

## **UNLAWFUL INTERNET GAMBLING ENFORCEMENT ACT POLICY**

### **General**

The Department of the Treasury and the Federal Reserve Board (Agencies) have issued a joint final rule to implement the Unlawful Internet Gambling Enforcement Act. The Act “prohibits any person engaged in the business of betting or wagering (as defined in the Act) from knowingly accepting payments in connection with the participation of another person in unlawful Internet gambling.” (Regulation GG – UIGEA)

The purpose of this policy is to prevent unlawful Internet gambling businesses from utilizing the banking system. EP Federal Credit Union established this policy to screen and prevent unlawful Internet gambling businesses (Casinos and others) from opening an account at the credit union. Lawful Internet gambling businesses will be required to provide extensive documentation at account opening.

### **Policy**

The rule focuses on screening for unlawful Internet gambling businesses at the time of account opening. If unlawful Internet gambling businesses are prevented from accessing the U.S. financial system, then they will not be able to make or receive payments using checks, credit or debit cards, wires, or ACH payments.

Under the rule, the credit union is not required to monitor or determine whether the member is a gambler except that the Credit Union must ensure that unlawful credit and debit card transactions are blocked. It is the responsibility of the card networks to establish policies and procedures to identify and block unlawful transactions. The credit union will rely on a written notice from the network (Visa/NACHA) stating that the policies and procedures that are in place meet the UIGEA Final Rule requirements. The credit union is not required to validate this claim but will be required to adhere to the card network policies and procedures. The networks may meet this threshold by conducting suitable due diligence checks on commercial accounts or through establishing a code system that would allow card issuers to identify and deny transactions that may be restricted. The credit union is not required to block ACH, wire, or check payments (payments from its members' accounts) related to unlawful Internet gambling to be in compliance with the Final Rule.

The focus of the rule falls on members who have business accounts. The Credit Union's policies and procedures should demonstrate that the following steps have been taken during the account opening process. This due diligence will be performed in conjunction with existing account opening processes that are already required with the Bank Secrecy Act.

- Determine whether the account is for an individual or business member.
- For accounts determined to be for individuals, no further steps are required.
- For business accounts where the Credit Union determines there is "minimal risk" that the account will be used to engage in Internet gambling, no further steps are required.
- For business accounts where the account cannot be immediately determined that there is "minimal risk" the applicant does not engage in Internet gambling, the member should certify that they do not engage in Internet gambling business. For those that certify this, no further steps are required.
- For business accounts that do engage in Internet gambling business, they must provide evidence of their legal authority to do so, or a legal opinion, and a third party certification of its age and location verification procedures (to ensure that restrictions on minors and geographic legalities are observed). This step places the burden, of proving that the Internet gambling entity is operating legally, on the entity itself and its governing authorities.

When the credit union has "actual knowledge" that a member with a business account is participating in restricted transactions, the credit union may use its own judgment to determine whether to deny a member access to a payment system or to close the account.

Discovery of restricted and unlawful gambling will initiate a Suspicious Activity Report (SAR) filing with the Bank Secrecy Act (BSA) Officer.

### **Notification to existing and new commercial members**

As required by the rule, a one-time notification of the requirements under this law will be furnished to existing members no later than June 1, 2012.

The one time notice will apply to any commercial members that were not subject to the UIGEA due diligence process when they opened an account.

The credit union will provide notification within the new accounts agreement to all new members who open a business account. For those members who have business accounts where "minimal risk" to use the account for unlawful Internet gambling has been detected then a member will be provided a certification form certifying that the business account will not be used for unlawful Internet gambling and other illegal activities.

**The notification below will be added to the New Account Agreements Disclosure.**

### **UNLAWFUL INTERNET GAMBLING AND OTHER ILLEGAL ACTIVITIES**

You agree that you are not engaged in unlawful internet gambling or any other illegal activity. You agree that you will not use any of your accounts, access devices or services for unlawful internet gambling or other illegal activities. We may deny access to a payment system or terminate your account relationship if you engage in unlawful internet gambling or other illegal activities.

#### **Certification at New Account Opening**

Below will be the form used in the event that the member who is opening a business account would have to certify that the business account will not be used for unlawful Internet gambling and other illegal activities.

#### **Certification**

#### **UNLAWFUL INTERNET GAMBLING ENFORCEMENT ACT OF 2006 CERTIFICATION**

The Unlawful Internet Gambling Enforcement Act of 2006 (UIGEA) prohibits any person engaged in the business of betting or wagering (as defined in the Act) from knowingly accepting payments in connection with the participation of another person in unlawful Internet gambling. The Department of Treasury and the Federal Reserve Board have issued a joint final rule, Regulation GG, to implement this Act.

As defined in Regulation GG, unlawful Internet gambling means to “place, receive or otherwise knowingly transmit a bet or wager by any means which involves the use, at least in part, of the Internet where such bet or wager is unlawful under any applicable Federal or State law in the State or Tribal lands in which the bet or wager is initiated, received or otherwise made.”

As a business account member of EP Federal Credit Union, these restricted transactions are prohibited from being processed through my account or banking relationship with EP Federal Credit Union. If I do engage in an Internet gambling business and open a new account with EP Federal Credit Union, I will provide evidence of my legal capacity to do so.

**I certify that the business listed below does not engage in Internet gambling.**

Dated: \_\_\_\_\_

Name of Business:  
\_\_\_\_\_

Authorized Signature of Business Entity:

\_\_\_\_\_

<i>Credit Union Use Only</i> Account Number _____ _____	Credit Union Official Initials
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1. Effective Date: 5/18/2012
2. Review Date: 5/1/2020
3. Citation of Authority: Reg GG Unlawful Internet Gambling Enforcement Act (UIGEA)  
Board of Directors meeting Approved 5/18/2012