



bankers' compliance group®

Unlawful Internet Gambling Rule Compliance Date Extended

The banking industry has been given a six-month reprieve for coming into compliance with the final regulations implementing the Unlawful Internet Gambling Enforcement Act. On November 30, 2009 the FRB issued a joint notice with the Department of Treasury announcing that it has extended the regulatory compliance date to June 1, 2010.

While the final regulations, which were issued in November 2008, became effective January 19, 2009, mandatory compliance with the regulations was slated for December 1, 2009. However, at the request of trade groups for both the banking industry as well as the gaming industry, the FRB and Treasury have been persuaded that a limited extension of the compliance date to June 1, 2010 is appropriate.

The final regulations require financial institutions as “participants” in “designated payment systems” to identify, block, prevent or prohibit restricted transactions. A designated payment system is any system utilized by a financial transaction provider (creditor, credit card issuer, financial institution, EFT terminal operator, money service business, etc.) that the FRB, the Treasury or the U.S Attorney General determine could be utilized in connection with or to facilitate unlawful internet gambling or any restricted transaction. Based upon this definition participants include an array of financial institutions including banks, thrifts, credit unions, money service businesses, third-party payment providers, broker-dealers and any other financial institution engaged in such a system. The final regulations require financial institutions to establish policies and procedures to identify and prevent restricted transactions, defined as any transaction or transmittal involving any credit, funds, instruments, checks, monetary instruments, EFTs, drafts or proceeds in connection with unlawful internet gambling.

A copy of the FRB notice extending the compliance date is available at the agency's website at www.federalreserve.gov/newsevents/press/bcreg/20091127a.htm.

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