

**Testimony of Mark Holland, Partner, Baker Tilly
June 7, 2007**

**Submitted for the Record Concerning
Legislative Hearing on H.R.2046, the "Internet Gambling Regulation
and Enforcement Act of 2007"**

**Held Before the Financial Services Committee
United States House of Representatives
On Friday, June 8, 2007, at 10:00 a.m.**

Mr. Chairman and Members of the Financial Services Committee, I am Mark Holland. I am a member of Baker Tilly Tax and Advisory Services LLP, a UK Limited Liability Partnership, trading as Baker Tilly. Baker Tilly is a trading name of:

- Baker Tilly Tax and Advisory Services LLP
- Baker Tilly UK Audit LLP
- Baker Tilly Corporate Finance LLP
- Baker Tilly Restructuring and Recovery LLP
- Baker Tilly Services Limited

Baker Tilly ("BT") has provided back office services to SecureTrading Group Ltd, a UK Limited Company which operates a payments business that specialises in the secure processing and settlement of Internet credit card transactions.

I appreciate the opportunity to submit written testimony to you concerning my experience of the provision of back office services in relation to the secure processing of Internet credit card transactions with respect to high-risk transactions, in particular Internet gambling transactions.

I. INTRODUCTION

BT is an independent member of Baker Tilly International, a global network which has 126 independent member firms in 93 countries. The aggregate worldwide annual fee income of the Baker Tilly International member firms is in excess of \$2.2 billion, making Baker Tilly International the 8th largest accounting network in the world, by fees.

SecureTrading Group Ltd and BT have together developed a combination of processes and technology in the e-commerce sector which is specifically designed with the intention of providing security, protecting against fraud and money laundering and restricting other abuses in areas of e-commerce that are perceived to pose special risks, such as travel reservations and Internet gambling transactions collectively known as the 'SGBT System'.

II. THE OPERATION OF THE SGBT SYSTEM

BT is not a payment service provider and does not have oversight of any of Secure Trading Group Ltd's activities other than those within the SGBT system for which it has responsibility.

BT is contracted to provide back office and funds management services to SecureTrading Group Ltd.

I have read the testimony of Gerald Kitchen of SecureTrading Group Ltd submitted to the Financial Services Committee in connection with the Legislative Hearing on H.R.2046 and confirm that it accurately describes how the SGBT system operates.

By way of providing a little more detail of those aspects of the SGBT system for which BT is responsible, the back office and funds management functions operate as follows:

- On a daily basis BT extracts all authorised transactions from Secure Trading Group Ltd's secure systems into BT's own secure systems.
- For each Merchant, BT generates a daily notification of the transactions processed by the SGBT system.
- All funds are received into bank accounts controlled exclusively by BT.
- All trading and reserve accounts are reconciled on a daily basis by BT; this includes reconciling funds received from the card acquirer with the transactions processed by SecureTrading Group Ltd.
- BT calculates all relevant deductions, including deposit taxation as per the relevant jurisdiction and similar transaction based costs. These funds are then identified separately from Merchant funds and paid over to the relevant authorities or other recipient 3rd parties.
- All payments are made via electronic banking systems, with payments being made to pre-assigned Merchant bank accounts only.
- BT retains an audit trail of all transactions it processes, detailing all information received by BT and the eventual trail through to payment to the relevant parties.
- BT is compliant with all applicable anti-money laundering requirements.
- All of the BT systems data (including all transaction records) are stored safely on state-of-the-art high security servers.

Other than the back office and funds management functions, all other elements of the SGBT system are operated by Secure Trading Group Ltd, which has the trading relationships both with the Merchants and the acquiring banks.

III. SUPPORT FOR H.R.2046

Whilst BT makes no representations in relation to the legality or illegality of gambling generally or Internet gambling in particular, to the extent that legislation is passed which has the effect of permitting Internet gambling in the United States to any extent, BT supports the introduction of regulation in the Internet gaming industry

with a view to ensuring high standards of consumer protection and the security of financial transactions permitted by any such legislation.

BT considers that the technology exists and is already being utilised successfully, specifically through the operation of the SGBT system, to provide (through the introduction of appropriate regulation) a high degree of consumer protection should the House of Representatives and the Senate choose to pass legislation permitting Internet gambling in the United States.

Mr Chairman, I am grateful to you and the Committee for your time and appreciate the opportunity to submit my remarks for the record.