

## Global Partner Management Notice

**Subject: Visa Encourages Members to Review Policies Governing Internet Gambling Transactions to Comply with Unlawful Internet Gambling Enforcement Act of 2006**

**Dated:** May 1, 2009

**Announcement:**

### Background

On November 18, 2008, the Department of the Treasury and the Federal Reserve Board released a joint final rule to implement the Unlawful Internet Gambling Enforcement Act (UIGEA) of 2006. The Act prohibits gambling businesses from knowingly accepting payments in connection with unlawful Internet gambling. This new rule also requires U.S. financial institutions that participate in designated payment systems to establish and implement reasonable policies and procedures to prevent payments to gambling businesses in connection with unlawful Internet gambling. Compliance with the UIGEA is required by December 1, 2009.

Members are urged to review their risk management practices to ensure compliance with the new UIGEA requirements by the December 1 deadline. While Visa maintains controls to support member risk management strategies, members are ultimately responsible for compliance with UIGEA requirements.

Members are reminded that Visa also maintains controls to minimize the risks presented by Internet gambling transactions. These controls include regulations that prohibit illegal transactions, a coding and blocking scheme to support issuer authorization decisions, and a global compliance program to ensure that Internet gambling transactions are properly identified.

Visa is considered a financial institution under the UIGEA and will be reviewing its own policies and procedures to maintain compliance with this rule. Any changes to Visa Operating Regulations or risk policies will be published in advance of the rule's effective date.

### Acquirers Must Conduct Adequate Due Diligence Reviews of Electronic Commerce Merchants

Visa Operating Regulations require that entities submit only legal transactions into the Visa payment system. This requirement has successfully protected the Visa system by requiring issuers and acquirers to ensure that cardholders and merchants use the Visa system for legal transactions.

Acquirers are responsible for conducting adequate due diligence reviews of their electronic commerce merchants to ensure that they are not engaged in any activity that violates the *Visa U.S.A. Inc. Operating Regulations* or the *Visa International Operating Regulations*.

### Acquirer Impact—Visa U.S.A. Inc. Operating Regulations

• **Section 1.15.B.45—Lawfulness of Visa Transactions:** As stated in the Operating Regulations, "By submitting Visa Transactions into Interchange, an Acquirer warrants that the Transaction and the Transaction Receipt do not violate, and will not cause an Issuer to violate, applicable law. The Acquirer agrees to indemnify and hold harmless the Issuer and Visa for all Claims and Liabilities resulting from the Acquirer's breach of this warranty."

• **Section 4.2.D.2—Electronic Commerce Merchant Financial Responsibility:** Please refer to the *Visa U.S.A. Inc. Operating Regulations* for a full description of this regulation. Key requirements include the following:

- Verify that the merchant is operating within the acquirer's jurisdiction, as specified in the *Visa International Certificate of Incorporation and By-Laws* and *Visa International Operating Regulations*

- Ensure that the merchant is not engaged in any activity that is in violation of the *Visa International Operating Regulations* and *Visa U.S.A. Inc. Operating Regulations*

### VisaNet Data Elements for Internet Gambling Transactions

*Visa U.S.A. Inc. Operating Regulations* require that online gambling merchants use the following authorization data elements to correctly identify their transactions. Acquirers (on a global basis) must ensure that their Internet gambling merchants use the correct data elements to enable issuers to make effective authorization decisions.

Identifier	Description
Merchant Category Code 7995 (Field 18)	Betting including Lottery Tickets, Casino gaming Chips, Off-Track Betting, and Wagers at Race Tracks
Processing Code 11( Field 3)	Quasi cash/ Internet Gambling Transaction
POS Condition Codes 01, 08, 59 ( Field 25)	Card Not Present/Mail/Telephone Order/ Electronic Commerce

### Internet Gambling Audit Program

The Internet Gambling Audit Program (IGAP) is a global compliance program that monitors Internet gambling transactions to ensure that they are properly identified and contain the required data elements. Acquirers with merchants that fail to properly identify Internet authorization requests for online gambling transactions may be subject to penalties under the IGAP if an authorization request for an online gambling transaction contains incorrect data or fails to include both:

- Merchant Category Code 7995, as specified in **Section 5.4.C—Online Gambling Transactions** of the *Visa International Operating Regulations* □ POS Condition Code 59, as specified in **Exhibit 3B—Required Message Content for VisaNet Authorization Requests** of the *Visa International Operating Regulations*

Acquirer will incur penalties for incorrectly identifying authorization requests for online gambling transactions.

Best Regards,

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