AMENDMENT TO H.R. 1540, AS REPORTED
OFFERED BY MR. ANDREWS OF NEW JERSEY

At the end of division A of the bill, add the following new title:

TITLE XVII—ADDITIONAL MILITARY PERSONNEL BENEFITS WITH OFFSET

Subtitle A—Internet Gambling Regulation and Fees

SEC. 1701. SHORT TITLE.

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

SEC. 1702. FEDERAL LICENSING REQUIREMENT FOR INTERNET GAMBLING OPERATORS.

(a) In general.—Chapter 53 of title 31, United States Code, is amended by adding at the end the following new subchapter:

“SUBCHAPTER V—REGULATION OF LAWFUL INTERNET GAMBLING

§ 5381. Congressional findings

“The Congress finds the following:

“(1) Since the development of the Internet, millions of people have chosen to gamble online, and
today Internet gambling is offered by operators located in many different countries under a variety of licensing and regulatory regimes.

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

“(3) In the United States, gambling activities, equipment, and operations have been subject to various forms of Federal and State control, regulation, and enforcement, with some form of gambling being permitted in nearly every State and by many Indian tribes.

“(4) Internet gambling in the United States should be controlled by a strict Federal, State, and tribal licensing and regulatory framework to protect underage and otherwise vulnerable individuals, to ensure the games are fair, to address the concerns of law enforcement, and to enforce any limitations on the activity established by the States and Indian tribes.
“(5) An effective Federal, State, and tribal licensing system would ensure that licenses are issued only to Internet gambling operators which meet strict criteria to protect consumers, and which—

“(A) are in good financial and legal standing, and of good character, honesty, and integrity;

“(B) utilize appropriate technology to determine the age and location of users;

“(C) adopt and implement systems to protect minors and problem gamblers;

“(D) adopt and implement systems to enforce any applicable Federal, State, and Indian tribe limitations on Internet gambling; and

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

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

“§ 5382. Definitions

“For purposes of this subchapter, the following definitions shall apply:

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

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

“(3) ENFORCEMENT AGENT.—The term ‘enforcement agent’ means any individual authorized by the Secretary to enforce the provisions of this subchapter and regulations prescribed under this subchapter.

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

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

“(6) LICENSEE.—The term ‘licensee’ means an entity authorized to operate an Internet gambling facility in accordance with this subchapter.
“(7) Operate an Internet gambling facility.—The term ‘operate an Internet gambling facility’ or ‘operation of an Internet gambling facility’ means the direction, management, supervision, or control of an Internet site through which bets or wagers are initiated, received, or otherwise made, whether by telephone, Internet, satellite, or other wire or wireless communication.

“(8) Secretary.—The term ‘Secretary’ means the Secretary of the Treasury, or any person designated by the Secretary.

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

“(10) Sporting event.—The term ‘sporting event’ means any athletic competition, whether professional, scholastic, or amateur.

“§ 5383. Establishment and administration of licensing program

“(a) Treasury responsibilities.—The Secretary shall have responsibility for the following activities:

“(1) Exercising full regulatory jurisdiction over—
“(A) the operation of Internet gambling fa-
cilities by licensees; and

“(B) the licensure and regulation of all ap-
plicants, except to the extent that powers have
been delegated to qualified State and tribal reg-
ulatory bodies pursuant to this subchapter.

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

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

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

“(b) INTERNET GAMBLING LICENSING PROGRAM.—

“(1) LICENSING REQUIRED FOR CERTAIN
INTERNET GAMBLING.—No person may operate an
Internet gambling facility that knowingly accepts
bets or wagers from persons located in the United
States without a license issued by the Secretary in
accordance with this subchapter.

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

mains in good standing.

“(c) APPLICATION FOR LICENSE.—

“(1) IN GENERAL.—Any person seeking author-

ity to operate an Internet gambling facility offering
services to persons in the United States may apply
for a license issued by the Secretary.

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

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

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

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

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

“(i) protect underage and problem gamblers;

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

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

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

“(F) Certification that the applicant has established a corporate entity or other separate business entity in the United States, a majority of whose officers are United States persons and, if there is a board of directors, that the board is majority-controlled by directors who are United States persons.

“(d) Standards for License Issuance; Suitability Qualifications and Disqualification Standards.—
“(1) Suitability for licensing standards.—

“(A) In general.—No person shall be eligible to obtain a license unless the Secretary or an appropriate State officer or agency has determined, upon completion of a background check and investigation, that the applicant, and any person deemed to be in control of the applicant, is suitable for licensing.

“(B) Associates of applicants.—If the applicant is a corporation, partnership, or other business entity, a background check and investigation shall occur with respect to the president or other chief executive of the corporation, partnership, or other business entity and other partners or senior executives and directors of the corporation, partnership, or entity, as determined appropriate by the Secretary or any appropriate State or tribal officer or agency.

“(C) Background check and investigation.—The Secretary shall establish standards and procedures for conducting background checks and investigations for purposes of this subsection.
“(2) Suitability for Licensing Standards

described.—For purposes of this subchapter, an
applicant and any other person associated with the
applicant, as applicable, is suitable for licensing if
the applicant demonstrates to the Secretary or ap-
propriate State or tribal officer or agency by clear
and convincing evidence that the applicant (or indi-
vidual associated with the applicant, as applicable)—

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

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

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

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

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

“(D) has or guarantees acquisition of adequate business competence and experience in the operation of Internet gambling facilities; and

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

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

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

“(B) has supplied information which is untrue or misleading as to a material fact pertaining to any such determination;

“(C) has been convicted of an offense punishable by imprisonment of more than 1 year;

“(D) is delinquent in filing any applicable Federal or State tax returns or in the payment of any taxes, penalties, additions to tax, or interest owed to a State or the United States;
“(E) has, on or after the date of the enactment of the Unlawful Internet Gambling Enforcement Act of 2006—

“(i) knowingly participated in, or should have known they were participating in, any illegal Internet gambling activity, including the taking of an illegal Internet wager, the payment of winnings on an illegal Internet wager, the promotion through advertising of any illegal Internet gambling website or service, or the collection of any payments to an entity operating an illegal Internet gambling website; or

“(ii) knowingly been owned, operated, managed, or employed by, or should have known they were owned, operated, managed, or employed by, any person who was knowingly participating in, or should have known they were participating in, any illegal Internet gambling activity, including the taking of an illegal Internet wager, the payment of winnings on an illegal Internet wager, the promotion through advertising of any illegal Internet gambling website or service, or the collection of any payments
to an entity operating an illegal Internet
gambling website;
“(F) has—
“(i) received any assistance, financial
or otherwise, from any person who has, be-
fore the date of the enactment of the
Internet Gambling Regulation, Consumer
Protection, and Enforcement Act, know-
ingly accepted bets or wagers from a per-
son located in the United States in viola-
tion of Federal or State law; or
“(ii) provided any assistance, financial
or otherwise, to any person who has, before
the date of the enactment of the Internet
Gambling Regulation, Consumer Protec-
tion, and Enforcement Act, knowingly ac-
cepted bets or wagers from a person lo-
cated in the United States in violation of
Federal or State law;
“(G) with respect to another entity that
has accepted a bet or wager from any individual
in violation of United States law, has purchased
or otherwise obtained—
“(i) such entity;
“(ii) a list of the customers of such entity; or

“(iii) any other part of the equipment or operations of such entity;

“(H) is listed on a State gambling excluded persons list; or

“(I) fails to certify in writing, under penalty of perjury, that the applicant or other such person, and all affiliated business entities (including all entities under common control), has through its entire history—

“(i) not committed an intentional felony violation of Federal or State gambling laws; and

“(ii) used diligence to prevent any United States person from placing a bet on an Internet site in violation of Federal or State gambling laws.

“(4) APPEAL OF DETERMINATION.—With respect to any applicant or other person that the Secretary determines is not suitable for licensing within the meaning of this subchapter by reason of subparagraph (E) or (F) of paragraph (3), and where the Secretary has not determined that such applicant or person was acting in their capacity as a
managerial employee of an Internet gambling
website, the Secretary shall establish an appeals
process by which such applicant or person may ap-
peal the Secretary’s determination.

“(5) ONGOING REQUIREMENT.—A licensee (and
any other person who is required to be determined
to be suitable for licensing in connection with such
licensee) shall meet the standards necessary to be
suitable for licensing throughout the term of the li-
cense.

“(6) PROTECTION OF THE PUBLIC TRUST.—
The Secretary may take such action as is necessary
to protect the public trust, including the implement-
ation of such safeguards as may be necessary to en-
sure the operation of an Internet gambling facility
licensed under this subchapter is controlled only by
persons who are suitable for licensing.

“(7) ENFORCEMENT ACTIONS.—

“(A) DETERMINATION OF UNSUITABILITY
FOR CONTINUED LICENSURE.—If the Secretary
finds that an individual owner or holder of a se-
curity of a licensee, or of a holding or inter-
mediary company of a licensee or any person
with an economic interest in a licensee or a di-
rector, partner, or officer of a licensee is not
suitable for licensing, the Secretary may determine that the licensee is not qualified to continue as a licensee.

“(B) Effect of failure to comply with regulatory requirements.—The Secretary shall make a determination that a licensee is not qualified to continue as a licensee and propose necessary action to protect the public interest under subparagraph (C) if the Secretary finds that the licensee fails to comply with—

“(i) the requirements related to the imposition and payment of an Internet gambling license fee or wager fee;

“(ii) the recordkeeping and reporting requirements related to such fees; and

“(iii) the requirement to maintain and furnish certain information related to Internet gambling (as required by section 1707 of the National Defense Authorization Act for Fiscal Year 2012).

“(C) Action to protect the public interest, including suspension.—If the Secretary determines that the licensee is not qualified to continue as a licensee, the Secretary
shall propose action necessary to protect the public interest, including, if deemed necessary, the suspension of the authority of the licensee to engage in licensed activities.

“(D) IMPOSITION OF CONDITIONS INCLUDING REMOVAL OF PARTIES.—Notwithstanding a determination under subparagraph (A), the Secretary may allow a licensee to continue engaging in licensed activities by imposing conditions on the licensee under penalty of revocation or suspension of the authority of the licensee to engage in licensed activities, including—

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

“(ii) the establishment of appropriate safeguards to ensure such person is excluded from any interest in the licensed activities.

“(e) ASSESSMENTS FOR ADMINISTRATIVE EXPENSES.—

“(1) USER FEES.—

“(A) IN GENERAL.—The cost of administering this subchapter with respect to each licensee, including the cost of any review or ex-
amination of a licensee to ensure compliance with the terms of the license and this sub-
chapter, shall be assessed by the Secretary against the licensee institution by written notice in an amount appropriate to meet the Secretary’s expenses in carrying out such adminis-
tration, review, or examination.

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

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

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

“(iii) not be construed to be Government funds or appropriated monies, or subject to apportionment for the purposes of chapter 15 or any other authority.

“(C) HEARING.—Any licensee against whom an assessment is assessed under this paragraph shall be afforded an agency hearing if such person submits a request for such hear-
ing within 20 days after the issuance of the notice of assessment.

“(D) COLLECTION.—

“(i) REFERRAL.—If any licensee fails to pay an assessment under this paragraph after the assessment has become final, the Secretary shall recover the amount assessed by action in the appropriate United States district court.

“(ii) Appropriateness of Assessment Not Reviewable.—In any civil action under clause (i), the validity and appropriateness of the assessment shall not be subject to review.

“(2) Direct and Exclusive Obligation of Licensee.—The user fee shall be the direct and exclusive obligation of the licensee and may not be deducted from amounts available as deposits to any person placing a bet.

“(f) Approval of License.—The Secretary shall grant licenses under this subchapter if the applicant meets the criteria set by the Secretary set forth in this subchapter and in any regulations promulgated thereunder.

“(g) Safeguards Required of Licensee.—No person may operate an Internet gambling facility in ac-
cordance with this subchapter unless the person maintains
or requires mechanisms so that the following require-
ments, and the standards established under section 5384,
are met with respect to any Internet bet or wager:

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

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

“(3) **COLLECTION OF CUSTOMER FEES.**—Ap-
propriate mechanisms to ensure that all fees relating
to Internet gambling from persons engaged in Inter-
net gambling are collected at the time of any pay-
ment of any proceeds of Internet gambling.

“(4) **COLLECTION OF FEES OF LICENSEE.**—Ap-
propriate mechanisms to ensure that all fees relating
to Internet gambling from any licensee are collected
and disbursed as required by law, and that adequate
records to enable later audit or verification are
maintained.
“(5) Safeguards Against Financial Crime.—Appropriate safeguards to combat fraud, money laundering, and terrorist finance.

“(6) Safeguards Against Compulsive Gambling.—Appropriate safeguards to combat compulsive Internet gambling.

“(7) Privacy Safeguards.—Appropriate safeguards to protect the privacy and security of any person engaged in Internet gambling.

“(8) Payment of Assessments.—Appropriate mechanisms to ensure that any assessment under subsection (e) is paid to the Secretary.

“(9) Other Requirements.—Such other requirements as the Secretary may establish by regulation or order.

“(h) Term and Renewal of License.—

“(1) Term.—Any license issued under this section shall be issued for a 5-year term beginning on the date of issuance.

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

“(i) Revocation of License.—
“(1) IN GENERAL.—Any license granted under this subchapter may be revoked by the Secretary if—

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

“(B) the licensee is determined to be unsuitable for licensing, within the meaning of this subchapter; or

“(C) the licensee is determined to be targeting marketing or advertising materials at individuals who are not of legal age to place a bet or wager, as defined by the law of the State or tribal area in which the individuals are located.

“(2) FINAL ACTION.—Any revocation of a license under paragraph (1) shall be treated as a final action by the Secretary.

“(j) REGULATIONS.—The regulations prescribed by the Secretary under this subchapter shall include regulations to fully implement—

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

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

“(k) ADMINISTRATIVE PROVISIONS.—
“(1) General Powers of Secretary.—

“(A) In general.—The Secretary shall have the authority to engage in the following:

“(i) Investigate the suitability of each licensee to ensure compliance with this subchapter and regulations prescribed under this subchapter.

“(ii) Require licensees to maintain appropriate procedures to ensure compliance with this subchapter and regulations prescribed under this subchapter.

“(iii) Require licensees to maintain substantial facilities involved with the processing of bets or wagers from the United States within the United States.

“(iv) Require that a majority of all of the employees of the applicant or licensee, and of its affiliated business entities, be residents or citizens of the United States. All entities under common control shall be considered affiliated business entities for the purposes of this subparagraph.

“(v) Require licensees to maintain in the United States all facilities that are essential to the regulation of bets or wagers
placed from the United States at a location that is accessible to the appropriate regulatory personnel at all times.

“(vi) Examine any licensee and any books, papers, records, or other data of licensees relevant to any recordkeeping or reporting requirements imposed by the Secretary under this subchapter.

“(vii) Require licensees to maintain all facilities within the United States for processing of bets or wagers made or placed from the United States.

“(viii) When determined by the Secretary to be necessary, summon a licensee or an applicant for a license, an officer or employee of a licensee or any such applicant (including a former officer or employee), or any person having possession, custody, or care of the reports and records required by the Secretary under this subchapter, to appear before the Secretary or a designee of the Secretary at a time and place named in the summons and to produce such books, papers, records, or other data, and to give testimony, under
oath, as may be relevant or material to any investigation in connection with the enforcement of this subchapter or any application for a license under this subchapter.

“(ix) Investigate any violation of this subchapter and any regulation under this subchapter and any other violation of law relating to the operation of an Internet gambling facility.

“(x) Conduct continuing reviews of applicants and licensees and the operation of Internet gambling facilities by use of technological means, onsite observation of facilities, including servers, or other reasonable means to assure compliance with this subchapter and any regulations promulgated hereunder.

“(xi) Prohibit inappropriate advertising practices by licensees, including unsolicited emails targeting members of vulnerable populations, including problem gamblers and minors, or Internet advertising linked to search terms associated with children, problem gamblers, or other topics deemed inappropriate.
“(B) Effect of WTO Ruling.—Clauses
(iii) and (iv) of subparagraph (A) shall cease to
have effect if a tribunal of the World Trade Or-
ganization of final arbitration rules that the im-
plementation of such clauses would violate the
trade commitments of the United States under
the World Trade Organization.

“(2) Consultation with Indian tribes.—In
implementing this subchapter, the Secretary shall
conduct meaningful consultation with Indian tribes
regarding all aspects of this subchapter which affect
Indian tribes, both as potential licensing entities or
operating entities.

“(3) Administrative Aspects of Sum-
mons.—

“(A) Production at designated
site.—A summons issued pursuant to this sub-
section may require that books, papers, records,
or other data stored or maintained at any place
be produced at any business location of a li-
censee or applicant for a license or any des-
ignated location in any State or in any territory
or other place subject to the jurisdiction of the
United States not more than 500 miles distant
from any place where the licensee or applicant
for a license operates or conducts business in
the United States.

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

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

“(4) CONTUMACY OR Refusal.—

“(A) Referral to Attorney Gen-
eral.—In case of contumacy by a person
issued a summons under this subsection or a
refusal by such person to obey such summons
or to allow the Secretary to conduct an exam-
ination, the Secretary shall refer the matter to
the Secretary of the Treasury for referral to the
Attorney General.

“(B) Jurisdiction of Court.—The At-
torney General may invoke the aid of any court
of the United States to compel compliance with
the summons within the jurisdiction of which—
“(i) the investigation which gave rise to the summons or the examination is being or has been carried on;

“(ii) the person summoned is an inhabitant; or

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

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

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

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

“(5) COMPILATION OF DATASETS ON PLAYER BEHAVIOR.—
“(A) In General.—The Secretary shall compile and make available to the public, on the website of the Secretary, datasets on player behavior.

“(B) Regulations requiring Submission of Information.—The Secretary shall prescribe regulations to require licensees under this subchapter to provide information on player behavior that the Secretary determines is appropriate for the datasets under subparagraph (A).

“(C) Information Required to be Included.—Datasets prepared under this paragraph shall include information on any individual player, if requested by the Secretary, including but not limited to information concerning gambling frequency, gaming duration, the amount wagered, the number of bets placed, and net losses, provided that such request complies with the provisions of subparagraph (D).

“(D) Protection of Privacy.—All information provided pursuant to this paragraph shall be aggregated and anonymized, and shall not contain information that either alone or in
combination with other data elements would
permit identification of any individual player.

“(l) CIVIL MONEY PENALTIES.—

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

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

“(B) $25,000.

“(2) ASSESSMENT.—

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

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

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

“(D) MITIGATING FACTORS.—In determining the amount of any penalty imposed under paragraph (1), the Secretary shall take into account the appropriateness of the penalty with respect to—

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

“(ii) the gravity of the violation;

“(iii) the history of previous violations; and

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

“(E) HEARING.—The person against whom any penalty is assessed under paragraph (1) shall be afforded an agency hearing if such person submits a request for such hearing within 20 days after the issuance of the notice of assessment.

“(F) COLLECTION.—

“(i) REFERRAL.—If any person fails to pay an assessment after any penalty assessed under this paragraph has become
final, the Secretary shall recover the amount assessed by action in the appropriate United States district court.

“(ii) Appropriateness of penalty not reviewable.—In any civil action under clause (i), the validity and appropriateness of the penalty shall not be subject to review.

“(G) Disbursement.—All penalties collected under authority of this subsection shall be deposited into the Treasury.

“(3) Condition for licensure.—Payment by a licensee of any civil penalty assessed under this subsection that has become final shall be a requirement for the retention of its license.

“(m) Treatment of records.—In light of business competition, confidentiality, and privacy concerns, the Secretary shall protect from disclosure information submitted in support of a license application under this subchapter and information collected in the course of regulating licensees to the full extent permitted by sections 552 and 552a of title 5.

“(n) Suitability for licensing requirements for certain service providers.—
“(1) IN GENERAL.—Any person that knowingly—

“(A) manages, administers, or controls bets or wagers that are initiated, received, or otherwise made within the United States,

“(B) otherwise manages or administers the games with which such bets or wagers are associated, or

“(C) develops, maintains or operates, or distributes or makes available for downloading software, other system programs or hardware that create, operate, or otherwise affect the outcome of a game,

shall meet all of the suitability for licensing criteria established under this section in the same manner and to the same extent as if that person were itself a licensee.

“(2) SUITABILITY FOR LICENSING REQUIREMENTS FOR CERTAIN SERVICE PROVIDERS.—Any failure on the part of person described in any subparagraph of paragraph (1) to remain suitable for licensing shall be grounds for revocation of the authority of the licensee for whom such service is provided to operate an Internet gambling facility, in the same manner and in accordance with subsection (i).
“(o) RELIANCE ON STATE AND TRIBAL REGULATORY BODY CERTIFICATIONS OF SUITABILITY FOR APPLICANTS.—

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

“(A) APPLICATION FOR DETERMINATION.—Any State or tribal regulatory body with expertise in regulating gambling may—

“(i) notify the Secretary of its willingness to review prospective applicants to certify whether any such applicant meets the qualifications established under this subchapter; and

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

“(B) DETERMINATION AND NOTICE.—

Within 60 days after receiving any notice under subparagraph (A)(i), the Secretary shall—

“(i) make the determination as to whether a State or tribal regulatory body
is qualified to conduct a review of prospective applicants and may be relied upon to certify whether any such applicant meets the qualifications established under this subchapter; and

“(ii) notify the State or tribal regulatory body of such determination.

“(2) Actions by Qualified Authorities.—

During the period that any determination of qualification under paragraph (1)(B) is in effect with respect to any such State or tribal regulatory body, the State or tribal regulatory body—

“(A) may undertake reviews of any applicant to determine whether the applicant or any person associated with the applicant meets the criteria for suitability for licensing established under this subchapter;

“(B) may impose on each such applicant an administrative fee or assessment for conducting such review in an amount the regulatory body determines to be necessary to meet its expenses in the conduct of such review; and

“(C) shall process and assess each applicant fairly and equally based on objective cri-
teria, regardless of any prior licensing of an applicant by the State or tribal regulatory body.

“(3) Reliance on state or tribal certification.—Any applicant may provide a certification of suitability for licensing made by any State or tribal regulatory body under paragraph (2), together with all documentation the applicant has submitted to any such State or tribal regulatory body, to the Secretary, and any such certification and documentation shall be relied on by the Secretary as evidence that an applicant has met the suitability for licensing requirements under this section.

“(4) Authority of Secretary to review.—Notwithstanding any certification of suitability for licensing made by any State or tribal regulatory body, the Secretary retains the authority to review, withhold, or revoke any license if the Secretary has reason to believe that any applicant or licensee does not meet the suitability requirements for licensing established under this section, or any other requirement of a licensee.

“(5) Reliance on qualified regulatory body for other purposes, including examination and enforcement.—The Secretary shall rely on any State and tribal regulatory body found qual-
fied under this subsection for such other regulatory and enforcement activities as the Secretary finds to be useful and appropriate to carry out the purposes of this subchapter, including authority under paragraph (6).

“(6) ADDITIONAL AUTHORITY OF QUALIFIED STATE OR TRIBAL AUTHORITIES.—The qualified state or tribal authorities may—

“(A) examine licensees who are licensed under a State or tribal program referred to in paragraph (1);

“(B) employ enforcement agents with sufficient training and experience to administer the requirements of this subchapter; and

“(C) enforce any requirement of this subchapter that is within the jurisdiction of the qualified state or tribal authority through all appropriate means provided under this subchapter and other provisions of law.

“(7) REVOCATION OF QUALIFICATION.—The Secretary may revoke, at any time and for any reason, the qualification of any State or tribal regulatory body to certify or to conduct any other regulatory or enforcement activity to carry out the purposes of this subchapter.
“(p) Prevention of Minors From Placing Bets or Wagers.—The Secretary shall—

“(1) frequently monitor, evaluate, and measure compliance effectiveness of each licensee’s software, mechanisms, and other systems for preventing minors from placing bets or wagers through the Internet site of the licensee; and

“(2) impose a sanction of either a fine, a revocation of license, or both, on a licensee whose minor protection software, mechanisms, and other systems are found to be insufficiently effective.

“(q) Requirements With Respect to Child Support Delinquents.—

“(1) In General.—When it is made known to the Secretary by a Federal or State court or a competent State agency involved with the administration or enforcement of a court-ordered child support payment that a particular individual is delinquent with respect to court-ordered child support payments, the Secretary shall include that individual on the list established under section 5384(c)(1)(A).

“(2) Removal From List.—Individuals placed on the list pursuant to paragraph (1) shall be removed from such list if the court or agency that made such individual’s delinquency known to the
Secretary notifies the Secretary that such individual is no longer delinquent.

“§ 5384. Problem Gambling, Responsible Gambling, Consumer Safeguards, and Self-Exclusion Program

“(a) Regulations Required.—The Secretary and any State or tribal regulatory body that has been qualified under subsection 5383(o) shall prescribe regulations for the development of a Problem Gambling, Responsible Gambling, Consumer Safeguards, and Self-Exclusion Program on the basis of standards that each licensee shall implement as a condition of licensure.

“(b) Minimum Requirements.—

“(1) In general.—Any application for a license shall include a submission to the Secretary or qualified State or tribal regulatory body setting forth a comprehensive program that is intended—

“(A) to verify the identity and age of each customer through the use of commercially available data sources or any approved government database that is available for access in real-time through an automated process;

“(B) to ensure that no customers under the legal age 21 may initiate or otherwise make any bets or wagers for real money;
“(C) to verify the State or tribal land in which the customer is located at the time the customer attempts to initiate a bet or wager;

“(D) to ensure that no customer who is located in a State or tribal land that opts out pursuant to section 5387 can initiate or otherwise make a bet or wager prohibited by such opt-out;

“(E) to ensure that responsible gambling materials including materials on problem gambling, services and resources to address problem gambling, descriptions of games offered by the licensee, and when appropriate, odds of winning or payout rates of games, and any other materials that the Secretary or qualified State or tribal regulatory body may deem appropriate are made available to customers;

“(F) to make available player-selectable responsible gambling options that may include, as appropriate to specific gambling games, a stake limit, loss limit, time-based loss limits, deposit limit, session time limit, time-based exclusion from all gambling and other similar options that the Secretary or qualified State or tribal
(1) REQUIREMENTS FOR PROGRAMS ENSURING INTEGRITY AND FAIRNESS.—The programs referred to in paragraph (1)(I) to insure the integrity and fairness of the games shall include requirements for—

(A) real-time, multiparty cryptographic protocols for random number generation where 1 of the parties is the player;

(B) to require each customer, before making or placing any bet or wager, to establish personal limits as a condition of play that apply across all betting sites, which may be in hourly, daily, weekly or monthly increments, at the discretion of the customer;

(C) to require the―

(D) to protect the privacy and security of any customer in connection with any lawful Internet gambling activity;

(E) to protect against fraud and to provide for dispute resolution relating to internet gambling activity through programs to insure the integrity and fairness of the games; and

(F) to protect against money laundering relating to Internet gambling activities.

(2) REQUIREMENTS FOR PROGRAMS ENSURING INTEGRITY AND FAIRNESS.—The programs referred to in paragraph (1)(I) to insure the integrity and fairness of the games shall include requirements for—

(A) real-time, multiparty cryptographic protocols for random number generation where 1 of the parties is the player;
"(B) secure audit trails;

"(C) detailed player betting logs that record and store each wager placed by the player;

"(D) real time confirmation of high value bets or wagers, where appropriate; or

"(E) equally effective options that the Secretary or qualified State or tribal regulatory officer or agency may determine to be appropriate.

"(c) PERIODIC REVIEW.—

"(1) IN GENERAL.—The Secretary shall, on a regular basis, review the minimum requirements under this section and may, based on the best available technology, update the standards that each licensee shall implement as a condition of licensure.

"(2) CONSULTATION.—In conducting the review required under paragraph (1), the Secretary shall consult with—

"(A) State and tribal gaming regulatory officials;

"(B) law enforcement officials;

"(C) experts in underage and problem gaming;

"(D) experts on individual privacy;
“(E) consumers;

“(F) on-line retailers of other age restricted materials such as tobacco and alcohol products;

“(G) licensees and other representatives of the gaming industry;

“(H) software developers with expertise in gaming, privacy, the payments systems available, and other relevant areas; and

“(I) such other relevant individuals as the Secretary may determine to be appropriate.

“(d) LIST OF PERSONS SELF-EXCLUDED FROM GAMBLING ACTIVITIES.—

“(1) ESTABLISHMENT.—

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

“(B) PLACEMENT REQUEST.—Any person may request placement on the list of self-excluded persons by—

“(i) acknowledging in a manner to be established by the Secretary that the person wishes to be denied gambling privileges; and
“(ii) agreeing that, during any period of voluntary exclusion, the person may not collect any winnings or recover any losses resulting from any gambling activity at any licensee sites.

“(2) Placement and removal procedures.—The regulations prescribed by the Secretary under paragraph (1)(A) shall establish procedures for placements on, and removals from, the list of self-excluded persons.

“(3) Limitation on liability.—

“(A) In general.—The United States, the Secretary, an enforcement agent, or a licensee, or any employee or agent of the United States, the Secretary, an enforcement agent, or a licensee, shall not be liable to any self-excluded person or to any other party in any judicial or administrative proceeding for any harm, monetary or otherwise, which may arise as a result of—

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

“(ii) otherwise permitting a self-excluded person to engage in gambling activ-
ity while on the list of self-excluded persons.

“(B) Rule of Construction.—No provision of subparagraph (A) shall be construed as preventing the Director from assessing any regulatory sanction against a licensee for failing to comply with the minimum standards prescribed pursuant to this subsection.

“(4) Disclosure provisions.—

“(A) In general.—Notwithstanding any other provision of Federal or State law, the list of self-excluded persons shall not be open to public inspection.

“(B) Affiliate disclosure.—Any licensees may disclose the identities of persons on the self-excluded list to any affiliated company or, where required to comply with this subsection, any service provider, to the extent that the licensee ensures that any affiliated company or service provider maintains such information under confidentiality provisions comparable to those in this subsection.

“(5) Limitation on liability for disclosure.—A licensee or an employee, agent, or affiliate of a licensee shall not be liable to any self-excluded
person or to any other party in any judicial proceeding for any harm, monetary or otherwise, which may arise as a result of disclosure or publication in any manner.

“(e) GAMBLING BY PROHIBITED PERSONS.—

“(1) PROHIBITION BENEFITTING FROM PROHIBITED GAMBLING ACTIVITY.—A person who is prohibited from gambling with a licensee by law, or by order of the Secretary or any court of competent jurisdiction, including any person on the self-exclusion list as established in accordance with subsection (d), shall not collect, in any manner or proceeding, any winnings or recover any losses arising as a result of any prohibited gambling activity.

“(2) FORFEITURE.—In addition to any other penalty provided by law, any money or thing of value that has been obtained by, or is owed to, any prohibited person by a licensee as a result of bets or wagers made by a prohibited person shall be subject to forfeiture by order of the Secretary, following notice to the prohibited person and opportunity to be heard.

“(3) DEPOSIT OF FORFEITED FUNDS.—Any funds forfeited pursuant to this subsection shall be deposited into the general fund of the Treasury.
“(4) PERSONS SELF-EXCLUDED.—Licensees may not accept bets or wagers from persons on the list established pursuant to subsection (d)(1)(A).

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

“(1) PUBLIC AWARENESS PROGRAM.—

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

“(B) LICENSEE-PROVIDED PUBLICITY.—

Regulations prescribed under subparagraph (A) may require a licensee to make available literature or screen displays relating to the existence of the program.

“(2) RULE OF CONSTRUCTION.—No provision of this subsection shall be construed as creating a legal duty in the Secretary, a qualified State or tribal regulatory body, a licensee, or any representative of a licensee to identify or to exclude problem or
compulsive gamblers not on the list of self-excluded persons.

“(3) IMMUNITY.—The United States, the Secretary, a qualified State or tribal regulatory body, a licensee, and any employee or agent of a licensee, shall not be liable to any person in any proceeding for losses or other damages of any kind arising out of that person’s gambling activities based on a claim that the person was a compulsive, problem, or pathological gambler.

“§ 5385. Financial transaction providers

“(a) IN GENERAL.—No financial transaction provider shall be held liable for engaging in financial activities and transactions for or on behalf of a licensee or involving a licensee, including payments processing activities, unless such provider has knowledge that the specific financial activities or transactions are conducted in violation of this subchapter and with applicable Federal and State laws.

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

“(1) FINANCIAL TRANSACTION PROVIDER.—The term ‘financial transaction provider’ means a creditor, credit card issuer, financial institution, operator of a terminal at which an electronic fund transfer may be initiated, money transmitting busi-
ness, or international, national, regional, or local payment network utilized to effect a credit transaction, electronic fund transfer, stored value product transaction, or money transmitting service, or a participant in such network, or other participant in a payment system.

“(2) OTHER TERMS.—

“(A) CREDIT, CREDITOR, CREDIT CARD, AND CARD ISSUER.—The terms ‘credit’, ‘creditor’, ‘credit card’, and ‘card issuer’ have the meanings given the terms in section 103 of the Truth in Lending Act.

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

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

“(ii) includes any fund transfer covered by Article 4A of the Uniform Commercial Code, as in effect in any State.

“(C) FINANCIAL INSTITUTION.—The term ‘financial institution’ has the meaning given the term in section 903 of the Electronic Fund
Transfer Act, except that such term does not include a casino, sports book, or other business at or through which bets or wagers may be placed or received.

“(D) **INSURED DEPOSITORY INSTITUTION.**—The term ‘insured depository institution’—

“(i) has the meaning given the term in section 3(c) of the Federal Deposit Insurance Act; and

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

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

“§ 5386. **List of unlawful Internet gambling enterprises**

“(a) **DEFINITIONS.**—For purposes of this section, the following definitions shall apply:
“(1) **Unlawful Internet Gambling Enterprise.**—The term ‘unlawful Internet gambling enterprise’ means any person who, more than 10 days after the date of the enactment of this section—

“(A) violates a provision of section 5363;

“(B) knowingly receives or transmits funds intended primarily for a person described in subparagraph (A); or

“(C) knowingly assists in the conduct of a person described in subparagraph (A) or (B).

“(2) **Director.**—The term ‘Director’ means the Director of the Financial Crimes Enforcement Network.

“(b) **List of Unlawful Internet Gambling Enterprises.—**

“(1) **In General.**—Not later than 120 days after the date of the enactment of this section, the Director shall submit to the Secretary a list of unlawful Internet gambling enterprises and shall regularly update such list in accordance with the procedures described in paragraph (3).

“(2) **Contents of List.**—The list prepared under paragraph (1) shall include the following information for each such unlawful Internet gambling enterprise:
“(A) All known Internet website addresses of the enterprise.

“(B) The names of all known owners and operators of the enterprise.

“(C) To the extent known, information identifying the financial agents and account numbers of the enterprise and the persons listed under subparagraph (B).

“(3) DISTRIBUTION OF LIST BY SECRETARY.—

The Secretary shall make available—

“(A) a copy of the information provided under subparagraphs (A) and (B) of paragraph (2) on the Internet website of the Secretary of the Treasury;

“(B) to all persons who are required to comply with the regulations prescribed under the authority provided in section 5364 a copy of all the information provided under paragraph (1) in an electronic format compatible with the Specially Designated Nationals list maintained by the Office of Foreign Assets Control; and

“(C) any information required under this paragraph not later than 10 days after receiving any new or updated list from the Director.
“(4) PROCEDURES.—The procedures described in this paragraph are the following:

“(A) INVESTIGATION.—The Director shall investigate entities that appear to be unlawful Internet gambling enterprises. An initial investigation shall be completed before the end of the 60-day period beginning on the date of enactment of this section. After the initial investigation, the Director shall regularly investigate entities that appear to be unlawful Internet gambling enterprises. If the Director discovers evidence sufficient to prove a prima facie case that any person is an unlawful Internet gambling enterprise, the Director shall provide the notice required under subparagraph (C).

“(B) REQUESTS.—Any Federal, State, tribal, or local law enforcement official, any affected sports organization, any person directly harmed by unlawful Internet gambling, any financial transaction provider, and any interactive computer service (as such terms are defined in section 5362) shall have the right, but not the obligation, to make a written request to the Director for the addition of any person to the list of unlawful Internet gambling enter-
prises. If the Director determines that the evidence submitted is sufficient to prove a prima facie case that such person is an unlawful Internet gambling enterprise, the Director shall provide the notice required under subparagraph (C) to each person identified as an alleged unlawful Internet gambling enterprise. The Director also shall provide written notice of its decision under this subparagraph, including a decision not to add a person to the list required under paragraph (1), to the requesting party no later than 30 days after the request is received.

“(C) NOTICE.—Not fewer than 30 days before adding an unlawful Internet gambling enterprise, or an owner or operator thereof, to the list required under paragraph (1), the Director shall provide written notice to such enterprise, owner, or operator. Any enterprise, owner, or operator receiving such notice may contest the Director’s determination by written appeal to the Director not more than 30 days after receiving notice.

“(D) OPPORTUNITY FOR HEARING.—If a person properly submits a written appeal under subparagraph (C), the Director shall not in-
clude such person in the list required under paragraph (1) unless and until the Director provides such person with an opportunity for a hearing not more than 30 days after receiving written notice of appeal. Not more than 10 days after an opportunity for hearing is afforded, whether or not the person requesting the hearing appears at such hearing, the Director shall proceed to add such person to the list of unlawful Internet gambling enterprises unless the Director determines, based on a preponderance of the evidence, that such person is not an unlawful Internet gambling enterprise.

“(E) INJUNCTIVE RELIEF.—Any person that the Director determines shall be included in the list required under paragraph (1) after such person appears at a hearing described in subparagraph (D) and any person included in such list who did not receive the notice required under subparagraph (C), may petition for injunctive relief in the United States District Court for the District of Columbia, which shall have exclusive jurisdiction to hear challenges pursuant to this section. The petitioner shall have the burden of establishing by a preponder-
ance of the evidence that such person is not an unlawful Internet gambling enterprise. Only persons designated by the Director for inclusion on the list of unlawful Internet gambling enterprises, and other owners or operators of an enterprise to be so listed, shall have standing to contest the Director’s determination. The court may enjoin the Director and the Secretary not to add or remove the petitioner from the list of unlawful Internet gambling enterprises, and no other judicial recourse shall be permitted.

“(c) Effect of List.—A financial transaction provider shall be deemed to have actual knowledge that a person is an unlawful Internet gambling enterprise to the extent that such person is identified on the list available to the public, or on a non-public list made available to such financial transaction provider, by the Secretary as described in subsection (b)(2), provided that the list shall not be deemed to be the sole source of actual knowledge.

“§ 5387. Limitation of licenses in States and Indian lands

“(a) State Opt-Out Exercise.—

“(1) Limitations imposed by States.—

“(A) In General.—No licensee may engage, under any license issued under this sub-
chapter, in the operation of an Internet gambling facility that knowingly accepts bets or wagers initiated by persons who reside in any State which provides notice that it will limit such bets or wagers, if the Governor or other chief executive officer of such State informs the Director of such limitation, in a manner which clearly identifies the nature and extent of such limitation, before the end of the period beginning on the date of the enactment of the Internet Gambling Regulation, Consumer Protection, and Enforcement Act and ending on the date on which such State’s legislature has conducted one full general legislative session, where such session began after the date of the enactment of such Act, or in accordance with paragraph (2), until such time as any notice of any amendment or repeal of such specific limitation becomes effective under paragraph (2).

“(B) COORDINATION BETWEEN STATE AND TRIBAL OPT-OUT EXERCISES.—Any State limitation under subparagraph (A) shall not apply to the acceptance by a licensee of bets or wagers from persons located within the tribal lands of an Indian tribe that—
“(i) has itself opted out pursuant to subsection (b) (in which case the tribal opt-out exercise under such subsection shall apply); or

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

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

“(D) TRIBAL STATUS OR CATEGORY NOT IMPACTED.—Tribal operations of Internet gambling facilities under this subchapter shall not impact an Indian tribe’s status or category or class under its land-based activities.

“(E) NEW NEGOTIATIONS NOT REQUIRED.—Operating under a license issued pursuant to this subchapter shall not require, or impose any requirement on, an Indian tribe to negotiate a new agreement, or renegotiate any
existing agreement, limitation or other provision of a tribal-State compact, agreement, or other understanding with respect to gaming or revenue-sharing, with regard to any Internet bet or wager occurring pursuant to a license issued by the Secretary under this subchapter.

“(2) Changes to State Limitations.—The establishment, repeal, or amendment by any State of any limitation referred to in paragraph (1) after the end of the period referred to in paragraph (1) shall apply, for purposes of this subchapter, beginning on the first January 1 that occurs after the end of the 60-day period beginning on the later of—

“(A) the date a notice of such establishment, repeal, or amendment is provided by the Governor or other chief executive officer of such State in writing to the Secretary; or

“(B) the effective date of such establishment, repeal, or amendment.

“(b) Indian Tribe Opt-Out Exercise.—

“(1) Limitations Imposed by Indian Tribes.—No Internet gambling licensee knowingly may accept a bet or wager from a person located in the tribal lands of any Indian tribe which limits such gambling activities or other contests if the principal
chief or other chief executive officer of such Indian tribe informs the Secretary of such limitation, in a manner which clearly identifies the nature and extent of such limitation, before the end of the 90-day period beginning on the date of the enactment of the Internet Gambling Regulation, Consumer Protection, and Enforcement Act, or in accordance with paragraph (2), until such time as any notice of any amendment or repeal of such specific limitation becomes effective under paragraph (2).

“(2) Changes to Indian Tribe Limitations.—The establishment, repeal, or amendment by any Indian tribe of any limitation referred to in paragraph (1) after the end of the 90-day period beginning on the date of the enactment of this subchapter shall apply, for purposes of this subchapter, beginning on the first January 1 that occurs after the end of the 60-day period beginning on the later of—

“(A) the date a notice of such establishment, repeal, or amendment is provided by the principal chief or other chief executive officer of such Indian tribe in writing to the Secretary; or

“(B) the effective date of such establishment, repeal, or amendment.
“(c) Notification and Enforcement of State and Indian Tribe Limitations.—

“(1) In general.—The Secretary shall notify all licensees and applicants of all States and Indian tribes that have provided notice pursuant to paragraph (1) or (2) of subsection (a) or (b), as the case may be, promptly upon receipt of such notice and in no event fewer than 30 days before the effective date of such notice.

“(2) Compliance.—The Secretary shall take effective measures to ensure that any licensee under this subchapter, as a condition of the license, complies with any limitation or prohibition imposed by any State or Indian tribe to which the licensee is subject under subsection (a) or (b), as the case may be.

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

“(4) State Attorney General Enforcement.—In any case in which the attorney general of a State, or any State or local law enforcement agen-
cy authorized by the State attorney general or by State statute to prosecute violations of consumer protection law, has reason to believe that an interest of the residents of that State has been or is threatened or adversely affected by a violation by a licensee pursuant to paragraph (2), the State, or the State or local law enforcement agency on behalf of the residents of the agency’s jurisdiction, may bring a civil action on behalf of the residents of that State or jurisdiction in a district court of the United States located therein, to—

“(A) enjoin that practice; or

“(B) enforce compliance with this subchapter.

§ 5388. Sports betting prohibited on Internet

“No licensee under this subchapter shall accept Internet bets or wagers on sporting events, with the exception of pari-mutuel racing as permitted by law.

§ 5389. Prohibition on the use of credit cards for Internet gambling

“(a) IN GENERAL.—No licensee, no person operating on behalf of a licensee, and no person accepting payment for or settlement of a bet or wager who intends to transmit such payment to a person licensee, may accept a bet or wager or payment for or settlement of a bet or wager that
is transmitted or otherwise facilitated with a credit card (as defined in section 5362(11)).

“(b) Exception.—

“(1) Clarification of scope.—For any person licensed to take bets or wagers in accordance with the Interstate Horseracing Act of 1978, the prohibition in subsection (a) shall only apply to those activities conducted pursuant to a license under this subchapter.

“(2) Intrastate activities.—For any person involved in legal, land-based or State- or tribal-regulated intrastate gambling, the prohibition in subsection (a) shall only apply to those activities conducted pursuant to a license under this subchapter.

§5390. State and tribal lotteries

“(a) In general.—Notwithstanding any other provision of this subchapter, this subchapter shall not apply to Internet gambling conducted by any State or tribal lottery authority when conducted in accordance with subparagraph (B) or (C) of section 5362(10), as clarified by section 5362(10)(E).

“(b) Rule of construction.—For purposes of the clarification made by subparagraph (E) of section 5362(10) to the meaning and intent of subparagraphs (B) and (C) of such section, Internet gambling described in
subsection (a) is hereby expressly permitted, and operators of any State or tribal lottery authority conducting Internet gambling facilities operating in accordance with such subparagraph (B) or (C), as clarified by such subparagraph (E), and vendors, suppliers and service providers to such State or tribal lottery authority, shall not be required to be licensed under this subchapter.

“(c) APPLICABILITY OF OTHER PROVISIONS TO LOTTERY ACTIVITY.—To clarify existing law, section 1084 of title 18 shall not apply to any of the following that occurs in connection with any Internet gambling conducted by any State or tribal lottery authority when conducted in accordance with subparagraph (B) or (C) of section 5362(10), as clarified by section 5362(10)(E):

“(1) Any Internet bet or wager, including any transmission thereof.

“(2) Any transmission of information assisting in the placing of bets or wagers.

“(3) Any transmission entitling the recipient to receive money or credit as a result of bets or wagers, or for information assisting in the placing of bets or wagers.

“(d) AUTHORIZATION OF SPONSOR.—No licensee may offer services relating to any lottery sponsored by a
State, tribal, or other governmental body without the authorization of the official sponsor.

“§ 5391. Safe harbors

“It shall be a complete defense against any prosecution or enforcement action under any Federal or State law against any person possessing a valid license under this subchapter that the activity is authorized under and has been carried out lawfully under the terms of this subchapter.

“§ 5392. Relation to section 1084 of title 18 and the Unlawful Internet Gambling Enforcement Act

“Section 1084 of title 18 and subchapter IV of this chapter shall not apply to any Internet bet or wager occurring pursuant to a license issued in accordance with this subchapter.

“§ 5393. Cheating and other fraud

“(a) Electronic cheating devices prohibited.—No person initiating, receiving, or otherwise making a bet or wager with a licensee, or sending, receiving, or inviting information assisting with a bet or wager with a licensee, knowingly shall use, or assist another in the use of, an electronic, electrical, or mechanical device which is designed, constructed, or programmed specifically for use in obtaining an advantage in any game authorized
under this subchapter, where such advantage is prohibited
or otherwise violates the rules of play established by the
licensee.

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

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

“(d) CRIMINAL PENALTY.—Whoever violates sub-
section (a) or (b) of this section shall be fined under title
18 or imprisoned for not more than 5 years, or both.”.

(b) RULES OF CONSTRUCTION.—

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

(A) by redesignating subparagraph (J) as

subparagraph (K); and
(B) by inserting after subparagraph (I) the following new subparagraph:

“(J) Administer the requirements of subchapter V of chapter 53.”.

(c) CLERICAL AMENDMENT.—The table of sections for chapter 53 of title 31, United States Code, is amended by adding at the end the following:

“SUBCHAPTER V—REGULATION OF LAWFUL INTERNET GAMBLING

5381. Congressional findings.
5382. Definitions.
5383. Establishment and administration of licensing program.
5385. Financial transaction providers.
5386. List of unlawful Internet gambling enterprises.
5387. Limitation of licenses in States and Indian lands.
5388. Sports betting prohibited on Internet.
5389. Prohibition on the use of credit cards for Internet gambling.
5390. State and tribal lotteries.
5391. Safe harbors.
5392. Relation to section 1084 of title 18 and the Unlawful Internet Gambling Enforcement Act.
5393. Cheating and other fraud.”.

SEC. 1703. REPORT REQUIRED.

(a) IN GENERAL.—Before the end of the 1-year period beginning on the effective date of the regulations prescribed under section 1709, and annually thereafter, the Secretary shall submit a report to the Congress on the licensing and regulation of Internet gambling operators.

(b) INFORMATION REQUIRED.—Each report submitted under subsection (a) shall include the following information:
(1) A comprehensive statement regarding the prohibitions notified by the States and Indian tribes pursuant to section 5387 of title 31, United States Code.

(2) Relevant statistical information on applicants and licenses.

(3) The amount of licensing and user fees collected during the period covered by the report.

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

(5) Any other information that may be useful to the Congress in evaluating the effectiveness of the Act in meeting its purpose, including the provision of protections against underage gambling, compulsive gambling, money laundering, and fraud, and in combating fee avoidance relating to Internet gambling.

**SEC. 1704. FEASIBILITY STUDY.**

The Secretary of the Treasury, in consultation with appropriate State or tribal officers or agencies, shall conduct a feasibility study on safeguards to address gambling while impaired through programs such as periodic notices, periodic testing of individuals to establish cognitive competence, and any other similar option that the Secretary
or appropriate State or tribal officers or agencies may determine to be appropriate.

SEC. 1705. IMPOSITION OF INTERNET GAMBLING LICENSE FEE.

(a) INTERNET GAMBLING LICENSEE.—

(1) IN GENERAL.—There is hereby imposed a fee on each Internet gambling licensee in an amount equal to five percent of all funds deposited by customers during the preceding month into an account maintained by that Internet gambling licensee or any agent of that licensee that can be used for the purpose of placing a bet or wager as defined in section 5362(1) of title 31, United States Code.

(2) PERSONS LIABLE FOR FEE.—The fee imposed by subsection (a) shall be the direct and exclusive obligation of the Internet gambling operator and may not be deducted from the amounts available as deposits to the person placing a bet. Notwithstanding the preceding sentence, any person making a deposit for the purpose of placing a bet or wager with a person who is required but has failed to obtain a license pursuant to subchapter V of chapter 53 of title 31, United States Code, shall be liable for and pay the fee under this subchapter on all such deposits, but such liability shall not excuse any fail-
ure to pay the fee on the part of the person who is required but has failed to obtain such license. The person making the deposit shall not be liable for the fee on deposits in cases of fraud.

(b) UNAUTHORIZED BETS OR WAGERS.—

   (1) IN GENERAL.—There is hereby imposed a fee on any person that is not authorized pursuant to section 5383(b) of title 31, United States Code, to accept bets and wagers.

   (2) AMOUNT OF FEE.—The amount of such fee shall be equal to 50 percent of all funds deposited into an account that can be used for placing a bet or wager within the meaning of section 5362(1) of that title.

(c) WHEN DUE.—The fee imposed by this section shall be due at the end of each calendar month with respect to deposits during the preceding month.

(d) DEFINITIONS AND SPECIAL RULES.—For purposes of this section—

   (1) INTERNET GAMBLING LICENSEE.—The term “Internet gambling licensee” means a licensee, as defined in section 5382 of title 31, United States Code.

   (2) DEPOSITS.—Deposits made by or on behalf of an Internet gambling licensee of Internet gam-
bling winnings or returns of funds by or on behalf
of an Internet gambling licensee to the account of a
customer shall not be treated as a deposit for pur-
poses of this section.

SEC. 1706. RECORDKEEPING REQUIREMENTS.
Each person liable for fees under section 1705, except
for a person making a deposit who is liable for fees pursu-
ant to section 1705(a)(2), shall keep a daily record show-
ing deposits.

SEC. 1707. INFORMATION RELATING TO INTERNET GAM-
BLING.

(a) REQUIREMENT.—Every person who is an Internet
gambling licensee or who otherwise is engaged in the busi-
ness of accepting any bet or wager within the meaning
of section 5362(1) of title 31, United States Code, during
a calendar year shall furnish, at such time and in such
manner as the Secretary of the Treasury shall by regula-
tions prescribe, the information described in subsection
(b), and such person shall maintain (in the location, in
the manner, and to the extent prescribed in regulations)
such records as may be appropriate to the information de-
scribed in subsection (b).

(b) REQUIRED INFORMATION.—For purposes of sub-
section (a), the information described is set forth below,
which information may be modified as appropriate by the Secretary through regulation—

(1) the name, address, and TIN of the Internet gambling licensee or other person engaged in the business of accepting any bet or wager,

(2) the name, address, and TIN of each person placing a bet or wager with the Internet gambling licensee or other person engaged in the business of accepting any bet or wager during the calendar year,

(3) the gross winnings, gross wagers, and gross losses for the calendar year of each person placing a bet or wager with the Internet gambling licensee or other person engaged in the business of accepting any bet or wager during the year,

(4) the net Internet gambling winnings for each such person for the calendar year,

(5) the amount of any fees under this title withheld with respect to each such person for the calendar year,

(6) beginning and end-of-year account balances for each such person for the calendar year, and

(7) amounts deposited and withdrawn by each such person during the calendar year.

(c) Statement to Be Furnished to Persons With Respect to Whom Information Is Required.—
Every person required to make a return under subsection (a) shall furnish to each person whose name is required to be set forth in such return by reason of placing a bet or wager a written statement showing—

(1) the name, address, and phone number of the information contact of the person required to make such return, and

(2) the information required to be shown on such return with respect to each person whose name is required to be set forth in such return.

The written statement required under the preceding sentence shall be furnished to the person on or before January 31 of the year following the calendar year for which the return under subsection (a) was required to be made.

(d) Definitions.—

(1) Internet Gambling Licensee.—The term “Internet gambling licensee” has the meaning given such term by section 1705.

(2) Net Internet Gambling Winnings.—The term “net Internet gambling winnings” means gross winnings from wagers placed over the Internet with a person required to be licensed under section 5382 of chapter 53 of title 31, United States Code, less the amounts wagered.
(3) Internet; Wager.—The terms “Internet” and “wager” shall have the respective meanings given such terms by section 5362 of chapter 53 of title 31, United States Code.

(e) Effective Date.—In prescribing the time and manner in which the information described in subsection (b) is to be maintained and provided, the Secretary of the Treasury shall delay the effective date until the taxable year in which the regulations required by section 1709 are first issued.

SEC. 1708. WAGER FEE APPLICABLE TO FEDERAL ONLINE GAMBLING ACTIVITIES.

(a) Online Gambling Activities.—All online gambling activities conducted pursuant to a Federal license shall be subject to the wagering fee set forth in subsection (b).

(b) Wagers.—

(1) Authorized Wagers.—There shall be imposed on any wager authorized under Federal law or the law of the State in which accepted a fee equal to 0.25 percent of the amount of such wager.

(2) Unauthorized Wagers.—There shall be imposed on any wager not described in paragraph (1) a fee equal to 2 percent of the amount of such wager.
SEC. 1709. REGULATIONS AND IMPLEMENTATION.

(a) REGULATIONS.—

(1) IN GENERAL.—The Secretary of the Treasury shall prescribe such regulations as the Secretary may determine to be appropriate to implement—

(A) subchapter V of chapter 53 of title 31, United States Code (as added by section 102(a) of this Act);

(B) the provisions of this title relating to imposition of an Internet gambling license fee and wager fee and the collection, recordkeeping, reporting, and enforcement requirements related to such fees; and

(C) the requirement imposed on Internet gambling licensees by section 107 to maintain and furnish to the Secretary certain information related to Internet gambling.

(2) PUBLICATION.—The Secretary of the Treasury shall publish the regulations required by subsection (a) in final form in the Federal Register before the end of the 180-day period beginning on the date of the enactment of this Act.

(b) SCOPE OF APPLICATION.—The amendment made by section 1702(a) shall apply after the end of the 90-day period beginning on the date of the publication of the
(a). 
(c) EFFECTIVE DATE FOR FEES.—The fees imposed by this title shall apply to bets or wagers placed after the effective date of the regulations required by subsection (a).

SEC. 1710. DISPOSITION AND TREATMENT OF FEES COLLECTED.
All fees paid under this title shall be deposited in the Treasury as an offsetting receipt that shall not be available for obligation or expenditure.

Subtitle B—Title 10 Amendments

SEC. 1721. EXPANSION OF ELIGIBILITY FOR CONCURRENT RECEIPT OF MILITARY RETIRED PAY AND VETERANS’ DISABILITY COMPENSATION TO INCLUDE ADDITIONAL CHAPTER 61 DISABILITY RETIREES.

(a) EXTENSION OF CONCURRENT RECEIPT AUTHORITY TO ADDITIONAL CHAPTER 61 DISABILITY RETIREES.—Subsection (a) of section 1414 of title 10, United States Code, is amended by striking paragraph (2) and inserting the following new paragraphs:

“(2) PHASE-IN EXCEPTION FOR CERTAIN CHAPTER 61 DISABILITY RETIREES.—Subject to subsection (b), on and after October 1, 2012, subsection (c) shall not apply to a qualified retiree described in
paragraph (3)(B) receiving retired pay under chapter 61 of this title.

“(3) QUALIFYING SERVICE-CONNECTED DISABILITY DEFINED.—In this section, the term ‘qualifying service-connected disability’ means the following:

“(A) In the case of a qualified retiree receiving retired pay under any provision of law other than chapter 61 of this title, or under chapter 61 with 20 years or more of service otherwise creditable under section 1405 or computed under section 12732 of this title, a service-connected disability or combination of service-connected disabilities that is rated as not less than 50 percent disabling by the Secretary of Veterans Affairs.

“(B) In the case of a qualified retiree receiving retired pay under chapter 61 of this title with less than 20 years of service otherwise creditable under section 1405 or computed under section 12732 of this title, a service-connected disability or combination of service-connected disabilities that is rated by the Secretary of Veterans Affairs as 100 percent disabling or
(b) **Conforming Amendment to Special Rules for Chapter 61 Disability Retirees.**—Subsection (b) of such section is amended by striking paragraph (2) and inserting the following new paragraph:

“(2) **Special rule for retirees with fewer than 20 years of service.**—

“(A) **General rule.**—Except as provided in subparagraph (B), subsection (a) does not apply to a member retired under chapter 61 of this title with less than 20 years of service otherwise creditable under section 1405 of this title, or with less than 20 years of service computed under section 12732 of this title, at the time of the member’s retirement.

“(B) **Exception.**—The retired pay of a qualified retiree described in subsection (a)(3)(B) is subject to reduction under sections 5304 and 5305 of title 38, but only to the extent that the amount of the member’s retired pay under chapter 61 of this title exceeds the amount equal to 2 1/2 percent of the member’s years of creditable service multiplied by the member’s retired pay base under section..."
SEC. 1722. INCREASE IN MONTHLY AMOUNT OF SPECIAL SURVIVOR INDEMNITY ALLOWANCE FOR WIDOWS AND WIDOWERS OF DECEASED MEMBERS OF THE ARMED FORCES AFFECTED BY REQUIRED SURVIVOR BENEFIT PLAN ANNUITY OFFSET FOR DEPENDENCY AND INDEMNITY COMPENSATION.

Section 1450(m)(2) of title 10, United States Code, is amended—

(1) in subparagraph (E), by striking “$90” and inserting “$125”; and

(2) in subparagraph (F), by striking “$150” and inserting “$175”.

SEC. 1723. ELIMINATION OF FISCAL YEAR LIMITATION IN CONSIDERING ACTIVE DUTY AND ACTIVE SERVICE FOR EARLY ELIGIBILITY FOR RECEIPT OF NON-REGULAR SERVICE RETIRED PAY.

(a) Consideration of 90-day Periods of Service.—Section 12731(f)(2)(A) of title 10, United States Code, is amended by striking “below 60 years of age by three months for each aggregate of 90 days on which such person so performs in any fiscal year after such date, sub-
ject to subparagraph (C)” and inserting “, subject to sub-
paragraph (C), below 60 years of age by three months for
each aggregate of 90 days on which such person serves
on such active duty or performs such active service after
such date”.

(b) RETROACTIVE EFFECTIVE DATE.—The amend-
ment made by subsection (a) shall take effect as of Janu-
ary 28, 2008, and as if included in the National Defense
Authorization Act for Fiscal Year 2008 (Public Law 110–
181) as enacted.