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AN ACT authorizing the licensing of operators to provide restricted foreign Internet wagering under certain circumstances, supplementing Title 5 of the Revised Statutes, and amending the "Casino Control Act," P.L.1977, c.110 (C.5:12-1 et seq.).

Authorizes licensing of operators to provide restricted foreign Internet wagering under certain circumstances.

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Same as _____ 10/11 Same as _____ 12/13

Suggested allocation: §§2-27 to C.5:12B-1 et seq.
New Chapter 12B: Restricted Foreign Internet Wagering

AN ACT authorizing the licensing of operators to provide restricted foreign Internet wagering under certain circumstances, supplementing Title 5 of the Revised Statutes, and amending the "Casino Control Act," P.L.1977, c.110 (C.5:12-1 et seq.).

BE IT ENACTED *by the Senate and General Assembly of the State of New Jersey:*

1. Section 5 of P.L.1977, c.110 (C.5:12-5) is amended to read as follows:

5. "Authorized Game" or "Authorized Gambling Game"-- Roulette, baccarat, blackjack, craps, big six wheel, slot machines, minibaccarat, red dog, pai gow, and sic bo; any variations or composites of such games, provided that such variations or composites are found by the division suitable for use after an appropriate test or experimental period under such terms and conditions as the division may deem appropriate; and any other game which is determined by the division to be compatible with the public interest and to be suitable for casino use after such appropriate test or experimental period as the division may deem appropriate. "Authorized game" or "authorized gambling game" includes gaming tournaments in which players compete against one another in one or more of the games authorized herein or by the division or in approved variations or composites thereof if the tournaments are authorized by the division.

"Authorized game" or "Authorized gambling game" shall also include any game that the division may determine by regulation to be suitable for use for wagering through the Internet, including games offered through restricted foreign Internet wagering authorized under P.L. , c. (C.) (pending before the Legislature as this bill).

(cf: P.L.2013, c.27, s.2)

2. (New Section) Authorized games and authorized gambling games may be offered to persons located outside the United States, and solely outside the United States, by any foreign casino, casino room, or licensed casino that obtains a restricted foreign Internet wagering license from the division. No restricted foreign Internet wagering licensee, other than an Atlantic City casino otherwise licensed by the State of New Jersey to offer Internet wagering, may offer wagering to any person located in New Jersey or any other location within the United States.

3. (New Section) The Division of Gaming Enforcement shall promulgate regulations to ensure that each person licensed to provide restricted foreign Internet wagering meets standards for Internet wagering equivalent to those applicable to Atlantic City casinos regulated by the division.

EXPLANATION – Matter enclosed in bold-faced brackets **[thus]** in the above bill is not enacted and is intended to be omitted in the law.

Matter underlined thus is new matter.

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4. (New section) There is hereby imposed an annual tax on restricted foreign Internet wagering gross revenues in the amount of 10% of such gross revenues which shall be paid into the Casino Revenue Fund. The 8% tax on casino gross revenues shall not apply to restricted foreign Internet wagering gross revenues. The investment alternative tax established by section 3 of P.L.1984, c.218 (C.5:12-144.1) shall apply to restricted foreign Internet wagering gross revenues, except that the investment alternative tax on these revenues shall be 5% and the investment alternative shall be 2.5%, with the proceeds thereof used as provided in that section.

5 (New section) The division shall be responsible for recommending regulations concerning restricted foreign Internet wagering for consideration and possible adoption by the commission. Nothing contained in this section shall be construed as affecting the authority of the Division of Gaming Enforcement with respect to all casino gaming activities, including restricted foreign Internet wagering. The division shall adopt regulations for the implementation and conduct of restricted foreign Internet wagering that are consistent with regulations governing New Jersey Internet wagering conducted by Atlantic City casinos and by casino gambling generally.

6. (New section) Restricted foreign Internet wagering in this State shall be subject to the provisions of, and preempted and superseded by, any applicable federal law. Restricted foreign Internet wagering in this State shall be deemed to take place in Atlantic City regardless of the player’s physical location.

7. (New section) Restricted foreign Internet wagering licensees shall maintain servers in New Jersey, and such offices, employees, records, and other activities as the Division of Gaming Enforcement determines are necessary to ensure the integrity of the authorized games and authorized gambling games, and the ability of the division to carry out its oversight of the licensee’s global operations.

8. (New section) a. No restricted foreign Internet wagering shall be opened to the public, and no gaming, except for test purposes, may be conducted therein, until a restricted foreign Internet wagering licensee with a valid operation certificate receives from the division a permit to conduct restricted foreign Internet wagering. Such permit, valid for one year, shall be issued by the division upon a finding that the restricted foreign Internet wagering complies in all respects with the requirements of this act, P.L. , c. (pending before the Legislature as this bill) and regulations promulgated hereunder, that the restricted foreign Internet wagering licensee has implemented necessary management

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controls and security precautions for the efficient operation of restricted foreign Internet wagering, that restricted foreign Internet wagering personnel having duties relating to restricted foreign Internet wagering are licensed for the performance of their respective responsibilities, and that the licensee is prepared in all respects to receive and entertain their customers.

b. The permit shall include an itemized list by category and number of the authorized games offered through the restricted foreign Internet wagering licensee.

c. A restricted foreign Internet wagering licensee shall, in accordance with regulations promulgated by the division, file any changes in the number of authorized games featured through restricted foreign Internet wagering with the division.

d. It shall be an express condition of the continued operation of restricted foreign Internet wagering that a restricted foreign Internet wagering licensee shall maintain all books, records, and documents pertaining to the licensee's restricted foreign Internet wagering operations in a manner and location within this State approved by the division. All such books, records and documents shall be immediately available for inspection during all hours of operation in accordance with the rules of the division and shall be maintained for such period of time as the division shall require.

e. Subject to the power of the division to deny, revoke, or suspend permits, any restricted foreign Internet wagering permit in force shall be renewed by the division for one year upon proper application for renewal, completion of a review of restricted foreign Internet wagering operations for compliance with this act, a review of all required controls and payment of permit fees and taxes as required by law and the regulations of the division. Upon renewal of a restricted foreign Internet wagering permit the division shall issue an appropriate renewal certificate or validating device or sticker which shall be attached to the restricted foreign Internet wagering permit.

f. Notwithstanding subsections a. and e. of this section, a restricted foreign Internet wagering permit shall remain in force only if the restricted foreign Internet wagering licensee that holds the permit also holds a valid operation certificate.

9. (New section) Holders of restricted foreign Internet wagering licenses shall solely conduct restricted foreign Internet wagering activities in jurisdictions outside the United States in which such activities are lawful. Conduct of restricted foreign Internet wagering activities in violation of federal law, the law of the State of New Jersey or any other state or Tribal area in the United States, or in any foreign jurisdiction, shall lead to immediate suspension or revocation of a restricted foreign Internet wagering license, at the discretion of the division.

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10. (New section) Holders of restricted foreign Internet wagering licenses must comply with tax laws and regulations applicable to each jurisdiction in which they provide restricted foreign Internet wagering services. Failure to comply with these obligations shall lead to immediate suspension or revocation of a restricted foreign Internet wagering license, at the discretion of the division.

11. (New section) a. The entire restricted foreign Internet wagering operation, including facilities, equipment and personnel, shall be located in a secure facility inaccessible to the public and specifically designed for that purpose within the territorial limits of the State of New Jersey at a location approved by the division.

b. Facilities used to conduct and support restricted foreign Internet wagering shall:

(1) be arranged in a manner promoting optimum security for restricted foreign Internet wagering;

(2) include a closed circuit visual monitoring system according to specifications approved by the division, with access on the licensed premises to the system or its signal provided to the division;

(3) not be designed in any way that might interfere with the ability of the division to supervise restricted foreign Internet wagering operations; and

(4) comply in all respects with regulations of the division pertaining thereto.

12. (New section) a. Notwithstanding section 99 of P.L.1977, c.110 (C.5:12-99), each restricted foreign Internet wagering licensee who holds or has applied for a permit to conduct restricted foreign Internet wagering shall submit to the division a description of its system of internal procedures and administrative and accounting controls for restricted foreign Internet wagering, including provisions that provide for real time monitoring of all games, and a description of any changes thereof. Such submission shall be made at least 30 days before such operations are to commence or at least 30 days before any change in those procedures or controls is to take effect, unless otherwise directed by the division. Notwithstanding the foregoing, the internal controls described in paragraph (3) of this subsection may be implemented by a restricted foreign Internet wagering licensee upon the filing of such internal controls with the division. Each internal procedure or control submission shall contain both narrative and diagrammatic representations of the internal control system to be utilized with regard to restricted foreign Internet wagering, including, but not limited to:

(1) accounting controls, including the standardization of forms and definition of terms to be utilized in the wagering operations;

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(2) procedures, forms, and, where appropriate, formulas covering the calculation of hold percentages; revenue drop; expense and overhead schedules; complimentary services; and cash equivalent transactions;

(3) job descriptions and the system of personnel and chain-of-command, establishing a diversity of responsibility among employees engaged in restricted foreign Internet wagering operations and identifying primary and secondary supervisory positions for areas of responsibility; salary structure; and personnel practices;

(4) procedures for the establishment of wagering accounts, including a procedure for authenticating the age of the applicant for a wagering account;

(5) procedures for the termination of a wagering account by the account holder and the return of any remaining funds in the wagering account to the account holder;

(6) procedures for the termination of a dormant account;

(7) procedures for the logging in and authentication of a wagering account holder in order to enable the holder to commence restricted foreign Internet wagering, and the logging off of the holder of the wagering account when the account holder has finished gaming, including a procedure to automatically log off the holder after a specified period of inactivity;

(8) procedures for the crediting and debiting of wagering accounts;

(9) procedures for the cashing of checks to establish credit in a wagering account; the receipt and security of cash to establish credit in a wagering account, whether such cash is received by wire transfer, advance on a credit card or debit card or by other electronic means approved by the division; and receipt of other electronic negotiable instruments approved by the division to establish credit in a wagering account;

(10) procedures for the withdrawal of funds from a wagering account by the account holder;

(11) the redemption of chips, tokens or other cash equivalents used in gaming and the pay-off of jackpots;

(12) the recording of transactions pertaining to restricted foreign Internet wagering;

(13) procedures for the security of information and funds in a wagering account;

(14) procedures for the transfer of funds from wagering accounts to the counting process;

(15) procedures and security for the counting and recordation of revenue;

(16) procedures for the security of restricted foreign Internet wagering facilities within a secure facility inaccessible to the public and specifically designed for that purpose within the territorial limits of the State of New Jersey;

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(17) procedures and security standards for the handling and storage of software, computers and other electronic equipment used to conduct restricted foreign Internet wagering;

(18) procedures and security standards to protect software, computers and other gaming equipment used to conduct restricted foreign Internet wagering from tampering by restricted foreign Internet wagering employees or any other person, from a location inside or outside of the restricted foreign Internet wagering facility;

(19) procedures for responding to tampering with software, computers and other gaming equipment used to conduct restricted foreign Internet wagering or any gaming-related equipment or hardware used in support of such gaming, including partial or complete suspension of restricted foreign Internet wagering operations or the suspension of any or all wagering accounts when warranted;

(20) procedures to verify a player’s physical presence in a jurisdiction outside of the United States in which Internet wagering is lawful each time a wager is placed; and

(21) procedures to assist problem and compulsive gamblers.

b. Each restricted foreign Internet wagering licensee shall also submit a description of its system of internal procedures and administrative and accounting controls for non-gaming operations regarding the website on which restricted foreign Internet wagering is accessed and a description of any changes thereto no later than five days after those operations commence or after any change in those procedures or controls takes effect.

c. The division shall review each submission required by subsection a. and b. hereof, and shall determine whether it conforms to the requirements of this act, P.L. , c. (C.) (pending before the Legislature as this bill), and to the regulations promulgated thereunder and whether the system submitted provides adequate and effective controls for restricted foreign Internet wagering operations of the particular restricted foreign Internet wagering licensee submitting it. If the division finds any insufficiencies, it shall specify the insufficiencies in writing to the restricted foreign Internet wagering licensee, who shall make appropriate alterations. When the division determines a submission to be adequate in all respects, it shall notify the restricted foreign Internet wagering licensee. Except as otherwise provided in subsection a. of this section, no restricted foreign Internet wagering licensee shall commence or alter restricted foreign Internet wagering operations unless and until such system of procedures and controls is approved by the division.

d. It shall be lawful for a restricted foreign Internet wagering licensee to provide marketing information by means of the Internet to players engaged in restricted foreign Internet wagering and to offer those players incentives to visit any licensed casino in Atlantic City, or any other promotion relating to activities taking place within the State of New Jersey.

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13. (New section) a. A restricted foreign Internet wagering account shall be in the name of a natural person and may not be in the name of any beneficiary, custodian, joint trust, corporation, partnership or other organization or entity.

b. An account may be established by a person submitting an application form approved by the division along with proof of age. The division shall specify by regulation what types of proof are sufficient to authenticate age, residency, nationality, and the location of the person at the time the person is establishing the account. The application form shall include the address of the principal residence of the prospective account holder, an electronic mail address of the prospective account holder and a statement that a false statement made in regard to an application may subject the applicant to prosecution.

c. As part of the application process, the restricted foreign Internet wagering licensee shall provide the prospective account holder with a password to access the wagering account, or shall establish some other mechanism approved by the division to authenticate the player as the holder of a wagering account and allow the holder access to the restricted foreign Internet wagering account.

d. The prospective account holder shall submit the completed application to the restricted foreign Internet wagering licensee. The licensee may accept or reject an application after receipt and review of the application and proof of age for compliance with this act, P.L. , c. (C.) (pending before the Legislature as this bill).

e. Any prospective account holder who provides false or misleading information on the application is subject to rejection of the application or cancellation of the account by the restricted foreign Internet wagering licensee.

f. The licensee shall have the right to suspend or close any restricted foreign Internet wagering account at its discretion.

g. Any person on the list established by section 71 of P.L.1977, c.110 (C.5:12-71) of persons who are to be excluded or ejected from any licensed casino shall not be entitled to maintain a restricted foreign Internet wagering account, even when that person resides outside of the United States.

h. No person residing in the United States may be permitted to maintain a restricted foreign Internet wagering account, nor may any such account be maintained by any employee or principal of a restricted foreign Internet wagering licensee.

i. The address provided by the applicant in the application shall be deemed the proper address for the purposes of mailing checks, account withdrawals, notices and other materials.

j. A wagering account shall not be assignable or otherwise transferable.

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k. The restricted foreign Internet wagering licensee may at any time declare all or any part of restricted foreign Internet wagering to be closed for wagering.

14. (New section) a. Credits to a restricted foreign Internet wagering account shall not be made except as provided by this subsection.

(1) The wagering account holder's deposits to the restricted foreign Internet wagering account shall be submitted by the account holder to the restricted foreign Internet wagering licensee and shall be in the form of one of the following:

(a) cash given to the restricted foreign Internet wagering licensee;

(b) check, money order, negotiable order of withdrawal, or wire or electronic transfer, payable and remitted to the restricted foreign Internet wagering licensee;

(c) charges made to an account holder's debit or credit card upon the account holder's direct and personal instruction, which instruction may be given by telephone communication or other electronic means to the restricted foreign Internet wagering licensee by the account holder if the use of the card has been approved by the restricted foreign Internet wagering licensee; or

(d) any other method approved by the division.

(2) When an account holder wins an account wager on a game, the restricted foreign Internet wagering licensee shall pay to the holder Internet chips or tokens or other cash equivalents in the appropriate amount pursuant to the rules of that game for that particular type of wager. When the account holder logs off or cashes out the Internet chips, tokens or other cash equivalents, the restricted foreign Internet wagering licensee shall credit the holder's wagering account in the amount of Internet chips, tokens or other cash equivalents cashed in.

(3) The restricted foreign Internet wagering licensee shall have the right to credit a wagering account as part of a promotion scheme.

(4) The restricted foreign Internet wagering licensee shall have the right to refuse, for any valid reason, all or part of any wager or deposit to the account.

(5) Funds deposited in the account shall not bear interest to the account holder.

b. Debits to a restricted foreign Internet wagering account shall not be made except as provided by this subsection.

(1) When an account holder logs onto a wagering account and exchanges account funds for Internet chips, tokens or other cash equivalents, the licensee shall debit the holder's account in the amount of funds exchanged. Upon receipt by a restricted foreign Internet wagering licensee of an account wager or an account purchase order, the restricted foreign Internet wagering licensee

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shall debit the account holder’s Internet chips, tokens or other cash equivalents in the amount of the wager or purchase.

(2) A restricted foreign Internet wagering licensee may authorize a withdrawal from a wagering account when the account holder submits to the restricted foreign Internet wagering licensee:

- (a) proper identification;
- (b) the correct authentication information for access to the account; and
- (c) a properly completed and executed withdrawal on a form approved by the division.

Upon receipt of a properly completed and executed withdrawal form, and if there are sufficient funds in the account to cover the withdrawal, the licensee shall send, within three business days of receipt, a check payable in the amount requested to the holder at the address specified in the application for the wagering account or shall transmit payment to the account holder electronically as approved by the division by regulation.

15. (New section) A restricted foreign Internet wagering licensee may accept Internet account wagers only as follows:

- a. The account wager shall be placed directly with the restricted foreign Internet wagering licensee by the holder of the wagering account and the restricted foreign Internet wagering licensee has verified the account holder’s physical presence in a jurisdiction outside the United States in which the wagering activity is lawful.
- b. The account holder placing the account wager shall provide the restricted foreign Internet wagering licensee with the correct authentication information for access to the wagering account.
- c. A restricted foreign Internet wagering licensee may not accept an account wager in an amount in excess of funds on deposit in the wagering account of the holder placing the wager. Funds on deposit include amounts credited under this act, P.L. c. (C.) (pending before the Legislature as this bill), and in the account at the time the wager is placed.

16. (New section) All amounts remaining in wagering accounts inactive or dormant for such period and under such conditions as established by regulation by the division shall be paid 50% to the restricted foreign Internet wagering licensee and 50% to the casino control fund. Before closing a wagering account pursuant to this section, the restricted foreign Internet wagering licensee shall attempt to contact the account holder by mail, phone and computer.

17. (New section) a. The restricted foreign Internet wagering licensee shall establish a log in procedure for a holder of a wagering account to access restricted foreign Internet wagering. Part of the log in procedure shall be the provision by the account holder of the appropriate authentication information for access to the wagering account. The restricted foreign Internet wagering licensee shall not

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allow an account holder to participate in gaming before logging in and providing the proper authentication information to access the holder's wagering account.

b. Upon log in, the holder of a wagering account shall have the option to exchange any amount of funds in the wagering account to Internet chips, tokens or other cash equivalents, to be used for restricted foreign Internet wagering.

c. Upon logging off, the current amount of the holders' Internet chips, tokens or other cash equivalents shall be credited to the holder's wagering account.

18. (New section) The restricted foreign Internet wagering licensee shall provide to a holder of a wagering account who is logged in to his or her wagering account access to a display of all of the following information:

a. the current amount of money in the holder's account, including the current amount of the holder's Internet chips, tokens or other cash equivalents;

b. the amount of money the account holder has won or lost on Internet wagering since the account was established;

c. the amount of money the account holder has won or lost on during the current gaming session, when a gaming session begins at log on and ends at log off;

d. a detailed accounting of all other Internet gaming sessions, when a session begins at log on and ends at log off, including time and date of log on and log off and the amount of money won or lost on gaming and the amount of money spent from the account on merchandise or services; and

e. the complete text of the rules of the division regarding games and the conduct of Internet wagering, pay-offs of winning wagers, an approximation of the odds of winning for each wager, and such other advice and information to the account holder as the division shall require.

19. (New section) In order to assist those persons who may have a gambling problem, a restricted foreign Internet wagering licensee shall:

a. cause the words "If you or someone you know has a gambling problem and wants help, call 1-800 GAMBLER," or some comparable language approved by the division which enables the use of a toll-free number in the jurisdiction of any customer of the restricted foreign Internet wagering licensee, which language shall include the words "gambling problem" and "call 1-800 GAMBLER" or its equivalent to be prominently and continuously displayed to any person visiting or logged onto restricted foreign Internet wagering; in addition,

b. provide a mechanism by which a holder of a wagering account may establish the following controls on wagering activity through the wagering account:

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(1) a limit on the amount of money lost within a specified period of time and the length of time the holder will be unable to participate in gaming if the holder reaches the established loss limit;

(2) a limit on the maximum amount of any single wager on any game; and

(3) a temporary suspension of gaming through the account for any number of hours or days.

The restricted foreign Internet wagering licensee shall not send gaming-related mail or electronic mail to an account holder while gaming through his or her wagering account is suspended. The restricted foreign Internet wagering licensee shall provide a mechanism by which an account holder may change these controls, except that while gaming through the wagering account is suspended, the account holder may not change gaming controls until the suspension expires, but the holder shall continue to have access to the account and shall be permitted to withdraw funds from the account upon proper application therefor; and

c. establish a system by which a holder of a wagering account who sustains continuous losses of a sufficient level according to standards set by the division by regulation, will have sent to his or her postal address and electronic mail address a list detailing all gaming winnings and losses through the wagering account, contact information for assistance with identifying a potential gambling problem and other information about gambling problems and compulsive gambling deemed appropriate by the division.

20. (New section) a. Except as provided in this section, no restricted foreign Internet wagering licensee or any person licensed under P.L.1977, c.110 (C.5:12-1 et seq.) and no person acting on behalf of, or under any arrangement with, a restricted foreign Internet wagering licensee or other person licensed under P.L.1977, c.110, shall:

(1) cash any check, make any loan, or otherwise provide credit to any person for the purpose of crediting a restricted foreign Internet wagering account; or

(2) release or discharge any debt, either in whole or in part, or make any loan which represents any losses incurred by any account holder in gaming activity through restricted foreign Internet wagering, without maintaining a written record thereof in accordance with the rules of the division.

b. Notwithstanding section 101 of P.L.1977, c.110 (C.5:12-101), no restricted foreign Internet wagering licensee or any person licensed under P.L.1977, c.110 (C.5:12-1 et seq.) and no person acting on behalf of, or under any arrangement with, a restricted foreign Internet wagering licensee or other person licensed under P.L.1977, c.110, may accept a check, other than a recognized traveler's check or other cash equivalent from any person for the purpose of crediting a restricted foreign Internet wagering account unless:

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(1) the check is made payable to the restricted foreign Internet wagering licensee;

(2) the check is dated, but not postdated;

(3) the check is transmitted to the restricted foreign Internet wagering licensee and received by the licensee in a manner approved by the division and is exchanged for credits on the restricted foreign Internet wagering account established by the drawer of the check; and

(4) the regulations concerning check cashing procedures are observed by the restricted foreign Internet wagering licensee and its employees and agents.

21. (New section) Any person who offers games into play or displays such games through restricted foreign Internet wagering as a restricted foreign Internet wagering licensee without approval of the division to do so is guilty of a crime of the fourth degree and notwithstanding the provisions of N.J.S.2C:43-3, shall be subject to a fine of not more than \$25,000 and in the case of a person other than a natural person, to a fine of not more than \$100,000 and any other appropriate disposition authorized by subsection b. of N.J.S.2C:43-2.

22. (New section) a. Notwithstanding section 46 of P.L.1991, c.182 (C.5:12-113.1), any person who knowingly tampers with software, computers or other equipment used to conduct restricted foreign Internet wagering by a restricted foreign Internet wagering licensee 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 division is guilty of a crime of the third degree and notwithstanding the provisions of N.J.S.2C:43-3, shall be subject to 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 subsection b. of N.J.S.2C:43-2.

b. In addition to the penalties provided in subsection a. of this section, an employee of the restricted foreign Internet wagering licensee who violates this section shall have his or her license revoked and shall be subject to such further penalty as the division deems appropriate.

c. In addition to the penalties provided in subsection a. of this section, a restricted foreign Internet wagering licensee that violates this section shall have its permit to conduct restricted foreign Internet wagering revoked and shall be subject to such further penalty as the division deems appropriate.

23. (New section) a. Any person who knowingly offers or allows to be offered any restricted foreign Internet wagering game that has been tampered with in a way that affects the odds or the payout of a game or disables the game from operating according to

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the rules of the game as promulgated by the division is guilty of a crime of the third degree and notwithstanding the provisions of N.J.S.2C:43-3, shall be subject to 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 subsection b. of N.J.S.2C:43-2.

b. In addition to the penalties provided in subsection a. of this section, an employee of the restricted foreign Internet wagering licensee who knowingly violates this section shall have his or her license suspended for a period not less than 30 days.

c. In addition to the penalties provided in subsection a. of this section, a restricted foreign Internet wagering licensee that violates this section shall have its permit to conduct Internet wagering suspended for a period not less than 30 days.

24. (New section) a. No person under the age of 21 shall be permitted to maintain a restricted foreign Internet wagering account. Any restricted foreign Internet wagering licensee or employee of a restricted foreign Internet wagering licensee who allows a person under the age of 21 to maintain a wagering account is guilty of a crime of the fourth degree and subject to the penalties therefor; except that the establishment of all of the following facts by a licensee or employee allowing any such underage person to maintain an account shall constitute a defense to any prosecution therefor:

(1) that the underage person falsely represented during the application process for a restricted foreign Internet wagering account that he or she was at least 21 years of age; and

(2) that the establishment of the restricted foreign Internet wagering account was made in good faith, relying upon such representation, and in the reasonable belief that the underage person was actually 21 years of age or older.

b. In addition to the penalties provided in subsection a. of this section, an employee of the restricted foreign Internet wagering licensee who violates the provisions of this section more than once shall have his or her license revoked.

c. In addition to the penalties provided in subsection a. of this section, a restricted foreign Internet wagering licensee that violates the provisions of this section more than once shall have its permit to conduct restricted foreign Internet wagering revoked.

25. (New section) a. The division shall, by regulation, establish annual fees for the issuance or renewal of restricted foreign Internet wagering permits. The issuance fee shall be based upon the cost of investigation and consideration of the license application and shall be not less than \$200,000. The renewal fee shall be based upon the cost of maintaining enforcement, control and regulation of restricted foreign Internet wagering operations and shall be not less than \$100,000.

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b. The Attorney General shall certify to the division actual and prospective costs of the investigative and enforcement functions of the division, which costs shall be the basis, together with the operating expenses of the division, for the establishment of annual permit issuance and renewal fees.

c. A nonrefundable deposit of at least \$100,000 shall be required to be posted with each application for a restricted foreign Internet wagering permit and shall be applied to the initial permit fee if the application is approved.

d. In addition to the permit issuance and renewal fees, a restricted foreign Internet wagering licensee with a restricted foreign Internet wagering permit shall pay annually to the division \$100,000 to be deposited into the State General Fund for appropriation by the Legislature to the Department of Human Services, \$85,000 of which shall be allocated to the Council on Compulsive Gambling of New Jersey and \$15,000 of which shall be used for compulsive gambling treatment programs in the State.

26. (New section) It shall be a condition of conducting restricted foreign Internet wagering that a restricted foreign Internet wagering licensee enters into an agreement with other such licensees to contribute to a fund established by those licensees that, through an assessment on the participating licensees in a manner determined by them, will raise \$20 million annually in each of the first three State fiscal years commencing with the State fiscal year in which restricted foreign Internet wagering commences which amount shall be contributed to the New Jersey Racing Commission to be used to support the horse racing industry in this State through the augmentation of purses.

27. (New section) A restricted foreign Internet wagering licensee shall be entitled to claim a credit against any tax imposed under the laws of this State on income derived from foreign Internet wagering conducted in this State in an amount equal to any tax on that income paid to any foreign country, or any state, province, territory or subdivision of that foreign country.

28. This act shall take effect immediately.

STATEMENT

This bill authorizes the Division of Gaming Enforcement to provide licenses to foreign casinos, casino rooms, or licensed casinos to conduct restricted foreign Internet wagering, which is Internet wagering based in New Jersey but which is restricted to persons who do not reside in New Jersey or the United States, to enable those persons to place wagers on casino games via the Internet.

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Specifically, the bill provides:

all games, including sports betting, as well as variations or composites thereof, may be offered through restricted foreign Internet wagering;

all equipment used by a licensee to conduct restricted foreign Internet wagering, including but not limited to computers, servers, monitoring rooms, and hubs, must be located in a secure facility inaccessible to the public and specifically designed for that purpose within the territorial limits of the State of New Jersey as approved by the division, and all restricted foreign Internet wagers will be deemed to be placed when received in New Jersey by the licensee regardless of the player's physical location;

any intermediate routing of electronic data in connection with a wager will not affect the fact that the wager is placed in New Jersey;

in order to participate in restricted foreign Internet wagering, a player must be a person who does not reside in the United States, and is not physically present in New Jersey or elsewhere in the United States, whenever a wager is placed by that player;

each licensee that conducts restricted foreign Internet wagering must be able to verify that a player is not a resident of the United States, is not physically present in New Jersey or elsewhere in the United States when placing a wager, and is located in a jurisdiction in which the Internet wagering is lawful;

the division must confirm on a continuing basis that a licensee's equipment is able to verify the location of the player at the time the player is placing a wager;

restricted foreign Internet wagering will be subject to the provisions of, and preempted and superseded by, any applicable federal law;

there is imposed an annual tax on restricted foreign Internet wagering gross revenues in the amount of 10% of such gross revenues which will be paid into the casino revenue fund; the 8% tax on casino gross revenues will not apply to restricted foreign Internet wagering gross revenues; and the investment alternative tax will apply to restricted foreign Internet wagering gross revenues, except that the investment alternative tax on these revenues will be 5% and the investment alternative will be 2.5%, with the proceeds thereof used as provided by law;

the division would be responsible for recommending regulations concerning restricted foreign Internet wagering for consideration and possible adoption by the commission; this would not affect the authority of the division with respect to all casino gaming activities, including Internet wagering;

an application process for a license applicant to obtain a permit to establish restricted foreign Internet wagering, with the permit valid for one year and subject to renewal. As part of the application process, a restricted foreign Internet wagering licensee must submit a description of its system of internal procedures (including security

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procedures) and administrative and accounting controls for restricted foreign Internet wagering, including provisions for real time monitoring of all games. A restricted foreign Internet wagering licensee must also submit its gaming software and other restricted foreign Internet wagering equipment to the Division of Gaming Enforcement for testing to ensure compliance with technical standards for such equipment set by the commission;

procedures for the crediting and debiting of a wagering account;

it will be lawful for a restricted foreign Internet wagering licensee to provide marketing information by means of the Internet to players engaged in restricted foreign Internet wagering and to offer those players incentives to visit any casino in Atlantic City, or to engage in any other lawful activities within New Jersey;

required features of restricted foreign Internet wagering to assist the wagering account holder;

required features to assist problem gamblers and potential problem gamblers;

penalties for violations of the provisions of the bill;

an annual fee for the restricted foreign Internet wagering permit holders for the initial permit and permit renewal to cover the costs of regulation by the commission and the division, with the initial fee to be at least \$200,000 and the renewal fee to be at least \$100,000; and

an annual fee for restricted foreign Internet wagering permit holders of \$100,000 to be allocated to programs to prevent compulsive gambling and to assist compulsive gamblers.

Except as otherwise provided in the bill, a restricted foreign Internet wagering operation would be subject to the existing provisions of the Casino Control Act and the regulations promulgated thereunder, including, but not limited to:

the licensure of all employees with gaming-related duties or responsibilities;

penalties for a violation of the act;

supplemental sanctions deemed appropriate by the commission for violations; and

that a restricted foreign Internet wagering licensee will be entitled to claim a credit against any tax imposed under the laws of this State on income derived from foreign Internet wagering conducted in this State in an amount equal to any tax on that income paid to any foreign country, or any state, province, territory or subdivision of that foreign country.

The division will adopt regulations for the implementation and conduct of restricted foreign Internet wagering that are consistent with regulations governing casino gambling generally.

The bill also provides that it will be a condition of conducting restricted foreign Internet wagering that a restricted foreign Internet wagering licensee enters into an agreement with other such licensees to contribute to a fund established by those licensees that, through an assessment on the participating licensees in a manner

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determined by them, will raise \$20 million annually in each of the first three State fiscal years commencing with the State fiscal year in which restricted foreign Internet wagering commences, which amount will be contributed to the New Jersey Racing Commission to be used to support the horse racing industry in this State through the augmentation of purses.

Authorizes licensing of operators to provide restricted foreign Internet wagering under certain circumstances.

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