



August 8, 2013

Honorable Joe Barton  
US House of Representatives  
2107 Rayburn House Office Building  
Washington, DC 20515

Dear Representative Barton,

Thank you for your leadership in pushing for the regulation of Internet gambling activity with introduction of the Internet Poker Freedom Act of 2013. We agree uniform federal standards are needed to control Internet gambling activity and protect consumers.

We generally support the Internet Poker Freedom Act of 2013. However, we oppose the proposed prohibition of credit card use in connection with Internet poker. The ban would leave consumers at greater, not lesser, risk due to protections credit cards have compared to other payment vehicles.

Here's a more in-depth explanation of why it is a mistake to ban credit cards.

#### **CREDIT CARDS PROVIDE SUPERIOR PROTECTION**

Because credit cards have long been regulated to protect against many forms of loss, for both customers and their financial institutions, they provide core protections that safeguard Internet poker and its players. These protections are stronger and do more to protect consumers than those available in any other form of payment.

##### **1) Protection Against Fraud and Identity Theft**

Present law restricts a consumer's liability to \$50 in the event of compromise or fraud on their credit card accounts, provided it is reported to the bank within 60 days. Equivalent laws for bank accounts only restrict a consumer's liability to \$50 if it is reported within 2 days and \$500 if reported within 60 days. It is also much more difficult for a consumer to convince the bank that a compromise or fraud has occurred since bank accounts have multiple access points (i.e. debit cards, ACH payments, electronic transfers, standing orders, etc.).

In light of these differences, consumers are much better protected from fraud through credit card use than they are if someone accesses their bank account with a debit card or ACH transaction.

A further differentiation is that credit cards have stronger security controls compared to local debit and ACH systems. Credit card operators follow strict "PCI Data Security Standards" that mandates encryption standards for all sensitive data and subjects data storage systems to an annual audit and quarterly tests against hacking.

##### **2) Ability to Detect Unusual Activity**

Banks and companies that issue credit cards have sophisticated and automated monitoring systems to identify potentially fraudulent and unusual activity. It is typical for banks to query credit card holders

regarding such transactions, particularly when they travel or make a purchase of an unusual type or size. By contrast, it is extremely rare for a debit cardholder to receive such a contact, as the banks do not possess this level of sophistication in their debit operations. The ACH system has no capability at all.

### **3) Protection Against Underage Gambling and Gambling from Prohibited Locations**

The Internet Poker Freedom Act of 2013 calls for specific controls to prevent underage participation in Internet gambling and ensure the consumer is legally entitled to gamble from his or her location. The credit card transaction has flexibility to accommodate data elements to signify the age of the cardholder and location of the computer device that authorized the transaction. Further, the operator can be given a specific category code to indicate that it is licensed by the Internet gambling regulatory agency and registered with the credit card company. Other payment systems do not facilitate these protections.

### **4) Controls to Combat Money Laundering**

Robust money laundering protections are already in place with credit card companies.

For starters, credit card companies accommodate monies being paid back to the account that originally provided the payment – a key control required by many regulators abroad, as well as in New Jersey.

Additionally, merchants have incentives to help combat such fraud. When there are circular transactions that could involve money laundering, credit card companies have and do shut down entire accounts not only of customers, but of merchants.

As a result of these protections, credit cards almost never feature in money laundering schemes.

### **AN ATTEMPT TO ELIMINATE UNSECURED LOANS**

In your public statements explaining the rationale for the credit card prohibition, you argue the ban is necessary to prevent consumers from getting in over their heads in debt. While we agree there should be protections to combat problem gambling, it is probably impossible to prevent unsecured loans as a source of funding for Internet gambling.

Consumers can arrange unsecured loans from various providers: banks, credit unions, loan companies, and credit card companies. These unsecured loans can then be used to fund bank accounts, prepaid cards, electronic transfers and Paypal accounts.

Furthermore, debit card and ACH transactions have direct access to the consumer's bank account, which often allow automatic access to unsecured overdraft lines of credit. And, unlike credit cards, these payment mechanisms often have no formal repayment term and may apply usury charges.

The general concept of legalizing and regulating Internet gambling is to allow individuals the right to do what they want with their own resources. More than 100 million Americans have credit cards, and use them for every form of transaction, including online wagers on horse racing and purchases of lottery tickets. Within that general theme, there can be protections afforded to help stem problems that might arise because of Internet gambling. However, a ban on credit card use for payments should not be one of them.



## **CONCLUSION**

The proposed prohibition on credit cards is counterproductive. It leaves consumers less protected and is a rule that can be easily circumvented. We encourage you to eliminate the ban.

Thank you for your consideration and leadership in the fight for federal regulation of Internet gambling activity.

Regards,

A handwritten signature in black ink that reads "Michael Waxman". The signature is fluid and cursive.

Michael Waxman  
Safe and Secure Internet Gambling Initiative