

Family First Credit Union
Unlawful Internet Gambling Enforcement Act
Policy and Procedures
Regulation GG

Introduction

The United States Department of the Treasury and the Federal Reserve Board (the Agencies) have issued a final rule to implement applicable provisions of the Unlawful Internet Gambling Enforcement Act of 2006 (the Act). (Regulation GG – UIGEA)

The final rule is effective January 19, 2009. For those that are not exempt under this rule (see the “Exceptions” herein), the effective date is December 1, 2009.

Background

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,” defined as “placing, receiving, or otherwise knowingly transmitting 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 Federal or State law in the State or Tribal lands in which the bet or wager is initiated, received, or otherwise made.”

The Act requires the Agencies to designate payment systems that could be used in connection with or to facilitate restricted transactions by “commercial customers” (members). It also requires the Agencies to prescribe regulations requiring designated payment systems and financial transaction providers participating in each designated payment systems to establish policies and procedures reasonably designed to identify and block or otherwise prevent or prohibit restricted transactions by commercial members.

Purpose

The purpose of this policy is to prevent unlawful Internet gambling businesses from utilizing the credit union system. Family First Credit Union established this written policy and procedures to screen and prevent unlawful Internet gambling businesses (casinos and others) from opening an account at the credit union. The credit union’s field of membership does not include Lawful Internet Gambling businesses.

Policy

The rule focuses on screening for Unlawful Internet Gambling businesses at the time of account opening. Family First Credit Union's field of membership does not include any kind of business account including Lawful Internet Gambling businesses.

Under the rule, the Credit Union is not required to monitor or determine whether its member is a gambler except that we 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/MasterCard/etc.) 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 our customers' accounts) related to unlawful Internet gambling to be in compliance with the Final Rule.

The focus of the rule falls on commercial member accounts. The Credit Union 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.

Family First Credit Union will follow the procedure listed below when an account is opened.

1. Determine whether the account is for an individual or commercial customer.
2. For accounts determined to be for individuals, no further steps are required.
3. For commercial accounts where the credit union determines there is "minimal risk" of it being an Internet casino, no further steps are required. Documents stating such should be filed with the account agreement.
4. For commercial accounts where it can't be immediately determined that there is "minimal risk" the applicant that does not operate as an Internet casino should certify that they do not engage in Internet gambling business. For those that certify this, no further steps are required. Documentation stating the same should be signed by the member and filed with the account agreement.
5. For commercial 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 the Internet gambling entity is operating legally on the casino itself and its governing authorities. Documentation of evidence must be filed with the account agreement.

When the Credit Union has “actual knowledge” that one of their commercial members is participating in restricted transactions, the Credit Union may use its own judgment as to when a member would benefit from counseling on their infraction or if it were more appropriate to deny a member access to a payment system or even to close the account.

The “actual knowledge” standard is met when a particular fact with regard to a commercial member is known by or brought to the attention of an individual responsible for compliance functions at the Credit Union or an officer of Family First Credit Union.

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 said member no later than December 1, 2009.

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. Family First Credit Union does not offer commercial accounts at this time.

When Family First Credit Union begins offering commercial accounts the new account agreement will provide notification (one time) to new commercial members.

The Board of Directors approved and adopted this policy on

March 4, 2016