

## ***Advocacy Requests Better Analysis of Small Business Impact of Federal Reserve and Treasury's Proposed Rule on Unlawful Internet Gambling***

On December 12, 2007, the U.S. Small Business Administration's Office of Advocacy (Advocacy) filed comments with the Federal Reserve and the Department of Treasury (the agencies) on proposed regulations on Unlawful Internet Gambling. A copy of Advocacy's comments can be found at: [www.sba.gov/advo/laws/comments](http://www.sba.gov/advo/laws/comments).

- The proposed rule requires participants in designated payment systems to establish policies and procedures reasonably designed to identify and block or otherwise prevent or prohibit transactions in connection with unlawful Internet gambling. The proposed rule does not specify which gambling activities or transactions are legal or illegal because the Act itself defers to underlying State and Federal gambling laws in that regard; determinations under those laws may depend on the facts of specific activities or transactions (such as the location of the parties).
- Advocacy commented that the agencies may not have fully considered the economic impact on small businesses as required by the Regulatory Flexibility Act (RFA). Although the initial regulatory flexibility analysis (IRFA) submitted by the agencies identified types of small businesses that are affected by the proposal, it failed to provide information about the nature of the impact as required by the RFA.
- The agencies also failed to analyze viable alternatives as required by the RFA.
- The RFA also requires an agency to identify duplicative, overlapping, or conflicting federal rules. In the proposal, the agencies did not make such an identification. Instead, the agencies sought public comment on whether there are statutes or regulations that would duplicate, overlap, or conflict with the proposed law. Advocacy commented that the RFA places the duty to identify existing regulations on agencies, not small entities.
- Advocacy encouraged the agencies to prepare and publish for public comment a revised IRFA to determine the full economic impact on small entities and consider significant alternatives to meet its objective while minimizing the impact on small entities before going forward with the final rule.

For more information, visit Advocacy's webpage at [www.sba.gov/advo](http://www.sba.gov/advo) or contact Jennifer Smith at 202-205-6943.