

111<sup>TH</sup> CONGRESS  
1<sup>ST</sup> SESSION

# H. R. 2267

To amend title 31, United States Code, to provide for the licensing of Internet gambling activities by the Secretary of the Treasury, to provide for consumer protections on the Internet, to enforce the tax code, and for other purposes.

---

## IN THE HOUSE OF REPRESENTATIVES

MAY 6, 2009

Mr. FRANK of Massachusetts (for himself, Mr. PAUL, Mr. GUTIERREZ, Mr. KING of New York, Mr. WATT, Mr. ACKERMAN, Mr. CAPUANO, Mr. CARSON of Indiana, Mr. McDERMOTT, Mr. DELAHUNT, Mr. MCGOVERN, Mr. WEXLER, Ms. BERKLEY, Mr. COHEN, Mr. PERRIELLO, and Mr. SABLAN) introduced the following bill; which was referred to the Committee on Financial Services, and in addition to the Committees on Energy and Commerce and the Judiciary, for a period to be subsequently determined by the Speaker, in each case for consideration of such provisions as fall within the jurisdiction of the committee concerned

---

## A BILL

To amend title 31, United States Code, to provide for the licensing of Internet gambling activities by the Secretary of the Treasury, to provide for consumer protections on the Internet, to enforce the tax code, 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,*

1 **SECTION 1. SHORT TITLE.**

2 This Act may be cited as the “Internet Gambling  
3 Regulation, Consumer Protection, and Enforcement Act”.

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

6 (a) IN GENERAL.—Chapter 53 of title 31, United  
7 States Code, is amended by adding at the end the fol-  
8 lowing new subchapter:

9 “SUBCHAPTER V—REGULATION OF LAWFUL  
10 INTERNET GAMBLING

11 “§ 5381. Congressional findings

12 “The Congress finds the following:

13 “(1) Since the development of the Internet, mil-  
14 lions of people have chosen to gamble online, and  
15 today Internet gambling is offered by operators lo-  
16 cated in many different countries under a variety of  
17 licensing and regulatory regimes.

18 “(2) Despite the increasing use of the Internet  
19 for gambling by persons in the United States, there  
20 is no Federal or State regulatory regime in place to  
21 protect United States citizens who choose to engage  
22 in this interstate activity, or to oversee operators to  
23 establish and enforce standards of integrity and fair-  
24 ness.

25 “(3) In the United States, gambling activities,  
26 equipment, and operations have been subject to var-

1 ious forms of Federal and State control, regulation,  
2 and enforcement, with some form of gambling being  
3 permitted in nearly every State and by many Indian  
4 tribes.

5 “(4) Internet gambling in the United States  
6 should be controlled by a strict Federal licensing and  
7 regulatory framework to protect underage and other-  
8 wise vulnerable individuals, to ensure the games are  
9 fair, to address the concerns of law enforcement,  
10 and to enforce any limitations on the activity estab-  
11 lished by the States and Indian tribes.

12 “(5) An effective Federal licensing system  
13 would ensure that licenses are issued only to Inter-  
14 net gambling operators which meet strict criteria to  
15 protect consumers, and which—

16 “(A) are in good financial and legal stand-  
17 ing, and of good character, honesty, and integ-  
18 rity;

19 “(B) utilize appropriate technology to de-  
20 termine the age and location of users;

21 “(C) adopt and implement systems to pro-  
22 tect minors and problem gamblers;

23 “(D) adopt and implement systems to en-  
24 force any applicable Federal, State, and Indian  
25 tribe limitations on Internet gambling; and

1           “(E) have in place risk-based methods to  
2           identify and combat money laundering and  
3           fraud relating to Internet gambling, and to pro-  
4           tect the privacy and security of users.

5           “(6) There is a need to extend the regulatory  
6           provisions of this Act to all persons, locations, equip-  
7           ment, practices, and associations related to Internet  
8           gambling, with each State and Indian tribe having  
9           the ability to limit Internet gambling operators from  
10          offering Internet gambling to persons located within  
11          its territory by opting out of the provisions of this  
12          Act.

13       **“§ 5382. Definitions**

14          “For purposes of this subchapter, the following defi-  
15          nitions shall apply:

16               “(1) APPLICANT.—The term ‘applicant’ means  
17               any person who has applied for a license pursuant  
18               to this subchapter.

19               “(2) BET OR WAGER.—The term ‘bet or wager’  
20               has the same meaning as in section 5362(1).

21               “(3) ENFORCEMENT AGENT.—The term ‘en-  
22               forcement agent’ means any individual authorized by  
23               the Secretary to enforce the provisions of this sub-  
24               chapter and regulations prescribed under this sub-  
25               chapter.

1           “(4) INDIAN LANDS AND INDIAN TRIBE.—The  
2 terms ‘Indian lands’ and ‘Indian tribe’ have the  
3 same meanings as in section 4 of the Indian Gaming  
4 Regulatory Act.

5           “(5) INTERNET.—The term ‘Internet’ has the  
6 same meaning as in section 5362(5).

7           “(6) LICENSEE.—The term ‘licensee’ means an  
8 entity authorized to operate an Internet gambling  
9 facility in accordance with this subchapter.

10           “(7) OPERATE AN INTERNET GAMBLING FACIL-  
11 ITY.—The term ‘operate an Internet gambling facil-  
12 ity’ or ‘operation of an Internet gambling facility’  
13 means the direction, management, supervision, or  
14 control of an Internet site through which bets or wa-  
15 gers are initiated, received, or otherwise made,  
16 whether by telephone, Internet, satellite, or other  
17 wire or wireless communication.

18           “(8) SECRETARY.—The term ‘Secretary’ means  
19 the Secretary of the Treasury, or any person des-  
20 ignated by the Secretary.

21           “(9) STATE.—The term ‘State’ means any  
22 State of the United States, the District of Columbia,  
23 or any commonwealth, territory, or other possession  
24 of the United States.

1           “(10) SPORTING EVENT.—The term ‘sporting  
2           event’ means any athletic competition, whether pro-  
3           fessional, scholastic, or amateur.

4   **“§ 5383. Establishment and administration of licens-  
5           ing program**

6           “(a) TREASURY RESPONSIBILITIES.—The Secretary  
7           shall have responsibility for the following activities:

8           “(1) Exercising full regulatory jurisdiction  
9           over—

10                   “(A) the operation of Internet gambling fa-  
11                   cilities by licensees; and

12                   “(B) the licensure of all applicants.

13           “(2) Prescribing such regulations as may be  
14           necessary to administer and enforce the require-  
15           ments of this subchapter.

16           “(3) Employing enforcement agents with suffi-  
17           cient training and experience to administer the re-  
18           quirements of this subchapter and the regulations  
19           prescribed under this subchapter.

20           “(4) Enforcing the requirements of this sub-  
21           chapter through all appropriate means provided  
22           under this subchapter and other provisions of law.

23           “(b) INTERNET GAMBLING LICENSING PROGRAM.—

24           “(1) LICENSING REQUIRED FOR CERTAIN  
25           INTERNET GAMBLING.—No person may operate an

1 Internet gambling facility that knowingly accepts  
2 bets or wagers from persons located in the United  
3 States without a license issued by the Secretary in  
4 accordance with this subchapter.

5 “(2) AUTHORITY UNDER VALID LICENSE.—A li-  
6 censee may accept bets or wagers from persons lo-  
7 cated in the United States, subject to the limitations  
8 set forth in this subchapter, so long as its license re-  
9 mains in good standing.

10 “(c) APPLICATION FOR LICENSE.—

11 “(1) IN GENERAL.—Any person seeking author-  
12 ity to operate an Internet gambling facility offering  
13 services to persons in the United States may apply  
14 for a license issued by the Secretary.

15 “(2) INFORMATION REQUIRED.—Any applica-  
16 tion for a license under this subchapter shall contain  
17 such information as may be required by the Sec-  
18 retary, including the following:

19 “(A) The criminal and credit history of the  
20 applicant, any senior executive and director of  
21 the applicant, and any person deemed to be in  
22 control of the applicant.

23 “(B) The financial statements of the appli-  
24 cant.

1           “(C) Documentation showing the corporate  
2 structure of the applicant and all related busi-  
3 nesses and affiliates.

4           “(D) Documentation containing detailed  
5 evidence of the applicant’s plan for complying  
6 with all applicable regulations should a license  
7 be issued, with particular emphasis on the ap-  
8 plicant’s ability to—

9                   “(i) protect underage and problem  
10 gamblers;

11                   “(ii) ensure games are being operated  
12 fairly; and

13                   “(iii) comply with and address the  
14 concerns of law enforcement.

15           “(E) Certification that the applicant  
16 agrees to submit to United States jurisdiction  
17 and all applicable United States laws relating to  
18 acceptance by the applicant of bets or wagers  
19 over the Internet from persons located in the  
20 United States and all associated activities.

21           “(d) STANDARDS FOR LICENSE ISSUANCE; SUI-  
22 TABILITY QUALIFICATIONS AND DISQUALIFICATION  
23 STANDARDS.—

24                   “(1) SUITABILITY FOR LICENSING STAND-  
25 ARDS.—



1           “(A) IN GENERAL.—No person shall be eli-  
2           gible to obtain a license unless the Secretary  
3           has determined, upon completion of a back-  
4           ground check and investigation, that the appli-  
5           cant, and any person deemed to be in control  
6           of the applicant, is suitable for licensing.

7           “(B) ASSOCIATES OF APPLICANTS.—If the  
8           applicant is a corporation, partnership, or other  
9           business entity, a background check and inves-  
10          tigation shall occur with respect to the presi-  
11          dent or other chief executive of the corporation,  
12          partnership, or other business entity and other  
13          partners or senior executives and directors of  
14          the corporation, partnership, or entity, as deter-  
15          mined appropriate by the Secretary, in the Sec-  
16          retary’s sole discretion.

17          “(C) BACKGROUND CHECK AND INVES-  
18          TIGATION.—The Secretary shall establish  
19          standards and procedures for conducting back-  
20          ground checks and investigations for purposes  
21          of this subsection.

22          “(2) SUITABILITY FOR LICENSING STANDARDS  
23          DESCRIBED.—For purposes of this subchapter, an  
24          applicant and any other person associated with the  
25          applicant, as applicable, is suitable for licensing if

1 the applicant demonstrates to the Secretary by clear  
2 and convincing evidence that the applicant (or indi-  
3 vidual associated with the applicant, as applicable)—

4 “(A) is a person of good character, hon-  
5 esty, and integrity;

6 “(B) is a person whose prior activities,  
7 reputation, habits, and associations do not—

8 “(i) pose a threat to the public inter-  
9 est or to the effective regulation and con-  
10 trol of the licensed activities; or

11 “(ii) create or enhance the dangers of  
12 unsuitable, unfair, or illegal practices,  
13 methods, and activities in the conduct of  
14 the licensed activities or the carrying on of  
15 the business and financial arrangements  
16 incidental to such activities;

17 “(C) is capable of and likely to conduct the  
18 activities for which the applicant is licensed in  
19 accordance with the provisions of this sub-  
20 chapter and any regulations prescribed under  
21 this subchapter;

22 “(D) has or guarantees acquisition of ade-  
23 quate business competence and experience in  
24 the operation of Internet gambling facilities;  
25 and

1           “(E) has or will obtain sufficient financing  
2           for the nature of the proposed operation and  
3           from a suitable source.

4           “(3) UNSUITABLE FOR LICENSING.—An appli-  
5           cant or any other person may not be determined to  
6           be suitable for licensing within the meaning of this  
7           subchapter if the applicant or such person—

8           “(A) has failed to provide information and  
9           documentation material to a determination of  
10          suitability for licensing under paragraph (1);

11          “(B) has supplied information which is un-  
12          true or misleading as to a material fact per-  
13          taining to any such determination;

14          “(C) has been convicted of an offense pun-  
15          ishable by imprisonment of more than 1 year;  
16          or

17          “(D) is delinquent in filing any applicable  
18          Federal or State tax returns or in the payment  
19          of any taxes, penalties, additions to tax, or in-  
20          terest owed to a State or the United States.

21          “(4) ONGOING REQUIREMENT.—A licensee (and  
22          any other person who is required to be determined  
23          to be suitable for licensing in connection with such  
24          licensee) shall meet the standards necessary to be

1 suitable for licensing throughout the term of the li-  
2 cense.

3 “(5) PROTECTION OF THE PUBLIC TRUST.—

4 The Secretary may take such action as is necessary  
5 to protect the public trust, including the implemen-  
6 tation of such safeguards as may be necessary to en-  
7 sure the operation of an Internet gambling facility  
8 licensed under this subchapter is controlled only by  
9 persons who are suitable for licensing.

10 “(6) ENFORCEMENT ACTIONS.—

11 “(A) DETERMINATION OF UNSUITABILITY  
12 FOR CONTINUED LICENSURE.—If the Secretary  
13 finds that an individual owner or holder of a se-  
14 curity of a licensee, or of a holding or inter-  
15 mediary company of a licensee or any person  
16 with an economic interest in a licensee or a di-  
17 rector, partner, or officer of a licensee is not  
18 suitable for licensing, the Secretary may deter-  
19 mine that the licensee is not qualified to con-  
20 tinue as a licensee.

21 “(B) ACTION TO PROTECT THE PUBLIC IN-  
22 TEREST, INCLUDING SUSPENSION.—If the Sec-  
23 retary may determine that the licensee is not  
24 qualified to continue as a licensee, the Secretary  
25 shall propose action necessary to protect the

1 public interest, including, if deemed necessary,  
2 the suspension of the licensee.

3 “(C) IMPOSITION OF CONDITIONS INCLUD-  
4 ING REMOVAL OF PARTIES.—Notwithstanding a  
5 determination under subparagraph (A), the  
6 Secretary may allow a licensee to continue en-  
7 gaging in licensed activities by imposing condi-  
8 tions on the licensee under penalty of revocation  
9 or suspension of a license, including—

10 “(i) the identification of any person  
11 determined to be unsuitable for licensing;  
12 and

13 “(ii) the establishment of appropriate  
14 safeguards to ensure such person is ex-  
15 cluded from any interest in the licensed ac-  
16 tivities.

17 “(e) ASSESSMENTS FOR ADMINISTRATIVE EX-  
18 PENSES.—

19 “(1) USER FEES.—

20 “(A) IN GENERAL.—The cost of admin-  
21 istering this subchapter with respect to each li-  
22 censee, including the cost of any review or ex-  
23 amination of a licensee to ensure compliance  
24 with the terms of the license and this sub-  
25 chapter, shall be assessed by the Secretary

1 against the licensee institution by written notice  
2 in an amount appropriate to meet the Sec-  
3 retary's expenses in carrying out such adminis-  
4 tration, review, or examination.

5 “(B) DISPOSITION.—Amounts assessed by  
6 the Secretary as user fees under subparagraph  
7 (A) shall—

8 “(i) be maintained by the Secretary  
9 solely for use in accordance with clause  
10 (ii);

11 “(ii) be available to the Secretary to  
12 cover all expenses incurred by the Sec-  
13 retary in carrying out this subchapter; and

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

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

24 “(D) COLLECTION.—

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

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

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

17          “(f) APPROVAL OF LICENSE.—The Secretary shall  
18          grant licenses under this subchapter if the applicant meets  
19          the criteria set by the Secretary set forth in this sub-  
20          chapter and in any regulations promulgated thereunder.

21          “(g) SAFEGUARDS REQUIRED OF LICENSEE.—No  
22          person shall receive or retain a license under this section  
23          unless the person maintains or requires mechanisms so  
24          that the following requirements, and the standards estab-

1 lished under section 5384, are met with respect to any  
2 Internet bet or wager:

3           “(1) LEGAL AGE.—Appropriate safeguards to  
4           ensure that the individual placing a bet or wager is  
5           of legal age as defined by the law of the State or  
6           tribal area in which the individual is located at the  
7           time the bet or wager is placed.

8           “(2) PERMISSIBLE LOCATION.—Appropriate  
9           safeguards to ensure that the individual placing a  
10          bet or wager is physically located in a jurisdiction  
11          that permits Internet gambling at the time the bet  
12          or wager is placed.

13          “(3) COLLECTION OF CUSTOMER TAXES.—Ap-  
14          propriate mechanisms to ensure that all taxes relat-  
15          ing to Internet gambling from persons engaged in  
16          Internet gambling are collected at the time of any  
17          payment of any proceeds of Internet gambling.

18          “(4) COLLECTION OF TAXES OF LICENSEE.—  
19          Appropriate mechanisms to ensure that all taxes re-  
20          lating to Internet gambling from any licensee are  
21          collected and disbursed as required by law, and that  
22          adequate records to enable later audit or verification  
23          are maintained.



1           “(5) SAFEGUARDS AGAINST FINANCIAL  
2 CRIME.—Appropriate safeguards to combat fraud,  
3 money laundering, and terrorist finance.

4           “(6) SAFEGUARDS AGAINST COMPULSIVE GAM-  
5 BLING.—Appropriate safeguards to combat compul-  
6 sive Internet gambling.

7           “(7) PRIVACY SAFEGUARDS.—Appropriate safe-  
8 guards to protect the privacy and security of any  
9 person engaged in Internet gambling.

10           “(8) PAYMENT OF ASSESSMENTS.—Appropriate  
11 mechanisms to ensure that any assessment under  
12 subsection (e) is paid to the Secretary.

13           “(9) OTHER REQUIREMENTS.—Such other re-  
14 quirements as the Secretary may establish by regula-  
15 tion or order.

16           “(h) TERM AND RENEWAL OF LICENSE.—

17           “(1) TERM.—Any license issued under this sec-  
18 tion shall be issued for a 5-year term beginning on  
19 the date of issuance.

20           “(2) RENEWAL.—Licenses may be renewed in  
21 accordance with the requirements prescribed by the  
22 Secretary pursuant to this subchapter.

23           “(i) REVOCATION OF LICENSE.—

1           “(1) IN GENERAL.—Any license granted under  
2 this subchapter may be revoked by the Secretary  
3 if—

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

6                   “(B) the licensee is determined to be un-  
7 suitable for licensing, within the meaning of  
8 this subchapter.

9           “(2) FINAL ACTION.—Any revocation of a li-  
10 cense under paragraph (1) shall be treated as a final  
11 action by the Secretary.

12          “(j) REGULATIONS.—The regulations prescribed by  
13 the Secretary under this subchapter shall include regula-  
14 tions to fully implement—

15                   “(1) safeguards required for licensees under  
16 subsection (g); and

17                   “(2) the requirements for programs relating to  
18 the Problem Gambling, Responsible Gambling, and  
19 Self-Exclusion Program under section 5384.

20          “(k) ADMINISTRATIVE PROVISIONS.—

21                   “(1) GENERAL POWERS OF SECRETARY.—The  
22 Secretary shall have the authority to engage in the  
23 following:

24                           “(A) Investigate the suitability of each ap-  
25 plicant to ensure compliance with this sub-

1 chapter and regulations prescribed under this  
2 subchapter.

3 “(B) Require licensees to maintain appro-  
4 priate procedures to ensure compliance with  
5 this subchapter and regulations prescribed  
6 under this subchapter.

7 “(C) Examine any licensee and any books,  
8 papers, records, or other data of licensees rel-  
9 evant to any recordkeeping or reporting require-  
10 ments imposed by the Secretary under this sub-  
11 chapter.

12 “(D) When determined by the Secretary to  
13 be necessary, summon a licensee or an appli-  
14 cant for a license, an officer or employee of a  
15 licensee or any such applicant (including a  
16 former officer or employee), or any person hav-  
17 ing possession, custody, or care of the reports  
18 and records required by the Secretary under  
19 this subchapter, to appear before the Secretary  
20 or a designee of the Secretary at a time and  
21 place named in the summons and to produce  
22 such books, papers, records, or other data, and  
23 to give testimony, under oath, as may be rel-  
24 evant or material to any investigation in con-  
25 nection with the enforcement of this subchapter

1 or any application for a license under this sub-  
2 chapter.

3 “(E) Investigate any violation of this sub-  
4 chapter and any regulation under this sub-  
5 chapter and any other violation of law relating  
6 to the operation of an Internet gambling facil-  
7 ity.

8 “(F) Conduct continuing reviews of appli-  
9 cants and licensees and the operation of Inter-  
10 net gambling facilities by use of technological  
11 means, onsite observation of facilities, including  
12 servers, or other reasonable means to assure  
13 compliance with this subchapter and any regu-  
14 lations promulgated hereunder.

15 “(2) ADMINISTRATIVE ASPECTS OF SUM-  
16 MONS.—

17 “(A) PRODUCTION AT DESIGNATED  
18 SITE.—A summons issued pursuant to this sub-  
19 section may require that books, papers, records,  
20 or other data stored or maintained at any place  
21 be produced at any business location of a li-  
22 censee or applicant for a license or any des-  
23 ignated location in any State or in any territory  
24 or other place subject to the jurisdiction of the  
25 United States not more than 500 miles distant

1 from any place where the licensee or applicant  
2 for a license operates or conducts business in  
3 the United States.

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

9 “(C) SERVICE OF SUMMONS.—Service of a  
10 summons issued under this subsection may be  
11 by registered mail or in such other manner cal-  
12 culated to give actual notice as the Secretary  
13 may prescribe by regulation.

14 “(3) CONTUMACY OR REFUSAL.—

15 “(A) REFERRAL TO ATTORNEY GEN-  
16 ERAL.—In case of contumacy by a person  
17 issued a summons under this subsection or a  
18 refusal by such person to obey such summons  
19 or to allow the Secretary to conduct an exam-  
20 ination, the Secretary shall refer the matter to  
21 the Secretary of the Treasury for referral to the  
22 Attorney General.

23 “(B) JURISDICTION OF COURT.—The At-  
24 torney General may invoke the aid of any court

1 of the United States to compel compliance with  
2 the summons within the jurisdiction of which—

3 “(i) the investigation which gave rise  
4 to the summons or the examination is  
5 being or has been carried on;

6 “(ii) the person summoned is an in-  
7 habitant; or

8 “(iii) the person summoned carries on  
9 business or may be found.

10 “(C) COURT ORDER.—The court may issue  
11 an order requiring the person summoned to ap-  
12 pear before the Secretary or a delegate of the  
13 Secretary to produce books, papers, records,  
14 and other data, to give testimony as may be  
15 necessary to explain how such material was  
16 compiled and maintained, to allow the Secretary  
17 to examine the business of a licensee, and to  
18 pay the costs of the proceeding.

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

22 “(E) SERVICE OF PROCESS.—All process  
23 in any case under this subsection may be served  
24 in any judicial district in which such person  
25 may be found.

1 “(1) CIVIL MONEY PENALTIES.—

2 “(1) IN GENERAL.—The Secretary may assess  
3 upon any licensee or other person subject to the re-  
4 quirements of this subchapter for any willful viola-  
5 tion of this subchapter or any regulation prescribed  
6 or order issued under this subchapter, a civil penalty  
7 of not more than the greater of—

8 “(A) the amount (not to exceed \$100,000)  
9 involved in the violation, if any; or

10 “(B) \$25,000.

11 “(2) ASSESSMENT.—

12 “(A) WRITTEN NOTICE.—Any penalty im-  
13 posed under paragraph (1) may be assessed and  
14 collected by the Secretary by written notice.

15 “(B) FINALITY OF ASSESSMENT.—If, with  
16 respect to any assessment under paragraph (1),  
17 a hearing is not requested pursuant to subpara-  
18 graph (E) within the period of time allowed  
19 under such subparagraph, the assessment shall  
20 constitute a final and unappealable order.

21 “(C) AUTHORITY TO MODIFY OR REMIT  
22 PENALTY.—The Secretary may compromise,  
23 modify, or remit any penalty which the Sec-  
24 retary may assess or has already assessed  
25 under paragraph (1).

1           “(D) MITIGATING FACTORS.—In deter-  
2           mining the amount of any penalty imposed  
3           under paragraph (1), the Secretary shall take  
4           into account the appropriateness of the penalty  
5           with respect to—

6                   “(i) the size of the financial resources  
7                   and the good faith of the person against  
8                   whom the penalty is assessed;

9                   “(ii) the gravity of the violation;

10                   “(iii) the history of previous viola-  
11                   tions; and

12                   “(iv) such other matters as justice  
13                   may require.

14           “(E) HEARING.—The person against  
15           whom any penalty is assessed under paragraph  
16           (1) shall be afforded an agency hearing if such  
17           person submits a request for such hearing with-  
18           in 20 days after the issuance of the notice of  
19           assessment.

20           “(F) COLLECTION.—

21                   “(i) REFERRAL.—If any person fails  
22                   to pay an assessment after any penalty as-  
23                   sessed under this paragraph has become  
24                   final, the Secretary shall recover the



1 amount assessed by action in the appro-  
2 priate United States district court.

3 “(ii) APPROPRIATENESS OF PENALTY  
4 NOT REVIEWABLE.—In any civil action  
5 under clause (i), the validity and appro-  
6 priateness of the penalty shall not be sub-  
7 ject to review.

8 “(G) DISBURSEMENT.—All penalties col-  
9 lected under authority of this subsection shall  
10 be deposited into the Treasury.

11 “(3) CONDITION FOR LICENSURE.—Payment by  
12 a licensee of any civil penalty assessed under this  
13 subsection that has become final shall be a require-  
14 ment for the retention of its license.

15 “(m) TREATMENT OF RECORDS.—In light of busi-  
16 ness competition, confidentiality, and privacy concerns,  
17 the Secretary shall protect from disclosure information  
18 submitted in support of a license application under this  
19 subchapter and information collected in the course of reg-  
20 ulating licensees to the full extent permitted by sections  
21 552 and 552a of title 5, United States Code.

22 “(n) SUITABILITY FOR LICENSING REQUIREMENTS  
23 FOR CERTAIN SERVICE PROVIDERS.—

24 “(1) IN GENERAL.—Any person that knowingly  
25 manages, administers, or controls bets or wagers

1 that are initiated, received, or otherwise made within  
2 the United States or that otherwise manages or ad-  
3 ministers the games with which such bets or wagers  
4 are associated must meet all of the suitability for li-  
5 censing criteria established under this section in the  
6 same manner and to the same extent as if that per-  
7 son were itself a licensee.

8 “(2) SUBJECT TO SAME ENFORCEMENT JURIS-  
9 DICTION.—Any failure on the part of such person to  
10 remain suitable for licensing shall be grounds for  
11 revocation of the license of the licensee for whom  
12 such service is provided, in the same manner and in  
13 accordance with subsection (i).

14 “(o) RELIANCE ON STATE AND TRIBAL REGULATORY  
15 BODY CERTIFICATIONS OF SUITABILITY FOR APPLI-  
16 CANTS.—

17 “(1) QUALIFICATION OF STATE AND TRIBAL  
18 REGULATORY BODIES.—

19 “(A) APPLICATION FOR DETERMINA-  
20 TION.—Any State or tribal regulatory body with  
21 expertise in regulating gambling may—

22 “(i) notify the Secretary of its willing-  
23 ness to review prospective applicants to  
24 certify whether any such applicant meets

1 the qualifications established under this  
2 subchapter; and

3 “(ii) provide the Secretary with such  
4 documentation as the Secretary determines  
5 necessary for the Secretary to determine  
6 whether such State or tribal regulatory  
7 body is qualified to conduct such review  
8 and may be relied upon by the Secretary to  
9 make any such certification.

10 “(B) DETERMINATION AND NOTICE.—  
11 Within 60 days after receiving any notice under  
12 subparagraph(A)(i), the Secretary shall—

13 “(i) make the determination as to  
14 whether a State or tribal regulatory body  
15 is qualified to conduct a review of prospec-  
16 tive applicants and may be relied upon to  
17 certify whether any such applicant meets  
18 the qualifications established under this  
19 subchapter; and

20 “(ii) notify the State or tribal regu-  
21 latory body of such determination.

22 “(2) ACTIONS BY QUALIFIED AUTHORITIES.—  
23 During the period that any determination of quali-  
24 fication under paragraph (1)(B) is in effect with re-

1 spect to any such State or tribal regulatory body,  
2 the State or tribal regulatory body—

3 “(A) may undertake reviews of any appli-  
4 cant to determine whether the applicant or any  
5 person associated with the applicant meets the  
6 criteria for suitability for licensing established  
7 under this subchapter;

8 “(B) may impose on each such applicant  
9 an administrative fee or assessment for con-  
10 ducting such review in an amount the regu-  
11 latory body determines to be necessary to meet  
12 its expenses in the conduct of such review; and

13 “(C) shall process and assess each appli-  
14 cant fairly and equally based on objective cri-  
15 teria, regardless of any prior licensing of an ap-  
16 plicant by the State or tribal regulatory body.

17 “(3) RELIANCE ON STATE OR TRIBAL CERTIFI-  
18 CATION.—Any applicant may provide a certification  
19 of suitability for licensing made by any State or trib-  
20 al regulatory body under paragraph (2), together  
21 with all documentation the applicant has submitted  
22 to any such State or tribal regulatory body, to the  
23 Secretary, and any such certification and docu-  
24 mentation shall be relied on by the Secretary as evi-

1        dence that an applicant has met the suitability for  
2        licensing requirements under this section.

3            “(4) AUTHORITY OF SECRETARY TO REVIEW.—  
4        Notwithstanding any certification of suitability for  
5        licensing made by any State or tribal regulatory  
6        body, the Secretary retains the authority to review,  
7        withhold, or revoke any license if the Secretary has  
8        reason to believe that any applicant or licensee does  
9        not meet the suitability requirements for licensing  
10       established under this section, or any other require-  
11       ment of a licensee.

12           “(5) RELIANCE ON QUALIFIED REGULATORY  
13        BODY FOR OTHER PURPOSES.—At the discretion of  
14        the Secretary, the Secretary may rely on any State  
15        and tribal regulatory body found qualified under this  
16        subsection for such other regulatory and enforce-  
17        ment activities as the Secretary finds to be useful  
18        and appropriate to carry out the purposes of this  
19        subchapter.

20           “(6) REVOCATION OF QUALIFICATION.—The  
21        Secretary may revoke, at any time and for any rea-  
22        son, the qualification of any State or tribal regu-  
23        latory body to certify or to conduct any other regu-  
24        latory or enforcement activity to carry out the pur-  
25        poses of this subchapter.

1 **“§ 5384. Problem Gambling, Responsible Gambling,**  
2 **and Self-Exclusion Program**

3 “(a) REGULATIONS REQUIRED.—The Secretary and  
4 any State or tribal regulatory body that has been qualified  
5 under subsection 5383(o) shall prescribe regulations for  
6 the development of a Problem Gambling, Responsible  
7 Gambling, and Self-Exclusion Program on the basis of  
8 standards that each licensee shall implement as a condi-  
9 tion of licensure.

10 “(b) MINIMUM REQUIREMENTS.—Any application for  
11 a license shall include a submission to the Secretary or  
12 qualified State or tribal regulatory body setting forth a  
13 comprehensive program that is intended—

14 “(1) to verify the identity and age of each cus-  
15 tomer;

16 “(2) to ensure that no customers under the  
17 legal age as defined by State or tribal law, as appli-  
18 cable, may initiate or otherwise make any bets or  
19 wagers;

20 “(3) to verify the State or tribal land in which  
21 the customer is located at the time the customer at-  
22 tempts to initiate a bet or wager;

23 “(4) to ensure that no customer who is located  
24 in a State or tribal land that opts out pursuant to  
25 section 5386 can initiate or otherwise make a bet or  
26 wager prohibited by such opt-out;

1           “(5) to ensure that responsible gambling mate-  
2           rials are made available to customers upon request;

3           “(6) to make available individualized respon-  
4           sible gambling options that any customer may  
5           choose, including any stake limit, loss limit, deposit  
6           limit, and session time limit option, and any other  
7           similar option, that the Secretary or qualified State  
8           or tribal regulatory body may deem appropriate and  
9           require to be made available;

10           “(7) to protect the privacy and security of any  
11           customer in connection with any lawful Internet  
12           gambling activity; and

13           “(8) to protect against fraud and money laun-  
14           dering relating to Internet gambling activity.

15           “(c) LIST OF PERSONS SELF-EXCLUDED FROM GAM-  
16           BLING ACTIVITIES.—

17           “(1) ESTABLISHMENT.—

18           “(A) IN GENERAL.—The Secretary shall  
19           provide by regulation for the establishment of a  
20           list of persons self-excluded from gambling ac-  
21           tivities at all licensee sites.

22           “(B) PLACEMENT REQUEST.—Any person  
23           may request placement on the list of self-ex-  
24           cluded persons by—

1                   “(i) acknowledging in a manner to be  
2                   established by the Secretary that the per-  
3                   son wishes to be denied gambling privi-  
4                   leges; and

5                   “(ii) agreeing that, during any period  
6                   of voluntary exclusion, the person may not  
7                   collect any winnings or recover any losses  
8                   resulting from any gambling activity at  
9                   any licensee sites.

10                  “(2) PLACEMENT AND REMOVAL PROCE-  
11                  DURES.—The regulations prescribed by the Sec-  
12                  retary under paragraph (1)(A) shall establish proce-  
13                  dures for placements on, and removals from, the list  
14                  of self-excluded persons.

15                  “(3) LIMITATION ON LIABILITY.—

16                  “(A) IN GENERAL.—The United States,  
17                  the Secretary, an enforcement agent, or a li-  
18                  censee, or any employee or agent of the United  
19                  States, the Secretary, an enforcement agent, or  
20                  a licensee, shall not be liable to any self-ex-  
21                  cluded person or to any other party in any judi-  
22                  cial or administrative proceeding for any harm,  
23                  monetary or otherwise, which may arise as a re-  
24                  sult of—



1           “(i) any failure to withhold gambling  
2           privileges from, or to restore gambling  
3           privileges to, a self-excluded person; or

4           “(ii) otherwise permitting a self-ex-  
5           cluded person to engage in gambling activ-  
6           ity while on the list of self-excluded per-  
7           sons.

8           “(B) RULE OF CONSTRUCTION.—No provi-  
9           sion of subparagraph (A) shall be construed as  
10          preventing the Director from assessing any reg-  
11          ulatory sanction against a licensee for failing to  
12          comply with the minimum standards prescribed  
13          pursuant to this subsection.

14          “(4) DISCLOSURE PROVISIONS.—

15               “(A) IN GENERAL.—Notwithstanding any  
16               other provision of Federal or State law, the list  
17               of self-excluded persons shall not be open to  
18               public inspection.

19               “(B) AFFILIATE DISCLOSURE.—Any li-  
20               censees may disclose the identities of persons on  
21               the self-excluded list to any affiliated company  
22               or, where required to comply with this sub-  
23               section, any service provider, to the extent that  
24               the licensee ensures that any affiliated company  
25               or service provider maintains such information

1           under confidentiality provisions comparable to  
2           those in this subsection.

3           “(5) LIMITATION ON LIABILITY FOR DISCLO-  
4           SURE.—A licensee or an employee, agent, or affiliate  
5           of a licensee shall not be liable to any self-excluded  
6           person or to any other party in any judicial pro-  
7           ceeding for any harm, monetary or otherwise, which  
8           may arise as a result of disclosure or publication in  
9           any manner.

10          “(d) GAMBLING BY PROHIBITED PERSONS.—

11           “(1) PROHIBITION BENEFITTING FROM PRO-  
12           HIBITED GAMBLING ACTIVITY.—A person who is  
13           prohibited from gambling with a licensee by law, or  
14           by order of the Secretary or any court of competent  
15           jurisdiction, including any person on the self-exclu-  
16           sion list as established in accordance with subsection  
17           (c), shall not collect, in any manner or proceeding,  
18           any winnings or recover any losses arising as a re-  
19           sult of any prohibited gambling activity.

20           “(2) FORFEITURE.—In addition to any other  
21           penalty provided by law, any money or thing of value  
22           that has been obtained by, or is owed to, any prohib-  
23           ited person by a licensee as a result of bets or wa-  
24           gers made by a prohibited person shall be subject to  
25           forfeiture by order of the Secretary, following notice

1 to the prohibited person and opportunity to be  
2 heard.

3 “(3) DEPOSIT OF FORFEITED FUNDS.—Any  
4 funds forfeited pursuant to this subsection shall be  
5 deposited into the general fund of the Treasury.

6 “(e) PROBLEM OR COMPULSIVE GAMBLERS NOT ON  
7 THE LIST OF SELF-EXCLUDED PERSONS.—

8 “(1) PUBLIC AWARENESS PROGRAM.—

9 “(A) IN GENERAL.—The Secretary and  
10 any State or tribal regulatory body that has  
11 been qualified under subsection 5383(o) shall  
12 provide by regulation for the establishment of a  
13 program to alert the public to the existence,  
14 consequences, and availability of the self-exclu-  
15 sion list, and shall prepare and promulgate  
16 written materials to be used in such a program.

17 “(B) LICENSEE-PROVIDED PUBLICITY.—  
18 Regulations prescribed under subparagraph (A)  
19 may require a licensee to make available lit-  
20 erature or screen displays relating to the exist-  
21 ence of the program.

22 “(2) RULE OF CONSTRUCTION.—No provision  
23 of this subsection shall be construed as creating a  
24 legal duty in the Secretary, a qualified State or trib-  
25 al regulatory body, a licensee, or any representative

1 of a licensee to identify or to exclude problem or  
2 compulsive gamblers not on the list of self-excluded  
3 persons.

4 “(3) IMMUNITY.—The United States, the Sec-  
5 retary, a qualified State or tribal regulatory body, a  
6 licensee, and any employee or agent of a licensee,  
7 shall not be liable to any person in any proceeding  
8 for losses or other damages of any kind arising out  
9 of that person’s gambling activities based on a claim  
10 that the person was a compulsive, problem, or patho-  
11 logical gambler.

12 **“§ 5385. Financial transaction providers**

13 “(a) IN GENERAL.—No financial transaction pro-  
14 vider shall be held liable for engaging in financial activities  
15 and transactions for or on behalf of a licensee or involving  
16 a licensee, including payments processing activities, if such  
17 activities are performed in compliance with this sub-  
18 chapter and with applicable Federal and State laws.

19 “(b) DEFINITIONS.—For purposes of this section, the  
20 following definitions shall apply:

21 “(1) FINANCIAL TRANSACTION PROVIDER.—  
22 The term ‘financial transaction provider’ means a  
23 creditor, credit card issuer, financial institution, op-  
24 erator of a terminal at which an electronic fund  
25 transfer may be initiated, money transmitting busi-

1       ness, or international, national, regional, or local  
2       payment network utilized to effect a credit trans-  
3       action, electronic fund transfer, stored value product  
4       transaction, or money transmitting service, or a par-  
5       ticipant in such network, or other participant in a  
6       payment system.

7               “(2) OTHER TERMS.—

8               “(A) CREDIT, CREDITOR, CREDIT CARD,  
9       AND CARD ISSUER.—The terms ‘credit’, ‘cred-  
10       itor’, ‘credit card’, and ‘card issuer’ have the  
11       meanings given the terms in section 103 of the  
12       Truth in Lending Act.

13              “(B) ELECTRONIC FUND TRANSFER.—The  
14       term ‘electronic fund transfer’—

15              “(i) has the meaning given the term  
16       in section 903 of the Electronic Fund  
17       Transfer Act, except that the term includes  
18       transfers that would otherwise be excluded  
19       under section 903(6)(E) of such Act; and

20              “(ii) includes any fund transfer cov-  
21       ered by Article 4A of the Uniform Com-  
22       mercial Code, as in effect in any State.

23              “(C) FINANCIAL INSTITUTION.—The term  
24       ‘financial institution’ has the meaning given the  
25       term in section 903 of the Electronic Fund

1           Transfer Act, except that such term does not  
2           include a casino, sports book, or other business  
3           at or through which bets or wagers may be  
4           placed or received.

5           “(D) INSURED DEPOSITORY INSTITU-  
6           TION.—The term ‘insured depository institu-  
7           tion’—

8                   “(i) has the meaning given the term  
9                   in section 3(e) of the Federal Deposit In-  
10                  surance Act; and

11                   “(ii) includes an insured credit union  
12                   (as defined in section 101 of the Federal  
13                   Credit Union Act).

14           “(E) MONEY TRANSMITTING BUSINESS  
15           AND MONEY TRANSMITTING SERVICE.—The  
16           terms ‘money transmitting business’ and  
17           ‘money transmitting service’ have the meanings  
18           given the terms in section 5330(d) (determined  
19           without regard to any regulations prescribed by  
20           the Secretary under such section).

21   **“§ 5386. Limitation of licenses in States and Indian**  
22           **lands**

23           “(a) STATE OPT-OUT EXERCISE.—

24                   “(1) LIMITATIONS IMPOSED BY STATES.—

1           “(A) IN GENERAL.—No licensee may en-  
2           gage, under any license issued under this sub-  
3           chapter, in the operation of an Internet gam-  
4           bling facility that knowingly accepts bets or wa-  
5           gers initiated by persons who reside in any  
6           State which provides notice that it will limit  
7           such bets or wagers, if the Governor or other  
8           chief executive officer of such State informs the  
9           Director of such limitation, in a manner which  
10          clearly identifies the nature and extent of such  
11          limitation, before the end of the 90-day period  
12          beginning on the date of the enactment of the  
13          Internet Gambling Regulation, Consumer Pro-  
14          tection, and Enforcement Act, or in accordance  
15          with paragraph (2), until such time as any no-  
16          tice of any amendment or repeal of such spe-  
17          cific limitation becomes effective under para-  
18          graph (2).

19           “(B) COORDINATION BETWEEN STATE AND  
20          TRIBAL OPT-OUT EXERCISES.—Any State limi-  
21          tation under subparagraph (A) shall not apply  
22          to the acceptance by a licensee of bets or wa-  
23          gers from persons located within the tribal  
24          lands of an Indian tribe that—

1           “(i) has itself opted out pursuant to  
2           subsection (b) (in which case the tribal  
3           opt-out exercise under such subsection  
4           shall apply); or

5           “(ii) would be entitled pursuant to  
6           other applicable law to permit such bets or  
7           wagers to be initiated and received within  
8           its territory without use of the Internet.

9           “(C) COORDINATION WITH INDIAN GAMING  
10          REGULATORY ACT.—No decision by a State  
11          under this subsection shall be considered in  
12          making any determination with regard to the  
13          ability of an Indian tribe to offer any class of  
14          gambling activity pursuant to section 11 of the  
15          Indian Gaming Regulatory Act.

16          “(2) CHANGES TO STATE LIMITATIONS.—The  
17          establishment, repeal, or amendment by any State of  
18          any limitation referred to in paragraph (1) after the  
19          end of the 90-day period beginning on the date of  
20          the enactment of this subchapter shall apply, for  
21          purposes of this subchapter, beginning on the first  
22          January 1 that occurs after the end of the 60-day  
23          period beginning on the later of—

24                 “(A) the date a notice of such establish-  
25                 ment, repeal, or amendment is provided by the



1 Governor or other chief executive officer of such  
2 State in writing to the Secretary; or

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

5 “(b) INDIAN TRIBE OPT-OUT EXERCISE.—

6 “(1) LIMITATIONS IMPOSED BY INDIAN  
7 TRIBES.—No Internet gambling licensee knowingly  
8 may accept a bet or wager from a person located in  
9 the tribal lands of any Indian tribe which limits such  
10 gambling activities or other contests if the principal  
11 chief or other chief executive officer of such Indian  
12 tribe informs the Secretary of such limitation, in a  
13 manner which clearly identifies the nature and ex-  
14 tent of such limitation, before the end of the 90-day  
15 period beginning on the date of the enactment of the  
16 Internet Gambling Regulation, Consumer Protection,  
17 and Enforcement Act, or in accordance with para-  
18 graph (2), until such time as any notice of any  
19 amendment or repeal of such specific limitation be-  
20 comes effective under paragraph (2).

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

1 chapter shall apply, for purposes of this subchapter,  
2 beginning on the first January 1 that occurs after  
3 the end of the 60-day period beginning on the later  
4 of—

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

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

11 “(c) NOTIFICATION AND ENFORCEMENT OF STATE  
12 AND INDIAN TRIBE LIMITATIONS.—

13 “(1) IN GENERAL.—The Secretary shall notify  
14 all licensees and applicants of all States and Indian  
15 tribes that have provided notice pursuant to para-  
16 graph (1) or (2) of subsection (a) or (b), as the case  
17 may be, promptly upon receipt of such notice and in  
18 no event fewer than 30 days before the effective date  
19 of such notice.

20 “(2) COMPLIANCE.—The Secretary shall take  
21 effective measures to ensure that any licensee under  
22 this subchapter, as a condition of the license, com-  
23 plies with any limitation or prohibition imposed by  
24 any State or Indian tribe to which the licensee is

1 subject under subsection (a) or (b), as the case may  
2 be.

3 “(3) VIOLATIONS.—It shall be a violation of  
4 this subchapter for any licensee knowingly to accept  
5 bets or wagers initiated or otherwise made by per-  
6 sons located within any State or in the tribal lands  
7 of any Indian tribe for which a notice is in effect  
8 under subsection (a) or (b), as the case may be.

9 “(4) STATE ATTORNEY GENERAL ENFORCE-  
10 MENT.—In any case in which the attorney general of  
11 a State, or any State or local law enforcement agen-  
12 cy authorized by the State attorney general or by  
13 State statute to prosecute violations of consumer  
14 protection law, has reason to believe that an interest  
15 of the residents of that State has been or is threat-  
16 ened or adversely affected by a violation by a li-  
17 censee pursuant to paragraph (2), the State, or the  
18 State or local law enforcement agency on behalf of  
19 the residents of the agency’s jurisdiction, may bring  
20 a civil action on behalf of the residents of that State  
21 or jurisdiction in a district court of the United  
22 States located therein, to—

23 “(A) enjoin that practice; or

24 “(B) enforce compliance with this sub-  
25 chapter.

1 **“§ 5387. Professional and Amateur Sports Protection**

2 **Act prohibitions**

3 “No provision of this subchapter shall be construed  
4 as authorizing any licensee to operate an Internet gam-  
5 bling facility that knowingly accepts bets or wagers on  
6 sporting events from persons located in the United States  
7 in violation of section 3702 of title 28, United States  
8 Code, except for fantasy or simulation sports games (as  
9 defined in section 5362 of this title).

10 **“§ 5388. Safe harbors**

11 “It shall be a complete defense against any prosecu-  
12 tion or enforcement action under any Federal or State law  
13 against any person possessing a valid license under this  
14 subchapter that the activity is authorized under and has  
15 been carried out lawfully under the terms of this sub-  
16 chapter.

17 **“§ 5389. Relation to section 1084 of title 18 and the**

18 **Unlawful Internet Gambling Enforcement**

19 **Act**

20 “Section 1084 of title 18 and subchapter IV of this  
21 chapter shall not apply to any Internet bet or wager occur-  
22 ring pursuant to a license issued by the Secretary under  
23 this subchapter.

24 **“§ 5390. Cheating and other fraud**

25 “(a) ELECTRONIC CHEATING DEVICES PROHIB-  
26 ITED.—No person initiating, receiving, or otherwise mak-

1 ing a bet or wager with a licensee, or sending, receiving,  
2 or inviting information assisting with a bet or wager with  
3 a licensee, knowingly shall use, or assist another in the  
4 use of, an electronic, electrical, or mechanical device which  
5 is designed, constructed, or programmed specifically for  
6 use in obtaining an advantage in any game authorized  
7 under this subchapter, where such advantage is prohibited  
8 or otherwise violates the rules of play established by the  
9 licensee.

10       “(b) ADDITIONAL OFFENSE.—No person initiating,  
11 receiving, or otherwise making a bet or wager with a li-  
12 censee, or sending, receiving, or inviting information as-  
13 sisting with a bet or wager with a licensee, knowingly shall  
14 use or possess any cheating device with intent to cheat  
15 or defraud any licensee or other persons placing bets or  
16 wagers with such licensee.

17       “(c) PERMANENT INJUNCTION.—Upon conviction of  
18 a person for violation of this section, the court may enter  
19 a permanent injunction enjoining such person from initi-  
20 ating, receiving, or otherwise making bets or wagers or  
21 sending, receiving, or inviting information assisting in the  
22 placing of bets or wagers.

23       “(d) CRIMINAL PENALTY.—Whoever violates sub-  
24 section (a) or (b) of this section shall be fined under title

1 18 of the United States Code or imprisoned for not more  
2 than 5 years, or both.”.

3 (b) RULES OF CONSTRUCTION.—

4 (1) TECHNICAL AND CONFORMING AMEND-  
5 MENT.—Section 310(b)(2) of title 31, United States  
6 Code is amended—

7 (A) by redesignating subparagraphs (J)  
8 and (K) as subparagraphs (K) and (L), respec-  
9 tively; and

10 (B) by inserting after subparagraph (I) the  
11 following new subparagraph:

12 “(J) Administer the requirements of sub-  
13 chapter V of chapter 53.”.

14 (c) CLERICAL AMENDMENT.—The table of sub-  
15 chapters and sections for chapter 53 of title 31, United  
16 States Code, is amended by adding at the end the fol-  
17 lowing:

“SUBCHAPTER V—REGULATION OF LAWFUL INTERNET GAMBLING

“5381. Congressional findings and purpose.

“5382. Definitions.

“5383. Establishment and administration of licensing program.

“5384. Minimum requirements: Problem Gambling, Responsible Gambling, and  
Self-Exclusion Program.

“5385. Financial transaction providers.

“5386. Limitation of licenses in States and Indian lands.

“5387. Professional and Amateur Sports Protection Act prohibitions.

“5388. Safe harbors.

“5389. Relation to section 1084 of title 18 and the Unlawful Internet Gambling  
Enforcement Act.

“5390. Cheating and other fraud.”.

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 Secretary shall submit a report to the Congress on the  
6 licensing 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 prohibitions notified by the States and Indian tribes  
12 pursuant to section 5386 of title 31, United States  
13 Code.

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

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

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

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

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

2 (a) REGULATIONS.—The Secretary of the Treasury  
3 shall prescribe such regulations as the Secretary may de-  
4 termine to be 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 made  
11 by section 2(a) shall apply after the end of the 90-day  
12 period beginning on the date of the publication of the reg-  
13 ulations in final form in accordance with subsection (a).

○