



**NCLGS**

NATIONAL COUNCIL OF LEGISLATORS FROM GAMING STATES

# **Model Internet Gaming Act**

## **Committee on Model Internet Gaming Legislation**

**DRAFT FOR PUBLIC COMMENT**

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## **NCLGS STATEMENT OF POLICY**

NCLGS proposes the following Internet Gaming Act to serve as model legislation establishing legislative and regulatory standards for implementing internet gaming at the state level. In crafting this document, we fully realize that each state has a unique gaming sector with disparate interests and concerns. Nonetheless, we believe the regulatory framework set forth herein may be a useful tool for consideration as states embrace the vast potential of internet gaming.

The objectives of this model legislation are to establish an effective, comprehensive, and efficient regulatory framework consistent with public policy that will foster public confidence and trust in the integrity of the regulatory process and the fairness of internet gaming operations. The regulatory provisions are intended to extend strict regulation and oversight over all aspects of internet gaming operations. The fundamental principles that permeate this model legislation are as follows:

- A. It is in the state's interest that the implementation of iGaming be accomplished in a manner that compliments, and does not adversely impact upon, the licensed casino and racino facilities that may exist in a particular state.
- B. It is in the public interest that the implementation and administration of iGaming be strictly regulated. The state's objective is to attain public confidence while shrinking illegal gaming activities and increasing new revenue to the state. A comprehensive licensing structure is imperative to accomplish this objective.
- C. A Gaming Regulatory Authority is hereby established to regulate internet gaming operations, whose broad duties and powers are set forth herein. The Gaming Regulatory Authority shall have financial and administrative independence in conducting its affairs. The objectives of the Gaming Regulatory Authority are to maintain and administer regulatory systems for the licensing, supervision, and oversight of all aspects of gaming operations for the purpose of ensuring that the management and operation of internet gaming is carried out by persons who are suitable for participation in the gaming industry, and remains free from criminal influence or exploitation. The Regulatory Authority must provide a framework that allows for internet gaming to be conducted honestly and fairly while minimizing the potential harm to minors, vulnerable persons and society at large.

If a state already has a gaming regulatory authority, internet gaming should be regulated by that agency.

- D. Any form of internet gaming that is conducted without the approval of the Gaming Regulatory Authority shall be illegal and subject to sanctions.
- E. Gaming regulators must be vigilant in enforcing regulatory requirements, especially in the critical areas of patron identification, anti-money laundering ("AML") and Know your Customer ("KYC") controls and procedures. For their part, internet gaming operators and vendors must be cognizant of their responsibilities to adhere to the regulatory requirements or risk losing the privilege of a license.
- F. The manufacturers and suppliers of equipment and computer software used in the operation of internet gaming, as well as their affiliates, and game content providers must obtain the requisite licensing as outlined by the Regulatory Authority.

- G. Operators shall be committed to providing the highest standards of customer care and promoting responsible gaming practices. To this end, the model iGaming legislation establishes certain requirements in the public interest with respect to responsible gaming that must be satisfied to obtain and maintain an internet gaming operator license. In addition, the Regulatory Authority is tasked with implementing responsible gaming standards and working with permissible jurisdictions to establish best practices across state lines.
- H. It is important to establish a tax rate for internet gaming that will maximize revenues and allow for competitiveness with other gaming jurisdictions. The model legislation affords states the latitude to impose a tax rate within certain specified boundaries and to designate the allocation of tax revenues for specific community purposes. NCLGS recommends a tax rate between 15 percent and 25 percent to achieve this desired result. A competitive tax rate also allows competitive technological growth without creating a barrier of entry for future market participation.
- I. It is in the public interest, to the extent permitted by state or federal law, to maximize the ability of diverse suppliers, including minorities, veterans, women and minority, women and veteran-owned businesses to participate in the internet gaming industry, including through the ownership of entities licensed to conduct internet gaming or to provide goods or services to internet gaming operators.
- J. The application and enforcement of the licensing provisions contained herein by the Gaming Regulatory Authority shall not be arbitrary, capricious, or contradictory to the express provisions of this model legislation. In evaluating the eligibility and suitability of an applicant under the standards provided herein, the Gaming Regulatory Authority shall establish and apply the standards to each applicant in a consistent and uniform manner.
- K. Nothing herein shall prohibit the sale of internet lottery games by a Lottery Commission or other duly constituted lottery agency.
- L. Nothing herein shall be intended to regulate any aspect of tribal gaming, which is governed exclusively by the Indian Gaming Regulatory Act and individual state compacts.

## MODEL INTERNET GAMING ACT

### Chapter 1. Legislative Findings

- A. The Legislature finds that it is in the best interests of the state for the state to operate internet wagering and that it is the intent of the Legislature to authorize internet wagering within the state and through reciprocal agreements with other approved jurisdictions.
- B. The Legislature finds that illegal internet wagering channels operating throughout the United States pose a critical threat to the safety and welfare of the citizens of the state and that a secure and highly regulated policy framework will protect the public and positively benefit state revenues and the state's economy.
- C. The Legislature finds that the most effective and efficient manner in which the state can operate and regulate the forms of internet wagering authorized by the provisions of this article is to limit the number of authorized operators to those who are licensed.
- D. The Legislature finds that the granting of licenses pursuant to the provisions of this article, while maintaining all ownership rights and exercising control through strict regulation of all internet wagering authorized by the provisions of this article, constitutes an appropriate exercise by the Legislature of the power granted it by the state.
- E. The Legislature finds that the operation of internet wagering in conjunction with our brick-and-mortar casinos serves to protect, preserve, promote, and enhance the tourism industry of the state as well as the general fiscal well-being of the state and its subdivisions.

### Chapter 2. Definitions

- A. "Gaming Regulatory Authority" means the appropriate state regulator (Commission, Lottery, etc.) tasked with supervising, overseeing and implementing an internet gaming regulatory framework.
- B. "Internet Game" means an internet-based game conducted on a computer, mobile device or any other internet device, in which a patron wagers money for the opportunity to win money or something of monetary value. Authorized internet games include but are not limited to poker, blackjack, craps, roulette, cards, slots, progressives, jackpots, game show style games, games driven by a random number generator/remote gaming service, peer-to-peer and skill-based games, or any other games substantially equivalent to those typically offered at a casino, and any other game approved by the Gaming Regulatory Authority.
- C. "Internet Gaming" means the business of accepting monetary wagers on internet games via approved gaming operations that are conducted online in accordance with regulations via a computer, a laptop, a game console, a tablet, a mobile phone, or any other digital device that has internet access and game play capabilities.
- D. "Internet Gaming Account" means an account established by a patron for the deposit and withdrawal of funds used for internet wagering. A patron may deposit by method(s)

approved by the Gaming Regulatory Authority and withdraw funds for internet gaming and other authorized purchases, and to which the operator may credit winnings or other amounts due to or authorized by that patron; provided, however, that such account may be established, verified and funded by the patron remotely through an approved internet gaming platform, and the patron may be permitted to use the same account to participate in internet gaming and mobile or digital sports wagering with an operator licensed to conduct both internet gaming and mobile or online sports wagering.

- E. “Internet Gaming Operator” means a party or parties licensed by the Gaming Regulatory Authority to operate internet gaming.
- F. “Internet Gaming Platform” means the combination of hardware and software, or other technology designed and used to manage, conduct, and record internet gaming and the wagers associated with internet gaming.
- G. “Internet Gaming Brand” means the names, logos and brands that an Internet Gaming Operator holds out to the public as its internet gaming platform.
- H. “Internet Gaming Skin” means a distinctly branded internet gaming platform operated by an internet gaming operator, which may encompass a website, mobile application, or other portal to the internet gaming platform. The brand may be that of the internet gaming licensee or its affiliate, the internet gaming management vendor, or another brand as agreed upon by the internet gaming licensee and its internet gaming management vendor.
- I. “Live Dealer Internet Game” means an internet game, typically offered in a casino, or any other game approved by the Gaming Regulatory Authority, conducted by a gaming attendant (e.g., dealer, croupier, etc.) or gaming equipment (e.g., an automated roulette wheel, ball blower, gaming device, etc.), or both, in a live internet game studio in which video is streamed to an internet gaming platform and patrons have the ability to communicate game decisions through the internet gaming platform, and may be permitted to interact with game attendants and fellow patrons.
- J. “Live Internet Game Studio” means a physical location in the state or in a permissible jurisdiction in accordance with a multi-state internet gaming agreement, which utilizes live video and audio streaming technology to provide an internet gaming licensee with a live internet game simulcast.
- K. “Permissible Jurisdiction” means a jurisdiction other than this state from which wagers on internet gaming may be accepted pursuant to a multi-state internet gaming agreement.

### Chapter 3. Establishment of Gaming Regulatory Authority

- A. There is hereby established an independent governmental agency to be known as the Gaming Regulatory Authority, which shall regulate and oversee all aspects of internet gaming operations.
- B. In states that have an established gaming regulatory authority regulating casinos, racinos or sports wagering, the gaming regulatory authority should operate within these parameters.
- C. The Gaming Regulatory Authority shall have financial and administrative independence in performing its duties and responsibilities, subject to oversight and audit
- D. The Gaming Regulatory Authority shall either be duly constituted as a law enforcement agency with all of the powers and authority generally associated therewith, or alternatively, undertake a collaborative association with the state's law enforcement agencies to detect and deal with illegal activities.
- E. The Gaming Regulatory Authority shall have exclusive jurisdiction to issue, renew, revoke, or suspend internet gaming licenses, conduct investigations, impose sanctions, and govern all aspects of internet gaming operations in the state.
- F. The Gaming Regulatory Authority shall have the power to:
  - 1. hold hearings, administer oaths, issue subpoenas or subpoenas duces tecum and compel production of records or other documents and testimony of witnesses whenever, in the judgment of the Gaming Regulatory Authority, it is necessary;
  - 2. promulgate rules which may include, but are not limited to, those governing the acceptance of wagers on internet games; maximum wagers which may be accepted by an operator from any one patron on any one internet game; method of accounting to be used by operators; types of records which shall be kept; protections for patrons placing wagers and enforcement of responsible gaming measures.
  - 3. compel any person licensed by the Gaming Regulatory Authority to file such data, documents, and information as shall appear to the Gaming Regulatory Authority to be necessary for the performance of the duties under this article, including, but not limited to, financial statements;
  - 4. enter into arrangements with any state or state government agency for the purposes of exchanging information, entering into multi-state internet gaming agreements, or performing any other act to better ensure the proper conduct of internet gaming under this article.
  - 5. The Gaming Regulatory Authority shall be funded by the legalized internet gaming operations which it is charged with regulating, through the receipt of application fees, licensing fees, monetary fines imposed for regulatory infractions, proportional assessments, or other mechanisms for equitable reimbursement of regulatory costs, and may receive governmental appropriations as may be necessary to carry out its duties and responsibilities.

G. Code of Ethics for Gaming Regulatory Authority

1. The Gaming Regulatory Authority shall establish and maintain a Code of Ethics governing its specific needs to apply to all members and employees of the Gaming Regulatory Authority. In the discharge of its powers, duties and responsibilities, the Gaming Regulatory Authority shall conduct its business consistent with the highest ethical standards. Members and employees of the Authority are expected to conduct business in such a manner as to promote and preserve public confidence and trust in the regulatory process. Conflicts of interest and the appearance of impropriety must be avoided to maintain public support.
2. Members and employees of the Gaming Regulatory Authority and their spouses and cohabitants shall be prohibited from wagering on internet gaming in the state.

**Chapter 4. Internet Gaming Operators; Licensing**

- A. It shall be unlawful for any person to offer or accept internet gaming wagers in this state without a valid internet gaming operator license.
- B. The state shall determine in its discretion the number of licensed internet gaming operators to be authorized and the methodology for their selection.
- C. The state may establish a competitive bidding process for a finite number of internet gaming operators.
- D. The state may limit the internet gaming operators to the licensed casino gaming, racino, and sports betting operators in the state.
- E. The state may issue internet gaming operator licenses to the licensed casino gaming, racino and sports betting operators in the state and allow for those operators to contract with entities, via an internet gaming skin as defined in this article, to conduct internet gaming.
- F. The state shall establish a maximum number of internet gaming skins, for each licensed internet gaming operator, to be licensed by the Gaming Regulatory Authority to the same standards and requirements as internet gaming operators.
- G. The Regulatory Authority shall offer an abbreviated application process for applicants that currently hold a valid sports wagering operator license and are in good standing

**Chapter 5. General License Requirements**

- A. It shall be the affirmative responsibility of each applicant and licensee to establish by clear and convincing evidence his individual qualifications, and for an internet gaming operator licensee, the qualifications of each person who is required to be qualified under this Act.
- B. All applicants shall pay a non-refundable application fee of (amount to be determined by state)
- C. An applicant for licensure is required to demonstrate by clear and convincing evidence that the applicant, and all of its qualifiers, has good character, honesty and integrity, and

financial stability, integrity, and responsibility.

- D. The officers, directors, persons holding directly or indirectly greater than 5% ownership interest in an internet gaming operator applicant or licensee, any person having significant influence or control over internet gaming operations, and any other person who the Gaming Regulatory Authority designates as appropriate for qualification, shall be required to be qualified under this Act.
- E. The officers and directors of an applicant's or licensee's parent companies and persons holding directly or indirectly greater than 5% ownership interest in a parent company of an internet gaming operator applicant or licensee shall be required to be qualified under this Act.
- F. Any applicant, licensee, registrant, or any other person who must be qualified pursuant to this Act shall provide all information required and satisfy all requests for information pertaining to qualification and in the form specified by regulation.
- G. All applicants, licensees, registrants, and persons who must be qualified pursuant to this Act shall waive liability as to the state and its instrumentalities and agents, for any damages resulting from any disclosure or publication in any manner, other than a willfully unlawful disclosure or publication, of any material or information acquired during inquiries, investigations, or hearings.
- H. All applicants, licensees, registrants, and persons who must be qualified pursuant to this Act shall have the continuing duty to provide any assistance or information required by the Gaming Regulatory Authority, and to cooperate in any inquiry, investigation or hearing conducted by the Gaming Regulatory Authority.
- I. All applicants, registrants, qualifiers, or licensees shall pay the costs of all background investigations, as applicable.
- J. No internet gaming operator license shall be issued unless all persons designated as qualifiers by the Gaming Regulatory Authority have been found qualified under this Act and are not disqualified by reason of any disqualification criteria in this Act.

## **Chapter 6. Disqualification Criteria for an Internet Gaming Operator License**

- A. An internet gaming operator license application shall be denied if:
  - 1. the applicant or any person required to be found suitable under this Act or regulation has been convicted of a felony, or an offense involving embezzlement, theft, fraud, or perjury within the past ten years in any jurisdiction, unless the conviction has been expunged by a court of competent jurisdiction.
  - 2. the Authority determines by clear and convincing evidence that the applicant or any person required to be found suitable under this Act or regulation has committed a felony or an offense involving embezzlement, theft, fraud, or perjury within the past ten years in any jurisdiction even if such conduct has not been prosecuted or, if prosecuted, has been terminated in a manner other than with a conviction.



3. the applicant has intentionally provided material information on the application that is untruthful, misleading, or inaccurate.
4. the applicant has failed to cooperate with the background investigation.

### **Chapter 7. Temporary License for an Internet Gaming Operator**

- A. During the first 12 months after the effective date of this Act, the Authority may issue a temporary internet gaming operator license, subject to the provisions of this Subchapter. A temporary internet gaming operator license issued under this Subchapter shall remain in effect until the earlier of the date occurring 12 months after the issuance of the authorization or other date upon which the Authority makes a final determination on the person's license. The effectiveness of a temporary internet gaming operator license may be extended by the Authority, upon showing of good cause, for up to 6 months.
- B. A temporary internet gaming operator license shall allow an applicant for an internet gaming operator license to engage in all functions of internet gaming during the duration of the temporary internet gaming operator license.
- C. A temporary internet gaming operator license may not be issued unless:
  1. the applicant has submitted a complete application for an internet gaming operator license;
  2. the applicant agrees to pay or has paid the internet gaming operator license fee prior to issuance of the temporary internet gaming license;
  3. the Authority has completed a preliminary background investigation of the applicant and any qualifier or key employee of the applicant determined by the Authority to be included in the investigation and found no adverse information that would impact suitability for licensure; and
  4. the applicant holds a plenary license in good standing to conduct internet gaming issued by a proper authority in another state or territory of the United States that the Authority has determined imposes requirements for licensure and qualification substantially equivalent to or exceeding the requirements in this state.
- D. A temporary internet gaming operator license issued to an applicant for an internet gaming operator license under this Subchapter may be suspended or revoked by the Authority, in its discretion, if the Authority determines that the applicant is not suitable to continue to conduct internet gaming.

### **Chapter 8. Internet Gaming Operator Licensing with Land-Based Casinos**

- A. The Gaming Regulatory Authority shall issue an internet gaming license to any holder of a land-based casino license that meets the requirements of this chapter and the regulatory framework of the Gaming Regulatory Authority. A holder of an internet gaming license may offer internet gaming via internet gaming platforms. A holder of an internet gaming license may contract with gaming platform providers by issuing up to [maximum number to be decided by state] internet gaming skins to gaming platform providers. The internet

gaming platforms shall not be required to be branded or co-branded with the brand of the holder of the internet gaming license. Furthermore, the licensee may offer their platform under multiple internet gaming brands.

- B. Grant of License. Upon application by a gaming facility and payment of a [fee to be decided by state] application fee, the Gaming Regulatory Authority shall immediately grant an internet gaming license to an operator that provides for the right to conduct internet gaming in the state.
- C. Skin Qualifications and Fee. Each applicant for an internet gaming skin shall meet all requirements for licensure and pay a nonrefundable license and application fee of [fee to be decided by state]. The Gaming Regulatory Authority may adopt rules establishing additional requirements for an authorized skin holder. The Gaming Regulatory Authority may accept licensing by another jurisdiction that it specifically determines to have similar licensing requirements as evidence of meeting the Gaming Regulatory Authority licensing requirements.

## **Chapter 9. License and Registration Requirements for Employees of an Internet Gaming Operator**

### **A. General Requirements**

- 1. No person shall be employed by or perform services for an internet gaming operator unless the person has been licensed or registered in accordance with procedures and standards established by the Gaming Regulatory Authority.
- 2. The Gaming Regulatory Authority shall designate by regulation which positions require a key employee license or an employee registration.

### **B. Key Employee Licensing**

- 1. An applicant for a key employee license shall establish its individual qualifications, including good character, honesty and integrity and financial stability, integrity, and responsibility by clear and convincing evidence.
- 2. Disqualification Criteria
  - a. The Gaming Regulatory Authority shall deny an application for a key employee license and/or revoke a key employee license if the applicant or licensee is disqualified from licensure by any of the following:
    - i. has been convicted of a felony or other crime involving embezzlement, theft, fraud, or perjury within the past ten years;
    - ii. submitted an application for a license that willfully, knowingly or intentionally contains false or misleading information;
    - iii. committed prior acts which have not been prosecuted or in which the applicant was not convicted, but form a pattern of misconduct that makes the applicant unsuitable for a license; or
    - iv. has affiliates or close associates including members of organized crime

and other persons of disreputable character, that would not qualify for a license or whose relationship with the applicant may pose an injurious threat to the interests of the public in awarding a gaming license to the applicant

C. Employee Registration Requirements

1. The Gaming Regulatory Authority shall deny and/or revoke an employee registration if the person is disqualified by any of the following:
  - a. has been convicted of a felony or other crime involving embezzlement, theft, fraud, or perjury in the past ten years;
  - b. submitted a registration form that willfully, knowingly, or intentionally contains false or misleading information;
  - c. committed prior acts which have not been prosecuted or in which the registrant was not convicted, but form a pattern of misconduct that makes the registrant unsuitable; or
  - d. has affiliates or close associates, including members of organized crime and other persons of disreputable character, that would not qualify for a license or whose relationship with the applicant may pose an injurious threat to the interests of the public in awarding a registration to the applicant.

D. Temporary Licenses for Key Employees

1. Upon petition to the Gaming Regulatory Authority by an internet gaming operator, the Gaming Regulatory Authority may issue a temporary license to an applicant for a key employee license if:
  - a. the applicant for a key employee license has filed a completed application with the Gaming Regulatory Authority; and
  - b. the internet gaming operator certifies, and the Gaming Regulatory Authority finds, that the issuance of a temporary license is necessary for the operation of internet gaming and is not designed to circumvent the normal licensing procedures.
2. A temporary license shall be issued unless:
  - a. A preliminary review of the applicant shows that the applicant has been convicted of a felony or other crime involving embezzlement, theft, fraud, or perjury in the past ten years in any jurisdiction; or
  - b. A preliminary review of the applicant shows that the applicant will be unable to establish his or her qualifications for licensure under the standards established by the Gaming Regulatory Authority.
  - c. Unless otherwise stated by the Gaming Regulatory Authority, a temporary license shall expire six months from the date of its issuance and may be renewed, at the discretion of the Authority, for an additional six-month period.

## Chapter 10. Internet Gaming Suppliers; Licensing

- A. It shall be unlawful for any person to provide services, goods, software or other components for offering internet games under this Article, to any internet gaming operator or provider without first obtaining a valid internet gaming supplier license.
- B. A non-refundable application fee of [amount to be determined by the state] shall apply to all applicants.
- C. A person who conducts business, directly or indirectly, with an internet gaming license applicant or gaming licensee for provision of goods or services that directly relates to internet gaming, including, but not limited to, a person who does any of the following, shall be required to obtain a valid internet gaming supplier license:
  - 1. Manufactures, sells, leases, supplies, or distributes devices, machines, equipment, accessories, or items that:
    - a. are used in conducting internet gaming operations;
    - b. are used in connection with a game that is played in internet gaming;
    - c. have the capacity to affect the calculation, storage, collection, electronic security, or control of the gaming revenues from internet gaming;
    - d. Provides maintenance services or repairs internet gaming equipment;
    - e. Provides gaming software systems such as accounting and patron monitoring systems;
    - f. Are independent testing laboratories;
    - g. Supply internet gaming software or systems;
    - h. Manage, control, or administer the internet games or the bets or wagers associated with the games;
    - i. Provides items or services that the Authority has determined are used in or are incidental to internet gaming; or
    - j. Provides game content or serves as a game aggregator as defined by regulation.
- D. Applicants for a supplier license are required to affirmatively demonstrate their good character, honesty and integrity, and their financial stability, integrity and responsibility.
- E. The Gaming Regulatory Authority shall establish regulations governing the scope of licensing for suppliers.
- F. The disqualification criteria for internet gaming operators in Chapter 6 shall apply to suppliers.

## Chapter 11. Renewals of Licenses

- A. Any license issued pursuant to this Article shall be valid for a period of five years.
- B. At least 90 days prior to the expiration of a license, the licensee shall submit a renewal application as required by the Regulatory Authority.
- C. A renewal fee shall be paid as follows:
  - 1. [amount to be determined by the state] for an internet gaming operator's license.
  - 2. [amount to be determined by the state] for an internet gaming platform provider license.
  - 3. [amount to be determined by the state] for an internet gaming supplier license.

## Chapter 12. Taxation

- A. For the privilege of holding a license to operate internet wagering under this article, the state shall impose and collect 15 percent of the licensee's adjusted gross revenue for the operation of internet gaming. This privilege tax is in lieu of all other taxes and fees imposed on the operation of internet gaming or on the proceeds from the operation of internet gaming in this state.

*NCLGS Note: NCLGS recommends a tax range between 15 percent and 25 percent for internet gaming. The average tax rate in the United States (excluding Pennsylvania) is 19 percent. Some states have opted for a graduated tax rate. For instance, in Michigan online operators pay a graduated tax rate based on adjusted gross receipts.*

- B. The tax levied and collected pursuant to this Article is due and payable to the Gaming Regulatory Authority in monthly installments on a date to be determined by the Regulatory Authority and in a payment method as prescribed by the Regulatory Authority.
- C. A person who is required to file a return under this Article must keep a record of all documents used to determine information the person provides in a return. These records shall be open at all times for inspection by the Regulatory Authority or an authorized representative of the Regulatory Authority and shall be kept for the applicable period of statute of limitations as set forth under state law.
- D. If the amount of adjusted gross wagering revenue is a negative number for any month, the internet gaming operator shall carry forward the negative amount to the return filed for the subsequent month.

### Chapter 13. Authorization of Internet Wagering; Requirements

- A. An operator may accept wagers from an individual physically located within this state using a mobile or other digital platform or an internet wagering device, approved by the Regulatory Authority, through the patron's internet wagering account.
- B. An internet gaming account may only be opened by an individual 21 years or older.
- C. Internet gaming accounts may be established remotely and be capable of depositing and withdrawing funds remotely.
- D. Total deposits by an individual over a 24-hour period shall not exceed \$20,000.00.
- E. Internet gaming operators and platform providers may permit patrons to make deposits to and withdrawals from internet gaming accounts using the following methods:
  - 1. Online and mobile payment systems that support online money transfers;
  - 2. Debit cards;
  - 3. Digital wallets (including PayPal, Venmo and other similar digital wallets) where the provider of the digital wallet provides assurance that a credit card has not been used to deposit funds into the digital wallet.
  - 4. Prepaid cards not purchased with credit cards;
  - 5. Bank wires;
  - 6. Cash (via casino locations or other approved retail locations);
  - 7. Any other form approved by the Regulatory Authority.
- F. Internet gaming accounts shall meet the following requirements:
  - 1. A patron shall not have more than one internet gaming account with each internet gaming brand;
  - 2. Be registered in the name of the patron;
  - 3. Be established through the internet gaming operator or platform provider;
  - 4. Accounts shall not be transferable;
  - 5. Virtual private network or similar technology that falsifies a patron's physical location is prohibited;
  - 6. Collusion, cheating or other unlawful activity as outlined in state law or by the Regulatory Authority is prohibited;
  - 7. Age-verification measures are required by the internet gaming operator or platform provider to establish internet gaming accounts remotely.
  - 8. Any requirements as approved by the Regulatory Authority.
- G. Internet gaming platforms shall meet the following requirements:
  - 1. Age and location verification mechanisms designed to prevent an individual less than 21 years of age from establishing an internet wagering account;

2. Age and location verification mechanisms to prevent individuals not physically located within the state or within a permissible jurisdiction from establishing an internet wagering account;
3. Ensure internet wagering is limited to transactions that are initiated and received within the state or a permissible jurisdiction;
4. Verify that an internet wagering patron is physically located within the state or permissible jurisdiction when a wager is made;
5. Ensure that proper payments and refunds are made to patrons expeditiously or in a time period required by regulation.
6. Any other requirements as approved by the Gaming Regulatory Authority.

#### **Chapter 14. Suspension and Termination of Internet Gaming Accounts**

- A. The Regulatory Authority shall establish rules and conditions for suspension or termination by the GRA or operator of an internet gaming account.

#### **Chapter 15. Multi-State Internet Gaming Agreements with Permissible Jurisdictions**

- A. The state may enter into reciprocal agreements with permissible jurisdictions for the conduct of internet gaming, provided such agreements are not inconsistent with federal law and the law of the jurisdiction in which the person placing a wager is located.
- B. An internet gaming operator or platform provider in this state may accept internet gaming wagers from persons physically located in a permissible jurisdiction pursuant to a reciprocal agreement.
- C. A reciprocal agreement with a permissible jurisdiction may allow a person physically located in this state to place a wager with an internet gaming operator or platform provider in such permissible jurisdiction.

#### **Chapter 16. Creation of Player Health Program**

- A. The state hereby creates the Player Health Program to increase public awareness of problem gambling, promote responsible gaming and provide services for problem gambling prevention, treatment and recovery services.
- B. The Regulatory Authority shall develop and administer the Player Health Program.
- C. The Player Health Program Fund is hereby established and consists of the following funding mechanisms:
  1. Fees deposited in association with this Article;
  2. Money appropriated to the fund by the legislature;
  3. Money received from other sources including, but not limited to, donations or gifts.
  4. A specific percentage of the tax levied on gaming revenue, as set by regulation.

- D. Expenses associated with the Player Health Program Fund shall be paid from money in the fund.
- E. Any money in the fund following expenses in the State Fiscal Year shall remain in the fund and not revert to the State General Fund.

### **Chapter 17. Duties of the Player Health Program**

- A. The Player Health Program may include the following duties and responsibilities:
  - 1. Development and implementation of awareness campaigns to educate the public on the risks associated with gambling and the consequences of problem gambling;
  - 2. Development and implementation of treatment programs for individuals with gambling addiction and comorbid disorders;
  - 3. Coordination with other states and their regulatory frameworks to gather information and implement best practices;
  - 4. Contract with public or private entities to assist with the conducting and implementation of the Player Health Program;
  - 5. Consultation with national and state entities dedicated to responsible and problem gambling in developing best practices.

### **Chapter 18. Responsible Gaming Best Practices**

- A. Responsible Gaming Lead. Each Internet Gaming Operator shall implement a Responsible Gaming Lead for the state who shall be responsible for collaborating with the Regulatory Authority in ensuring at risk patrons are provided responsible gaming information such as community-based resources and resources available by the Operator.
- B. Automated Triggers. The Regulatory Authority shall work with Internet Gaming Operators to designate trained AI solutions to identify potentially risky or dangerous play based upon a patron's account activity and previous behavior. Automated triggers should include but not be limited to:
  - 1. Total deposits exceeding a sum specified by the Gaming Regulatory Authority in a patron's account(s) over a 24-hour period;
  - 2. Patrons accessing voluntary exclusion program but failing to finalize process;
  - 3. Patrons requesting multiple cool-off periods within a specified time period;
  - 4. Continuous cancellations of withdrawals;
  - 5. Abnormal increases in patron's time spent on internet gaming platform compared to previous weeks;
  - 6. Abnormal increases in the amount of wagers during a patron's sessions;
  - 7. Any automated triggers as approved by the Regulatory Authority.



C. Prohibition of Predatory Practices; Game Features.

1. An Internet Game shall not actively encourage patrons to chase their losses, increase their bet or increase the amount they have decided to gamble, or continue to gamble after they have indicated that they wish to stop.
2. An Internet Game shall not include specific features or functions which would allow the patron to bypass normal gameplay, such as directly accessing a bonus game, by increasing the amount wagered in order to access a specific feature.

D. Patron Self Limits.

1. An Internet Game must be capable of allowing a registered patron to establish the following responsible gaming limits. Any decrease to these limits may not be effective later than the registered patron's next login. Any increase to these limits must become effective only after the time period of the previous limit has expired and the registered patron reaffirms the requested increase:
2. A deposit limit must be offered on a daily, weekly and monthly basis and must specify the maximum amount of money a registered patron may deposit during a particular period of time.
3. A limit on the amount of money spent on a daily, weekly and monthly basis must be offered. The registered patron shall be unable to participate in gaming for the remainder of the time selected if the registered patron reaches the loss limit.
4. A limit on the maximum amount of any single wager on any Internet Game.
5. A time-based limit must be offered on a daily basis and must specify the maximum amount of time, measured hourly from the registered patron's login to log off, a registered patron may spend engaging in Internet Gaming, provided that if the time-based limit is reached a registered patron is permitted to complete any round of play, or active or prepaid event.
6. A temporary suspension of a patron's Internet Gaming Account must be offered for any number of hours or days, as selected by the registered patron, which shall not be less than 72 hours.
7. When an Internet Gaming Account is suspended, the registered patron shall continue to have access to the Internet Gaming Account and shall be permitted to withdraw funds from the account.

E. Advertising Guidelines.

1. Promotion of Internet Gaming should be to those 21 years of age and older.
2. Advertising shall disclose that Internet Gaming is for adults 21 years of age or older.
3. Marketing should not use characters, performers or influencers who primarily appeal to audiences under the age of 21. For example, advertising should not appear on media aimed at children like children's television programming or social media networks aimed at children.

4. Advertising should not be permitted on college campuses.
5. Advertising messages should contain language promoting responsible gaming, including state mandates as approved by the Regulatory Authority, and provide for a toll-free helpline like 1-800-GAMBLER.
6. The use of “risk-free” language shall be prohibited.

#### **Chapter 19. License Fees**

- A. The Gaming Regulatory Authority may require an internet gaming operator to pay license and renewal fees in an amount prescribed by regulation.
- B. The license issuance fee shall be based upon the cost of investigation and consideration of the license application. The renewal fee shall be based upon the cost of maintaining enforcement, control and regulation of internet wagering operations.

#### **Chapter 20. Sweepstakes Games Prohibited**

- A. Definition
  1. Online Sweepstakes Game: Any game, contest, or promotion, in which a prize is awarded based on chance, that is available on the internet and accessible on a mobile phone, computer terminal, or similar access device, that utilizes a dual-currency system of payment allowing the player to exchange the currency for any prize or award or cash or cash equivalents, and simulates casino-style gaming, including but not limited to, slot machines, video poker, and table games, lottery games, and sports wagering.
- B. Prohibition
  1. It shall be unlawful for any person or entity to operate, conduct, or promote sweepstakes games within the state.
  2. It shall be unlawful for any person or entity to take any action to support or assist in the operation, conduct, or promotion of sweepstakes games within the state.
- C. Penalties:
  1. Any person or entity found in violation of this section shall be subject to a fine of not less than \$10,000 and not more than \$100,000 for each violation and subject to potential loss of gaming license.
  2. Repeat offenders shall be subject to increased fines, potential loss of gaming license, and potential imprisonment of up to two years.
- D. Enforcement:
  1. The Gaming Regulatory Authority may conduct investigations, hold hearings, and issue subpoenas to ensure compliance with this section.

### **Chapter 21. Tampering with Equipment**

- A. A person who knowingly tampers with software, computers or other equipment used to conduct internet gaming to alter the odds or the payout of a game or disables the game from operating according to the rules of the game as promulgated by the Gaming Regulatory Authority is guilty of a crime and shall be subject to imprisonment for a term consistent with the state's penal laws and a fine of not more than \$50,000 and in the case of a person other than a natural person, to a fine of not more than \$200,000 and any other appropriate disposition authorized by the Gaming Regulatory Authority.
- B. In addition to the penalties provided in subsection A, an employee of the internet gaming operator who violates this section shall have his or her license revoked and shall be subject to such further penalty as the Gaming Regulatory Authority deems appropriate.
- C. In addition to the penalties provided in subsection A, an internet gaming operator that violates this section shall have its license to conduct internet gaming revoked and shall be subject to such further penalty as the Gaming Regulatory Authority deems appropriate.

### **Chapter 22. Tampering with Odds or Payout**

- A. Any person who knowingly offers or allows to be offered any internet game that he or she knows has been tampered with in a way that affects the odds or the payout of a game is guilty of a crime and shall be subject to imprisonment for a term consistent with the state's penal laws and a fine of not more than \$50,000 and in the case of a person other than a natural person, to a fine of not more than \$200,000 and any other appropriate disposition authorized by the Gaming Regulatory Authority.
- B. In addition to the penalties provided in subsection A, an employee of the internet gaming operator who violates this section shall have his or her license revoked.
- C. In addition to the penalties provided in subsection A, an internet gaming operator that violates this section shall have its license to conduct internet gaming revoked.

### **Chapter 23. Hours of Operation**

- A. A licensed internet gaming operator shall be permitted to operate 24 hours a day unless otherwise directed by the Gaming Regulatory Agency.
- B. For record keeping and tax purposes, the gaming day in a gaming facility shall commence as set by regulation.

### **Chapter 24. Internal Controls**

- A. An applicant for an internet gaming operator license shall create, maintain, and file with the Gaming Regulatory Authority a description of its internal procedures and administrative and accounting controls for the conduct of internet gaming in a form and manner prescribed by regulation.

B. Approval of Internal Controls of a Gaming Operator

1. The Gaming Regulatory Authority has broad discretion in approving or rejecting the internal controls of an internet gaming operator or applicant that are submitted pursuant to the Act.
2. An inspector or agency of the Gaming Regulatory Authority has the power and authority to stop internet gaming operations until corrective action is taken where the inspector knows or reasonably suspects that the approved internal controls are not being followed by the internet gaming operator.

**Chapter 25. Independent Testing Laboratory**

- A. The Gaming Regulatory Authority may utilize the services of a private testing laboratory that has obtained a license as a gaming vendor to perform the testing of internet gaming equipment needed for approval.

**Chapter 26. Confidential Information**

- A. Any information that is submitted, collected, or gathered as part of an application to, or background investigation conducted by, the Gaming Regulatory Authority for a license or registration is confidential except as provided by regulation and shall not be subject to disclosure to any third party, unless the request for the information is made by a duly authorized law enforcement agency, or pursuant to a court order.

**Chapter 27. Involuntary Exclusion**

A. Establishment of an Involuntary Exclusion List

1. The Gaming Regulatory Authority shall establish and maintain a list of persons who are to be excluded from internet gaming, to be known as the exclusion list.
2. The Gaming Regulatory Authority shall implement procedures for placement of persons on the exclusion list.
3. An updated list of excluded persons shall be distributed to all internet gaming operators on a regular and continuing basis upon placement of a person on the list.
4. Internet gaming operators shall implement effective procedures to ensure that persons on the exclusion list are prohibited from engaging in internet gaming.
5. An internet gaming operator shall be subject to disciplinary action for knowingly allowing a person on the exclusion list to participate in internet gaming.

B. Standards and Criteria for being placed on the Exclusion List

1. The exclusion list may include any of the following persons:
  - a. A career offender whose participation in internet gaming would be inimical to the public interest;
  - b. An associate of a career offender whose association is such that his or her

- participation in internet gaming would be inimical to the public interest;
- c. Any person who has been convicted of a criminal offense in any jurisdiction, which is punishable by more than six months of incarceration, or who has been convicted of any crime or offense involving moral turpitude, and whose participation in internet gaming would be inimical to the public interest;
  - d. Any person whose participation in internet gaming would be inimical to the public interest including, but not limited to:
    - e. Persons found to have cheated in internet gaming activity;
    - f. Persons whose privileges for licensure have been revoked;
    - g. Persons with a documented history of conduct involving the undue disruption of the gaming operations in a gaming facility or internet gaming operations; and
    - h. Persons subject to an order of a court of competent jurisdiction excluding such persons from gaming facilities or internet gaming operations.
- C. A person's participation in internet gaming may be considered inimical to the public if known attributes of such person's character and background:
- 1. Are incompatible with the maintenance of public confidence and trust in the credibility, integrity, and stability of licensed gaming operations;
  - 2. Could reasonably be expected to impair the public perception of, and confidence in, the strict regulatory process created by the Act and regulations; or
  - 3. Would create or enhance a risk of the fact or appearance of unsuitable, unfair, or illegal practices, methods, or activities in the conduct of internet gaming or in the business or financial arrangements incidental thereto.
- D. A finding of inimicality may be based upon the following:
- 1. The character or background of the person;
  - 2. The history and nature of the involvement of the person with gaming operations in any gaming jurisdiction; or
  - 3. Any other factor reasonably related to the maintenance of public confidence in the regulatory process and the integrity of internet gaming operations.

## Chapter 28. Voluntary Self-Exclusion

### A. Placement on the Self-Exclusion List

1. The Gaming Regulatory Authority shall establish procedures for placement on and removal from a voluntary self-exclusion list that can also allow players to opt in to a National Voluntary Self-Exclusion Program.
2. An individual whose name is placed on the voluntary self-exclusion list shall be prohibited from establishing an internet gaming account and engaging in internet gaming for the duration of the exclusion period and shall not collect any winnings or recover any losses resulting from any internet gaming activity.
3. An individual may request to have his/her name placed on the voluntary self-exclusion list by completing the application and procedure prescribed by the Gaming Regulatory Authority.
4. The Gaming Regulatory Authority may approve placement on the voluntary self-exclusion list if it determines that the application has been made voluntarily by the individual.

### B. Duration of Exclusion and Removal from the List

1. An individual may select any of the following time periods as a minimum length of exclusion:
  - a. One year;
  - b. Three years;
  - c. Five years; or
  - d. Lifetime

### C. Sanctions against an Internet Gaming Operator

#### 1. Grounds for Action

- a. An internet gaming operator license may be conditioned, suspended, or revoked, and/or the internet gaming operator assessed a civil administrative penalty pursuant to the Act if it is determined that an internet gaming operator has:
  - i. knowingly or recklessly failed to exclude any individual who is on the Voluntary Self-exclusion list from internet gaming. It shall not be deemed a knowing or reckless failure if an individual on the Voluntary Self-exclusion list shielded his/her identity or otherwise attempted to avoid identification; or
  - ii. failed to abide by any provision of the internet gaming operator's approved written policy and procedures for compliance with the Voluntary self-exclusion program.

## Chapter 29. Audits

### A. Audits of an Internet Gaming Operator's Accounting Records

1. An internet gaming operator shall submit to the Gaming Regulatory Authority an annual audit of its accounting records prepared by a certified public accountant in accordance with generally accepted accounting principles and applicable state and federal laws.
2. An internet gaming operator shall submit the report of the auditor to the Gaming Regulatory Authority within four months after the end of the financial year, unless the period is extended by the Gaming Regulatory Authority for good cause shown.
3. In addition to the requirements to engage an external auditor, an internet gaming operator shall conduct internal audits of its processes, procedures, and accounting records as necessary to ensure compliance with its approved internal control systems and submit its written findings to the Gaming Regulatory Authority.
4. An internet gaming operator who is in violation of the requirements of subsections 1-3 above shall be liable for any sanctions as established by the Act.

### B. Audits Conducted by the Gaming Regulatory Authority

1. The Gaming Regulatory Authority shall have the power and authority to conduct audits of the internet gaming operations of an internet gaming operator on an annual basis and at such other times deemed
2. The Gaming Regulatory Authority may retain the services of a consultant to conduct an audit of an internet gaming operator.
3. An internet gaming operator shall cooperate with an audit conducted by the Gaming Regulatory Authority or its consultant, and make available for examination all requested books, records, accounts, and financial statements.

## Chapter 30. Sanctions

### A. Penalties Upon Finding Violations; Range of Sanctions

1. When the Gaming Regulatory Authority has determined that the actions or inactions of a licensee or registrant constitute a regulatory violation, in its discretion it may impose any sanctions it deems appropriate, including but not limited to the power to:
  - a. impose fines on licensees and registrants in amounts as established by regulation;
  - b. impose conditions on licenses and registrations;
  - c. issue letters of reprimand;
  - d. issue cease and desist orders against licensees and registrants;
  - e. suspend licenses and registrations; and
  - f. revoke licenses and registrations.

B. Imposition of Sanctions; Considerations

1. In considering appropriate sanctions in a particular case, the Gaming Regulatory Authority shall consider:
  - a. The risk to the public and to the integrity of gaming operations created by the conduct of the licensee or registrant;
  - b. The seriousness of the conduct of the licensee or registrant, and whether the conduct was purposeful and with knowledge that it was in contravention of the provisions of the Act or of any regulations adopted thereunder;
  - c. Any justification or excuse for such conduct by the licensee or registrant;
  - d. The prior history of the licensee or registrant with respect to gaming activity;
  - e. The corrective action taken by the licensee or registrant to prevent future misconduct of a like nature from occurring; and
  - f. In the case of a monetary penalty, the amount of the penalty in relation to the severity of the misconduct and the financial means of the licensee or registrant. The Authority may impose any schedule or terms of payment of such penalty as it may deem appropriate.

- C. It shall be no defense to disciplinary action before the Authority that an applicant, licensee, registrant, intermediary company, or holding company inadvertently, unintentionally, or unknowingly violated a provision of the Act or of any regulations adopted thereunder. Such factors shall only go to the degree of the penalty to be imposed by the Authority, and not to a finding of a violation itself.

D. Continuing Offense

1. A violation of the Act or of any regulations adopted thereunder, which is an offense of a continuing nature shall be deemed to be a separate offense on each day during which it occurs.

E. No Waiver of Prosecution

1. The application of the regulatory sanctions prescribed herein shall not prejudice a criminal prosecution for the same, similar, or related conduct.

**Chapter 31. Provide Information to Colleges and Universities**

- A. On an annual basis, an internet gaming operator shall provide all transactional data relating to internet gaming conducted in this state to any college or university located in the state requesting such information, excluding any personally identifiable or otherwise confidential information.



### **Chapter 32. Internet Gaming Fund**

- A. An Internet Gaming Fund is established. Application and investigatory fees collected under the Act will be deposited into the fund. All expenses of the Gaming Regulatory Authority incurred in the administration and enforcement of the Act shall be paid from the fund. Fines collected under the Act shall not be deposited into the fund, but shall be deposited into the General State Treasury.

### **Chapter 33. Severability**

- A. If any provision of this Act or its application to any person or circumstance is held unconstitutional or invalid, the unconstitutionality or invalidity shall not affect other provisions or applications of this Act which can be given effect without the unconstitutional or invalid provision or application and to this end the provisions of this Act shall be severable.

### **Chapter 34. Internet Cafes Prohibited**

- A. No person shall operate a place of public accommodation, club, including a club or association limited to dues-paying members or similar restricted groups, or similar establishment in which computer terminals or similar access devices are advertised and made available to be used principally for purposes of accessing authorized internet games.

### **Chapter 35. Application of Act on Internet Lottery Games**

- A. This act does not prohibit selling internet lottery games, including, but not limited to, digital representations of lottery games.

### **NCLGS Responsible Gaming Recommendations**

**NCLGS Note:** NCLGS recognizes that a complete iGaming framework is not limited to statutory language alone. As such, NCLGS believes that statutory language should allow for the State’s Regulatory Authority to use its expertise in implementing regulations to allow for a sustainable iGaming model to exist. This includes the Regulatory Authority’s ability to use discretion going forward, especially in ensuring consumer protections for citizens. The recommendations could be considered for statutory and/or regulatory consideration through the rulemaking process.