

2016 -- H 7492

LC004416

STATE OF RHODE ISLAND

IN GENERAL ASSEMBLY

JANUARY SESSION, A.D. 2016

A N A C T

RELATING TO BUSINESSES AND PROFESSIONS - LICENSING OF ONLINE CONTESTS

Introduced By: Representatives Gallison, Amore, Carnevale, Abney, and Marshall

Date Introduced: February 05, 2016

Referred To: House Finance

It is enacted by the General Assembly as follows:

1 SECTION 1. Legislative findings. - Licensing online contests.-- The general assembly
2 recognizes and affirms that there now exists numerous ways for the people of Rhode Island to
3 transact business and interact with others across the globe that once necessitated a physical
4 presence in the state.

5 That this ability to transcend state boundaries by use of the Internet and other
6 technologies has allowed businesses, whose previously required physical presence would have
7 provided the state with an opportunity to regulate their practices, and protect the consumer, to
8 prosper in an unregulated and untaxed netherworld.

9 The general assembly does find that in the absence of national regulations or standards
10 governing online playing contests including, but not limited to, daily fantasy sports, that it is
11 necessary to find ways, through legislation, to protect the interests of the state and its consumers
12 by ensuring that the contests offered are fair to all participants and that minors are not targeted
13 through advertisements or promotions.

14 SECTION 2. Title 5 of the General Laws entitled "BUSINESSES AND PROFESSIONS"
15 is hereby amended by adding thereto the following chapter:

CHAPTER 89

LICENSING OF ONLINE CONTESTS

18 **5-89-1. Certain contests permitted.** -- (a) The department of business regulation may
19 license persons, firms, partnerships, associations, or corporations to offer contests that involve an

1 exchange of something of value not prohibited as gambling under the general laws, the Interstate
2 Wire Act of 1961 (18 U.S.C. §1084 et seq.), the Professional and Amateur Sports Protection Act
3 of 1992 (28 U.S.C. §3701 et seq.), or the Unlawful Internet Gambling Enforcement Act of 2006,
4 (31 U.S.C. §5361 et seq.) to residents and visitors of the state.

5 **5-89-2. Definitions. --** For this chapter the following words have the following
6 meanings:

7 (1) "Agent" means any person engaged by a licensed operator or an applicant for a
8 license, for the purposes of representing their interests as a lobbyist of the legislative or executive
9 branch, or before any state administrative agency, board, or judicial court.

10 (2) "Authorized site" means an Internet site or other platform operated by a licensed
11 operator for the purpose of offering contests authorized by this chapter.

12 (3) "Award" means money, chits, coupons or credits, admission to another contest, or any
13 other thing of value used to induce participation in a contest and divided among the winners of
14 that contest.

15 (4) "Bond" means a bond or other writing held in escrow for the purpose of maintaining
16 adequate reserves to account for all the prizes or awards owed to persons covered by this chapter.

17 (5) "Contest" means a game based upon the occurrences of real-world events and
18 participation is solicited through the promise of prizes or awards to winners that exceed the value
19 of the entry fee.

20 (6) "Daily game fee" means the amount charged to the licensed operator for each day an
21 event is used as a basis in the calculation of determining the winners of contests offered by the
22 licensee.

23 (7) "Daily fantasy sports (DFS)" means a contest offered by means of the Internet or
24 other electronic medium that calculates the winners based on a formula of player statistics.

25 (8) "Department" means the department of business regulation.

26 (9) "Director" means the director of the department of business regulation.

27 (10) "Electronic means" means the operation of engaging in play through the use of the
28 Internet or other method of transmitting information not in person.

29 (11) "Employee" means all traditional and non-traditional employees including
30 independent contractors performing work or other tasks at the direction or on behalf of the
31 principals or key employees in the furtherance of their business interests in this chapter.

32 (12) "Entry fee" means the money or other thing of value transferred by the participant to
33 the licensed operator to enter a contest.

34 (13) "Entity" means any person, firm, partnership, association or corporation having or

1 applying for a license to operate or offer contests authorized by this chapter.

2 (14) "Event" means any real-world event or occurrence used as the basis of a contest
3 offered under this chapter.

4 (15) "Exchanged" means the transfer of something of value between a licensed operator
5 and a participating player and includes money, prizes, chits, coupons or credits or any other
6 method used to calculate an entry fee or a division of winnings. Exchanged does not mean a
7 deposit or a withdrawal of monies or credits held in trust by the licensee on behalf of a
8 participating player or account holder.

9 (16) "Host" means an entity licensed and operating an authorized site.

10 (17) "Key employee" means a person, including principals, having the authority to act on
11 behalf of: a licensed operator; or any person, firms, partnerships, associations, or corporations in
12 the process of applying for a license authorized by this chapter and whose judgment is being
13 relied on to manage and advance the business operations.

14 (18) "License" means a grant by the state to offer certain contests not prohibited by law.

15 (19) "Licensee" or "licensed operator" means any person, firm, partnership, association or
16 corporation licensed and authorized to offer contests under the provisions of this chapter.

17 (20) "Occupational license" means a requirement of the department of business
18 regulations that certain positions having access to information or that may affect the fairness of
19 contests shall be regulated.

20 (21) "Participant" or "participating player" means a person registered to participate in a
21 fantasy sport or other contest authorized by this chapter.

22 (22) "Principal" means any person having more than a five percent (5%) ownership
23 interest in, or any officer of an entity licensed or applying for a license under this chapter.

24 (23) "Prize" or "award" means money, chits, coupons or credits, admission to another
25 contest, or any other thing of value used to induce participation in a contest and divided among
26 the winners of that contest.

27 (24) "Real-world sporting event" means a scheduled sporting event whose outcome is
28 determined by occurrences of persons who physically competed in the event.

29 (25) "Real-world team" means a team that competes in scheduled sporting events against
30 other teams and whose roster or members are readily identifiable by the public.

31 (26) "Regulated worker" mean any person working or contracted on behalf of the
32 licensee, who the department has determined must be licensed.

33 (27) "Resident" means a person who primarily resides in the state, a student attending a
34 school of higher or lower education in the state who has a substantial connection to the state (such

1 as being housed in this state temporarily for the purpose of attending school), or for the purposes
2 of gaming under this chapter any person located within the boundaries of the state at the time they
3 enter a contest offered in this chapter.

4 (28) "Transaction" means an exchange of something of value between the authorized site
5 or host and the participant, and includes both the cost of entry and the division of winnings.

6 (29) "Vendors" means and includes all contractors, sub-contractors, independent
7 contractors and other non-traditional employees hired or contracted by the licensee for the
8 purpose of furthering their business.

9 **5-89-3. Restrictions and penalties. --** (a)(1) No person, firm, partnership, association or
10 corporation shall offer or promote to residents of the state or persons located within the
11 boundaries of the state contests authorized by this chapter and where something of value is
12 exchanged without first being licensed by the department of business regulation.

13 (2) Any person or entity seeking a license under this chapter on behalf of a person,
14 partnership, association or corporation that would not otherwise be eligible to be a licensed
15 operator shall be guilty of fraud and forfeit all fees and deposits made to the state or department
16 as part of their application for licensure.

17 (b)(1) Any person, firm, partnership, association or corporation not licensed by the
18 department that offers a contest authorized under this chapter and where something is exchanged
19 for value shall be fined one thousand dollars (\$1,000) for each transaction made between the host
20 and the participating player they were not licensed for.

21 (2) In any prosecution under the laws of this state, it shall be an irrebutable presumption
22 that any person or entity offering a contest authorized by this chapter where something is
23 exchanged for value without the proper licensing knowingly participated in gambling activities.

24 (c) Only persons, firms, partnerships, associations, or corporations with a physical
25 presence in the United States who agree to be subject to the jurisdiction of the state for purposes
26 of this chapter shall be eligible to apply for a license.

27 **5-89-4. Licensing of authorized sites and employees. --** (a) All persons, firms,
28 partnerships, associations, or corporations desiring to operate any gaming business authorized by
29 this chapter, shall submit an application for a license to the department of business regulation on
30 such forms and in such a manner as prescribed by regulations of the department, and along with a
31 processing fee of five thousand dollars (\$5,000), provide and include:

32 (1) A list of all of the entity's principals; and

33 (2) For each principal:

34 (i) A national criminal records check initiated through the bureau of criminal

1 identification of the department of the attorney general;
2 (ii) Information as to financial standing; and
3 (iii) All releases and authorizations necessary to facilitate the purpose of this subsection
4 signed by the individual.
5 (3) A list of all the entity's key employees; and
6 (4) For each key employee:
7 (i) A national criminal records check initiated through the bureau of criminal
8 identification of the department of the attorney general that shall include fingerprints submitted to
9 the FBI;
10 (ii) Information as to financial standing; and
11 (iii) All releases and authorizations necessary to facilitate the purpose of this subsection
12 signed by the individual.
13 (5) A list of all persons, corporations or other businesses providing any financing to the
14 applicant.
15 (6) A list of all vendors whose work for or contract with the licensee may affect the
16 fairness of any game authorized under this chapter.
17 (7) A list of all vendors whose work for, or contract with the licensee may allow them
18 access to the private information of participants.
19 (8) The names of vendors, agents and subcontractors performing work or other activities
20 on the entity's behalf in furtherance of operations with connections to the state or as part of its
21 application for a license; and
22 (9) Any additional information from the principals and key employees the department
23 deems will aid in its decision making process as to their: moral character; previous employment;
24 corporate, partnership or association affiliations; ownership of personal assets; and such other
25 information necessary to protect the interests of the state and consumers. The department shall
26 have the right to reject any applications for a license to operate games under this chapter for any
27 cause, which it may deem sufficient. Applicants aggrieved by a decision or order of the
28 department shall have the right to an appeal to department of business regulation pursuant to
29 chapter 35 of title 42, the "administrative procedures act."
30 (b)(1) Every applicant and licensee has a continuous obligation to update and forward to
31 the department all information required by subsection (a) of this section as it becomes known to
32 them.
33 (2) An entity that knowingly fails to self-report its failure to provide an accurate list as
34 required by subsection (a) of this section shall have its license suspended or revoked.

1 (c)(1) Any applicant who knowingly or negligently fails to provide all the names of
2 persons, vendors and subcontractors required by subsection (a) of this section shall be fined one
3 thousand dollars (\$1,000) each day they are not in compliance.

4 (2) An entity that knowingly fails to self-report its failure to provide an accurate list as
5 required by subsection (a) of this section shall have its license suspended or revoked.

6 (d) The department shall reject any application for a license to offer games under this
7 chapter if any of the principals or key employees listed in the application are found to have
8 disqualifying information as provided for in §5-89-6. The department shall refuse to reconsider
9 the entity's application until such time that the department is satisfied that the person whom was
10 disqualified under §5-89-6 is no longer a principal or key employee of the entity.

11 (e) The department, by regulation, shall establish other occupational licensing
12 requirements for positions it determines could affect the fairness of the games offered by the
13 licensee, and for employees who may have access to private information provided by the game
14 players or who may come in contact, either in person or by electronic medium, with persons
15 playing the games authorized by this chapter. Any person required to possess an occupational
16 license as provided for in this subsection shall submit to a national criminal records check
17 initiated through the bureau of criminal identification of the department of the attorney general
18 that shall include fingerprints submitted to the FBI and be subject to the provisions of §5-89-6.

19 (f) For employees of the entity there shall be license fee paid yearly as set forth below:

20 (1) Key employees - three hundred dollars (\$300);

21 (2) Software engineers and computer programmers - three hundred dollars (\$300);

22 (3) For supervisory or exempt employees - two hundred dollars (\$200);

23 (4) Operation employees who have access to private or personal information - one
24 hundred fifty dollars (\$150);

25 (5) Computer operators and data entry operators - one hundred fifty dollars (\$150); and

26 (6) Service employees or customer service representatives who have contact with
27 participants but do not have access to private or personal information - one hundred dollars
28 (\$100).

29 (g) All employees regulated under this section shall upon obtaining the license, maintain
30 upon their person while working an identification badge issued by the department containing at a
31 minimum a picture of themselves, a unique identification number and an expiration date.

32 (h) The cost of the licensing requirements of this section shall be paid by the entity, and
33 shall include one hundred and fifty percent (150%) of the total salaries and benefits for the state
34 employees engaged in the licensing and regulating of the contest authorized by this chapter. The

1 fund shall be deposited as restricted receipts for the use of the state and shall be in addition to any
2 taxes and fees otherwise payable to the state.

3 **5-89-5. Licensing of software companies, independent contractors and employees. --**

4 (a) All persons, firms, associations, or corporations employed or contracted by a licensee
5 under this chapter in providing computer and software services involving the development of the
6 platforms and programs of games authorized under this chapter, the computation of the scoring
7 that determines the winners of the contests offered, or any other service that the department may
8 determine will affect the fairness of the games being offered by the licensee, shall apply for a
9 license to the department of business regulation upon such forms and in such manner prescribed
10 by regulations of the department, and along with a processing fee of two thousand dollars
11 (\$2,000), provide and include:

12 (1) A list of all of the entity's principals; and

13 (2) For each principal:

14 (i) A national criminal records check initiated through the bureau of criminal
15 identification of the department of the attorney general;

16 (ii) Information as to financial standing; and

17 (iii) All releases and authorizations necessary to facilitate the purpose of this subsection
18 signed by the individual.

19 (3) A list of all persons, corporations or other businesses providing any financing to the
20 applicant.

21 (b) All traditional and non-traditional employees working on projects or materials
22 contracted by the licensee in subsection (a) of this section whose work or performance may affect
23 the fairness of the games, or who may have access to private information provided by account
24 holders and participating players shall be licensed by the department on forms prescribed by
25 regulations of the department. Any person required to possess an occupational license as provided
26 for in this subsection shall submit to a national criminal records check initiated through the
27 bureau of criminal identification of the department of the attorney general that shall include
28 fingerprints submitted to the FBI and be subject to the provisions of §5-89-6.

29 (c) For all persons, firms, associations, or corporations employed or contracted by a
30 licensed operator and who are not already licensed under subsections (a) or (b) of this section,
31 there shall be a license fee paid yearly as set forth below:

32 (1) Software development companies - one thousand dollars (\$1,000);

33 (2) Software engineers or independent contractors - three hundred dollars (\$300); and

34 (3) Computer operators and technicians - one hundred fifty dollars (\$150).

1 (d) All persons regulated under this section shall, upon obtaining the license, maintain
2 upon their person while working an identification badge issued by the department containing at a
3 minimum a picture of themselves, a unique identification number and an expiration date.

4 **5-89-6. Criminal checks –Disqualifying information. --** (a) Any person required to
5 submit to a criminal background check as provided for in §§5-89-4 and 5-89-5 shall be
6 disqualified from obtaining the necessary licensure if information produced by a national criminal
7 records check finds the applicant was convicted of any of the following crimes: murder, voluntary
8 manslaughter, involuntary manslaughter, first degree sexual assault, second degree sexual assault,
9 third degree sexual assault, assault on persons sixty (60) years of age or older, assault with intent
10 to commit specified felonies (murder, robbery, rape, burglary, or the abominable and detestable
11 crime against nature), felony assault, first degree arson, robbery, felony drug offenses, felony
12 obtaining money under false pretenses, felony embezzlement, abuse, neglect, and/or exploitation
13 of adults with severe impairments, exploitation of elders, felony larceny, felony banking law
14 violations, or a crime involving gambling activities or fraud.

15 (b) Information produced by a national criminal records check pertaining to convictions
16 for crimes other than those listed in subsection (a) of this section shall entitle the department to
17 decline to license the applicant if the department determines based on the information it has that
18 the applicant would poses a risk that might affect the fairness of the games offered, or the private
19 information of the participants.

20 (c) For purposes of this section "conviction" means in addition to judgments of
21 conviction entered by a court subsequent to a finding of guilty or a plea of guilty, those instances
22 where the defendant has entered a plea of nolo contendere and has received a sentence of
23 probation and those instances where a defendant has entered into a deferred sentence agreement
24 with the attorney general.

25 (d) Persons licensed under this chapter shall have a continuous duty to inform the
26 department and their employer of any change of status to any information that may disqualify
27 them from being licensed.

28 (e) At the conclusion of any background check required by this chapter, the state police
29 or the local police department will promptly destroy the fingerprint card of the applicant.

30 **5-89-7. Duty to maintain employee and other records. --** (a) Each licensed operator
31 shall keep a list of all persons licensed under this chapter whom they employ, hire, or contract
32 with, at their physical office, any place where records subject to inspection under this chapter are
33 kept, and at the physical location of any building or office where those persons licensed normally
34 work.

1 (b) Each list required under this section shall include the full name, license number and
2 expiration date of the license as well as any other information the department deems appropriate.

3 (c) As part of its responsibility to maintain records each entity shall have and keep on a
4 form provided by the department a statement attested to by each person holding a license that in
5 the period since their national criminal records check they have not been convicted of a crime
6 provided for in §5-89-6.

7 **5-89-8. Daily license fees. --** (a) Any contests conducted under this chapter using real-
8 world sporting events and their leagues as their premise shall, for each day a league event is used,
9 in part or in whole, in calculating the winners of contests offered under this chapter, have the
10 following daily license fees imposed:

11 (1) Professional football - one thousand dollars (\$1000);

12 (2) Professional baseball - three hundred dollars (\$300);

13 (3) Professional basketball - three hundred dollars (\$300);

14 (4) Professional hockey - two hundred dollars (\$200);

15 (5) Professional golf - three hundred dollars (\$300);

16 (6) Auto racing - five hundred dollars (\$500);

17 (7) Other professional sporting events not specified by this section - two hundred dollars
18 (\$200).

19 (b) Licensed operators may petition the department to create a contest based on events
20 not listed in this section, and if the department decides to allow such contest it may, based upon
21 the anticipated participation in the contest and the number of days involved, impose a daily
22 license fee of at least two hundred dollars (\$200) but no more than one thousand dollars (\$1000)
23 per day for each day that an event utilized in part or in whole in calculating the winners of a
24 contest offered by this chapter occurs.

25 **5-89-9. Transaction fees for contests offered. --** Each licensee offering contests under
26 this chapter shall pay to the state, and there is hereby imposed a transaction fee computed at seven
27 percent (7%) of the total money exchanged, or the dollar value of items exchanged between a
28 licensee and the participating player, whether that exchange occurs as part of the entry fee or in
29 the form of a prize or award provided to the winner(s).

30 **5-89-10. Payments to the state. --** (a) Each licensee shall pay quarterly to the state, for
31 deposit in the general fund all transaction fees and taxes withheld by it in the previous quarter.

32 (b) Each licensee shall pay quarterly to the state for deposit in the general fund the game
33 day license fees for each event it will be using as a basis for contests it will offer in the coming
34 quarter. Any licensee holding a contest open to Rhode Island residents based on an event for

1 which the licensee has not paid its game day license fee shall be in violation of §5-89-3.

2 **5-89-11. Collection of taxes – Interest on delinquencies – Failure to pay on demand.-**

3 - The tax administrator shall assess and collect the taxes and fees imposed by this chapter under
4 such rules and regulations as they may prescribe. All taxes and fees hereby imposed shall be due
5 and payable at the time required by this section, any tax or fee not paid upon demand of the tax
6 administrator shall bear interest at the rate of six percent (6%) per annum from the time of the
7 demand. Failure to pay any tax or fee upon demand shall be cause for revocation of a license.

8 **5-89-12. Contests prohibited.--** (a) No game authorized by this chapter shall determine
9 winners based on:

10 (1) The score, point spread, or performance of any single real-world team or any
11 combination of real-world teams; or

12 (2) Solely on the single performance of any single real-world sporting event.

13 (b) Any entity offering a game prohibited by this section shall be fined one thousand
14 dollars (\$1000) for each transaction involving such game prohibited and may have their license
15 suspended or revoked.

16 (c) In any prosecution under the laws of this state, it shall be an irrebutable presumption
17 that any entity offering a game prohibited by this section where something is exchanged for value
18 knowingly participated in gambling activities.

19 **5-89-13. Fairness in contest offered. --** (a) Any prize or award offered as an inducement
20 to encourage play must be established and made known in a clear and concise manner to the
21 players in advance of the player's participation and prior to the commencement of the contest.

22 (b) The value of prizes and awards offered to winning participants shall be fixed and
23 certain and not be determined by the number of participating registered players or the amount of
24 any changes paid by those participating registered players to the licensed operator.

25 **5-89-14. Participation in contests.--** (a) Before any resident of the state opens an
26 account with a licensed operator and participates in contests authorized by this chapter they must
27 attest that they are eighteen (18) years of age or older and that their name does not appear on any
28 self-exclusion list.

29 (1) Nothing within this section shall restrict the licensee from taking any legal measures it
30 deems necessary to ensure that all participants are the legal age, including, but not limited to,
31 requiring that participants provide the licensee a signed and notarized document attesting to their
32 age.

33 (2) For the purposes of this section, any minor who attests to being eighteen (18) years of
34 age or older, or any other person who signs in place of a notary for the purpose of proving

1 eligibility open an account or to participate in contests authorized by this chapter shall be guilty
2 of lying on a state document.

3 (b) Each person desiring to participate in games being offered under this chapter shall
4 provide:

5 (1) A physical address, not a post office or PO box;

6 (2) A phone number;

7 (3) A unique user name;

8 (4) A bank or similar account, in their own name, and including a routing number to
9 make deposits and withdrawals;

10 (5) Social security number; and

11 (6) An active email account.

12 (c) Persons are limited to one account and one unique user name for each authorized site
13 they join. Licensees shall take all reasonable and necessary steps to ensure that participants only
14 have one account including, but not limited to:

15 (1) Taking measures to verify player's true identities and addresses to the greatest extent
16 possible;

17 (2) Not allowing players to use proxy servers to enter contests;

18 (3) Not allowing simultaneous log-ins on a single account; and

19 (4) Preventing a participating player from closing an account with one unique user name
20 and opening a new account with a different unique user name.

21 **5-89-15. Protection of private information.** -- The licensee shall, in addition to any
22 requirement of federal or state law on data security, take all other additional steps necessary to
23 protect the private information of its players as is the standard in the industry.

24 **5-89-16. Deposits and withdrawals.** -- (a) For every deposit or withdrawal made to a
25 participant's account, or transaction between the host and participating player, the host shall
26 confirm by email to the participant such activity.

27 (b) Each email required by this section shall include in a clear and conspicuous manner,
28 information informing the participant that there exists a settlement office within the department of
29 business regulation that is available to resolve any disputes between the host and the participant
30 that have not been addressed by the licensed operator in a timely manner.

31 **5-89-17. Funds on account.** -- (a) Monies or credits deposited or owed to a player
32 remain the property of the player until such time their value is withdrawn in part or in whole by
33 check or electronic transfer for the personal use of the account holder, or any portion thereof is
34 deducted from the account as part of an entry fee for a new contest.

1 (b) It is the responsibility of the licensee who holds these funds in trust, to ensure that all
2 appropriate safeguards and accounting measures are in place to:

3 (1) Prevent comingling of the player's funds with the funds or accounts of the licensee or
4 other participating players; and

5 (2) Prevent unauthorized withdrawals from within and without the operations.

6 **5-89-18. Escrow account.** -- (a) The department shall require that before a license is
7 granted that each licensee place an amount equal to twice the anticipated profits for the first year,
8 a bond in escrow to ensure that there exists adequate reserves to pay off persons covered by this
9 chapter.

10 (b) The licensee may maintain the bond at any financial institution licensed and regulated
11 by the state and shall be the beneficiary of any interest earned.

12 (c) After an accounting of the first year's operation in the state and every year thereafter,
13 the required bond placed in escrow shall be at a minimum twenty percent (20%) of the amount
14 paid out to persons covered under this chapter in the previous year.

15 (d) Upon the revocation of an entity's license to operate, dissolution or any other
16 shutdown of operations, the prizes or awards owed to persons covered by this chapter shall be
17 paid out of the escrow account before any taxes or fees owed to the state are paid.

18 **5-89-19. Prohibition on extension of credit.** -- No licensee shall offer or accept the
19 extension of credit to a participating player who is a resident of this state.

20 **5-89-20. Income reporting.**-- Notwithstanding any federal law or regulation of the
21 Internal Revenue Code, for purposes of personal taxes filed in Rhode Island, the monetary value
22 of all prizes and awards won by residents of the state shall be treated as income.

23 **5-89-21. Advertising to minors prohibited.** -- (a) No licensee shall directly or indirectly
24 advertise or promote contests offered or authorized by this chapter towards minors. Such
25 prohibitions shall extend to all: public or private schools of higher or lower education, amateur,
26 school or college sporting venues, or other places where a significant number of the guests or
27 audience members will be minors.

28 (b) The department shall investigate on its own or by complaint any advertising that a
29 reasonable person would believe is targeted towards minors. If the department determines that the
30 advertising is being targeted towards minors in violation of this section it shall require that the
31 advertising stop or be removed.

32 (c) An entity wishing to challenge a restriction placed on its advertising may request a
33 hearing on the matter pursuant to chapter 35 of title 42.

34 (d) Nothing in this section shall prohibit any organization public or private from

1 determining on their own to refuse or restrict advertisements offered by licensees on their
2 premises or within their control.

3 **5-89-22. Playing of contests – Minors prohibited.** -- (a) No licensee shall knowingly or
4 negligently permit any minor to participate in any contest authorized by this chapter.

5 (1) Any licensee who knowingly or negligently allows a minor to participate in a contest
6 it offers under this chapter shall be fined one thousand dollars (\$1,000) for each occurrence of the
7 first offense. Any licensee found to have knowingly or negligently allowed minors to participate
8 in contests subsequently shall be fined five thousand dollars (\$5,000) for each transaction;

9 (2) It shall not be an absolute defense that a minor self-reported as being over eighteen
10 (18) years of age for the purpose of opening an account or playing a contest under this chapter.

11 (b)(1) Upon notification of a parent or guardian that their minor child has a registered
12 account the licensee shall return immediately to the parent or guardian the amount presently in
13 the account that does not exceed the deposits made by the minor.

14 (2) After a hearing held in accordance with chapter 35 of title 42 the department may, if it
15 determines the licensee did not take adequate steps to prove the identity of a minor, direct the
16 licensee to return all the deposits made by the minor and/or the remainder of subsection (c) of this
17 section to the parents or guardian.

18 (c) The department may suspend or revoke any license issued by it for any singular or
19 multiple violation of this section after a hearing held in accordance with chapter 35 of title 42.

20 **5-89-23. Playing of contests – licensees prohibited.** -- (a) No principal or key employee
21 of the licensee shall participate in any contest offered under this chapter. Any principal or key
22 employee of a licensee who participates in any contest authorized by this chapter shall be fined
23 ten thousand dollars (\$10,000).

24 (b) Any licensee who allows one of its principals or key employees to participate in a
25 contest it offers under this chapter shall be fined one hundred thousand dollars (\$100,000)

26 (c) The department may suspend or revoke any license issued by it for any singular or
27 multiple violation of this section after a hearing held in accordance with chapter 35 of title 42.

28 **5-89-24. Playing of contests – regulated workers prohibited.** -- (a) No regulated
29 person holding a license issued by the department of business regulation shall participate in any
30 contest offered under this chapter. Any person holding an occupational license issued by the
31 department under this chapter who participates in a contest authorized by this chapter shall be
32 fined one thousand dollars (\$1,000).

33 (b) Any licensee who allows one of its employees, contractors or independent contractors
34 working under their direction, regulated or not, to participate in a contest it offers under this

1 chapter shall be fined ten thousand dollars (\$10,000) for each occurrence.

2 (c) The department may suspend or revoke any license issued by it for any singular or
3 multiple violation of this section after a hearing held in accordance with chapter 35 of title 42.

4 **5-89-25. Playing of contests – other persons prohibited.** -- (a) No person playing a part
5 in the real-world event that the contest being offered by the licensee is based on shall be allowed
6 to participate in a contest where residents or visitor of the state are exchanging something of
7 value for the purpose of participating in the same contest.

8 (b) Any licensee who allows a person who had a part in the real-word event the contest is
9 based on to compete against residents or visitors of the state shall have their license revoked after
10 a hearing held in accordance with chapter 35 of title 42.

11 **5-89-26. Prohibited activities.**-- (a) No principle, employee, vendor or independent
12 contractor shall share, release, or use any information gained in the course of any interaction with
13 the operations and activities performed in the due course of business by the licensed operator that
14 is not available to the public or will affect the fairness of any contest offered by the licensed
15 operator it has contact with or a contest offered by a similarly operating entity, whether it is a
16 licensee of the state or not.

17 (b) Any person using information described in this section that affects the fairness of the
18 games in this or another state shall, in addition to being subject to any criminal or civil penalty, be
19 fined ten thousand dollars (\$10,000) and have their license suspended or revoked after a hearing
20 held in accordance with chapter 35 of title 42.

21 **5-89-27. Contests voided.**-- (a) The result of any contest offered under this chapter and
22 played by a person prohibited from participating under §§5-89-23 through 5-89-26 shall be
23 voided and the losses incurred by any one covered by this chapter returned.

24 (b) The winner or winners of a voided contest shall be entitled to the prize or award used
25 to induce their play if they were a registered player not otherwise prohibited from participation in
26 the game under this chapter.

27 **5-89-28. Jurisdiction.** -- (a) Notwithstanding the physical location of the licensees
28 operations for the purposes of this chapter any activity involving a resident or a person physically
29 located within the boundaries of the state is deemed to have occurred in the state.

30 (b) All cases or matters not subject to the provisions of chapter 35 of title 42, shall be
31 subject to a Rhode Island state court with appropriate jurisdiction and such matters shall be
32 determined under the general laws of the state without the conflict of law provisions therein.

33 (c)(1)In exchange and consideration for being granted a license to offer games within the
34 state, licensees are subject to the jurisdiction and laws of the state in all matters related to their

1 dealings with any resident or instrumentality of the state with regards to those games authorized
2 by this chapter;

3 (2) For the purposes of protecting the interests of the state and its citizenry the
4 jurisdiction of the state extends to the physical location of the place the licensee maintains the
5 records and other materials required by this chapter to be made available for inspection.

6 **5-89-29. Rules, regulations and orders. --** The director may promulgate rules and
7 regulations necessary to effectuate the purposes of this chapter.

8 **5-89-30. Accounting system – Supervision. --** The department shall devise a system of
9 accounting to provide for all transactions involving persons and contests covered by this chapter
10 including the right of inspection to protect the rights and interests of the state and its consumers,
11 and shall collect all fees and licenses under such rules and regulations as it shall prescribe.

12 **5-89-31. Entry of premises for inspection. --** The department may authorize its
13 employees or duly authorized deputies to enter upon the premises of any facility, within or
14 without the state, utilized by the licensee to operate activities covered by this chapter, for the
15 purpose of inspecting books and records kept as required by the chapter, or to make any other
16 inspection of the premises necessary to protect the interests of the state and its consumers.

17 **5-89-32. Settlement of disputes. --** (a) The director shall promulgate rules and
18 regulations necessary to establish a "settlement office" within the department whose purpose is to
19 resolve disputes arising between licensees and resident game players in a quick and equitable
20 manner as provided for by rule or regulation.

21 (b) The settlement office shall have the further responsibility of tracking the complaints
22 made to the office by the licensee along with a brief description of the type of complaint and a
23 general description of their resolutions and report their findings at least annually to the general
24 assembly. After the report is received by the general assembly, the department shall make an
25 electronic version available on its website to provide consumers with information necessary to
26 make informed decisions.

27 (c) If at any time during the processing of complaints the office becomes aware or has a
28 reasonable suspicion about the solvency of any licensee through an increased number of
29 complaints for non-payment, the office shall forward those suspicions immediately to the office
30 of the attorney general and the general assembly.

31 (d) The office shall be funded by the licensee and the position filled only to the extent it
32 is necessary to accomplish the goals herein.

33 (e) Nothing shall prohibit a party not satisfied by the resolution proposed by the
34 settlement office from asserting a right or a claim in a court of proper jurisdiction.

1 **5-89-33. License suspension and revocation.** -- (a) The department may suspend or
2 revoke the license of any entity offering games under this chapter for a singular or cumulative
3 violation of the provisions of this chapter, if the department in its judgment determines that these
4 violation(s) affect the fairness of the games or indicates a lack of trustworthiness on the part of
5 the licensee.

6 (b) Licensees aggrieved by a decision or order of the department under this section shall
7 have the right to an appeal pursuant to chapter 35 of title 42.

8 **5-89-34. Duties of attorney general.** -- It shall be mandatory upon the attorney general
9 to prosecute all civil and criminal cases which shall be referred by the director to the attorney
10 general. It shall be the duty of the attorney general to prosecute actions, both civil and criminal,
11 for those violations of this chapter that come to their knowledge and to independently enforce the
12 provisions of this chapter.

13 **5-89-35. Confidentiality of trade secrets.** -- All information reported to or otherwise
14 obtained by the director in connection with any licensing or regulatory requirement under this
15 chapter which contains or which might reveal a trade secret shall be considered confidential;
16 except that the information may be disclosed to other officers or employees concerned with
17 carrying out the provisions of this chapter, or when relevant in any proceeding under this chapter.
18 In any proceeding the director, or the court shall issue orders as may be appropriate to protect the
19 confidentiality of a trade secret.

20 **5-89-36. Severability.** -- If any provision of this chapter is declared unconstitutional or
21 the applicability of any provision to any person or circumstance is held invalid, the
22 constitutionality of the remainder of the chapter and the applicability of it to other persons and
23 circumstances shall not be affected by that invalidity.

24 SECTION 3. This act shall take effect upon passage.

=====
LC004416
=====

EXPLANATION
BY THE LEGISLATIVE COUNCIL
OF
A N A C T
RELATING TO BUSINESSES AND PROFESSIONS - LICENSING OF ONLINE CONTESTS

1 This act would authorize, license, and regulate daily fantasy sports games contests to be
2 offered online. The act imposes a number of registration requirements on principals and other key
3 employees associated with a licensed operator authorized to offer online fantasy sport games. The
4 act imposes registration fees on licensed operators, and also imposes fines for violating the
5 provisions of the act. Minors would be prohibited from participating in online fantasy sports
6 games.

7 This act would take effect upon passage.

=====
LC004416
=====