

CHAMBER OF COMMERCE
OF THE
UNITED STATES OF AMERICA

R. BRUCE JOSTEN
EXECUTIVE VICE PRESIDENT
Government Affairs

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TO THE MEMBERS OF THE UNITED STATES SENATE:

On behalf of the U.S. Chamber of Commerce, the world's largest business federation representing more than three million businesses and organizations of every size, sector, and region, I am writing to present our views on H.R. 4777, the Internet Gambling Prohibition and Enforcement Act, which may soon be considered by the U.S. Senate.

The U.S. Chamber does not have a position on the question of Internet gambling itself; we have no objection to the broad goals of H.R. 4777. However, in the past, we have voiced concerns about deputizing private sector entities to enforce social policy. Our concerns with the current bills focus on the regulatory burden they could impose on financial institutions.

We understand that requiring credit card companies and banks to block Internet gambling transactions that are coded as such poses no particular regulatory burden. However, we believe the bill would probably result in financial institutions being subject to regulations which would require them to scrutinize non-coded transactions as well, with substantial compliance costs.

In its estimate of the private sector compliance costs of H.R. 4411, the Congressional Budget Office wrote:

The cost for financial transaction providers to comply with those mandates would depend on the regulations to be prescribed. Information from representatives of the financial services industry indicates that electronic transactions can currently be identified and blocked through the use of a coding system. If the regulations apply only to those transactions, based on information from industry and government sources, CBO expects that the cost of the mandates would fall below UMRA's annual threshold. However, if the regulations also include the requirement for banks to identify and block checks or similar paper instruments used in a restricted transaction, the direct cost to comply with the mandates could increase significantly and CBO has no basis to estimate whether those costs would be above or below the annual threshold. (From House Report 109-412.)

With respect to Automated Clearing House (ACH) transactions, paper checks and other non-coded transactions, requiring financial institutions to determine the purpose of such transactions is a substantial regulatory burden which could require substantial changes to the systems by which such instruments are processed. Clearly, the costs of these changes would be significant.

Accordingly, we are writing to strongly urge the Senate to amend this legislation to clarify with certainty that the bill will not require financial institutions to block non-coded transactions.

Sincerely,

A handwritten signature in black ink, appearing to read "R. Bruce Josten". The signature is fluid and cursive, with a large initial "R" and a long, sweeping tail.

R. Bruce Josten