

**TESTIMONY OF
ATTORNEY GENERAL RICHARD BLUMENTHAL
BEFORE THE SENATE COMMITTEE ON BANKING, HOUSING AND URBAN
AFFAIRS
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I appreciate the opportunity to speak on the issue of Internet gambling.

Use of the Web to place bets on the starting date of a war with Iraq speaks volumes about the sordid, despicable nature of an unregulated, faceless, nameless Internet gambling industry. Internet gambling is growing. Beginning with the first internet gambling website in 1995, the industry has exploded -- Bear, Stearns estimates -- to more than \$8 billion in revenues in 2002.

Now, without delay, clear and specific federal measures are vital to add deterrent strength to current general prohibitions. State and federal law enforcement authorities have the historic opportunity and obligation to work together and halt the ongoing abuse.

Internet gambling threatens the integrity of our athletic and sports institutions -- from college basketball to professional football. It turns homes into betting parlors and lures bettors with pop-up advertising. If bettors finally stop playing -- typically after losing thousands of dollars or maybe even after seeking counseling for gambling addiction - the industry barrages them with personal emails.

A 2002 study by the University of Connecticut found that Internet gamblers are most likely to develop signs of problem gambling. The anonymity of Internet gambling makes it easier for problem gamblers to conceal their activity. These addicted gamblers do not have to explain the hours spent at a casino or OTB parlor or face a store owner every day while purchasing hundreds of dollars in instant lottery tickets.

Congress must act now to clearly and unequivocally ban Internet gambling. There are a number of federal laws -- including the Federal Wire Act, 18 USC 1084, -- that provide a legal basis for prosecuting Internet gambling web sites located within the United States. In fact, several years ago, a successful prosecution was upheld involving

the use of the Internet for sports betting. *U.S. v. Cohen*, 260 F.3d 68 (2nd Cir. 1999). The presence of these laws has been enough to prevent any organization from establishing a gambling web site based in our country. There is still a need for Congress to make the prohibition clear and unassailable.

Congress should enact provisions prohibiting the use of credit cards, debit cards, checks and other financial instruments for the purposes of Internet gambling. As in our battle against money laundering and terrorism, we must take steps to eradicate the financial infrastructure for this illegal activity. If federal law prohibits the use of credit cards and other financial instruments for Internet gambling, financial institutions are in a stronger position to reject any charge from such sources.

In fact, Citibank, Discover, American Express, PayPal and others have already announced that they will not accept charges from online gambling facilities. A federal law would ensure full industry-wide compliance with this common sense policy. It would also prevent any on-line gambling business from seeking a court order for such payments. Without American dollars flowing through our credit card and debit card facilities, Internet gambling companies will be stunted if not stifled.

Any new federal law must include federal and state enforcement provisions as well as criminal and civil sanctions. Because of the international and interstate nature of the Internet, federal criminal and civil enforcement is critical to the success of a law prohibiting Internet gaming and the use of credit and debit cards. States also must have enforcement authority. Many federal consumer protection laws include authorization for state attorneys general to bring civil actions against violators of federal law. This state enforcement role often meaningfully supplements federal enforcement efforts and leads to greater compliance with the law's provisions.

Finally, any ban on Internet gambling and the use of financial instruments in furtherance of such gambling must be clear and broad, admitting no exceptions. I oppose legislative proposals authorizing the use of the Internet for state sanctioned gambling. These exceptions would almost certainly encourage states to use the Internet for state lotteries, OTB and other gaming. These exceptions swallow the rule, leading to the use of credit card and debit cards to fund purchases of state lottery tickets and for other state gambling.

Currently, no state, except for California's Off Track Betting game, uses the Internet for state gaming. Few states allow use of credit and debit cards to pay for state lottery tickets and other games. An exception may create more problems by encouraging people to play on the Internet and use credit or debit cards to fund excessive gambling, creating crushing personal debt and tragedy.

Congress should take the simple, straightforward approach: prohibit all online gambling and prohibit the use of credit and debit cards and other financial instruments for Internet gambling.