibit Internet gambling on league activities.



“5387. Safe harbors.  
“5388. Criminal penalties.  
“5389. Rules of construction.”.

1 **SEC. 3. REPORT REQUIRED.**

2 (a) IN GENERAL.— Before the end of the 1-year pe-  
3 riod beginning on the effective date of the regulations pre-  
4 scribed under section 4(a), and annually thereafter, the  
5 Director shall submit a report to the Congress on the li-  
6 censing and regulation of Internet gambling operators.

7 (b) INFORMATION REQUIRED.—Each report sub-  
8 mitted under subsection (a) shall include the following in-  
9 formation:

10 (1) A comprehensive statement regarding the  
11 limitations imposed by the States, Indian tribes, and  
12 sporting leagues.

13 (2) Relevant statistical information on appli-  
14 cants and licenses.

15 (3) The amount of licensing and user fees col-  
16 lected during the period covered by the report.

17 (4) Information on regulatory or enforcement  
18 actions undertaken during the period.

19 (5) Any other information that may be useful  
20 to the Congress in evaluating the effectiveness of the  
21 Act in meeting its purpose, including the provision  
22 of protections against underage gambling, compul-  
23 sive gambling, money laundering, and fraud, and in  
24 combating tax avoidance relating to online gambling.

1 **SEC. 4. EFFECTIVE DATE.**

2 (a) REGULATIONS.—The Director of the Financial  
3 Crimes Enforcement Network shall prescribe such regula-  
4 tions as may appropriate to implement subchapter V of  
5 chapter 53 of title 31, United States Code (as added by  
6 section 2(a) of this Act) and shall publish such regulations  
7 in final form in the Federal Register before the end of  
8 the 180-day period beginning on the date of the enactment  
9 of this Act.

10 (b) SCOPE OF APPLICATION.— The amendment  
11 made by section 2(a) shall apply after the end of the 90-  
12 day period beginning on the date of the publication of the  
13 regulations in final form in accordance with subsection  
14 (a).