

Dear Senator Bonacic:

As a long-time advocate for poker players, I would like to add my comments to your recent hearing on your bill S5302-2015. Although I am not a resident of New York State, I have for many years provided legislators and regulatory authorities in various jurisdictions, including Nevada and New Jersey, detailed advice about the provisions in legislation and regulations that provide the protections and robust online gaming experience that benefit poker players.

Attached you will find my Guideline for Online Poker Regulations, which discusses the issues of import for poker players, and lays out a guide to developing a framework between licensed Internet gaming site operators, the players and the regulators, for a fair, honest and robust gaming experience. This Guideline is also available for download at: <http://pokerxanadu.com/on-regulation/guideline/>. I believe you will find this guideline useful in understanding the legislative issues important to online poker players and in developing appropriate amendments to your bill as it advances through the New York legislature.

You may also be interested in viewing the legislative draft bill that I wrote for Florida, also attached, and available for download at: <http://ipokerflorida.com/legislation/>. It can serve as a model bill that combines all the elements of protections for consumers, players and vulnerable populations, along with a framework for a partnership between the state, the in-state live gaming interests and the international online poker networks.

The online poker industry is successful as a partnership between regulated online poker networks, live gaming venues and governments in many jurisdictions around the world. Done correctly, it will increase revenues for all those entities involved in New York State, while providing a safe playing environment for the players, instead of the offshore underground sites the players are currently forced to use.

Sincerely Yours,

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Guideline for Online Poker Regulations

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Gaming regulations provide a partnership framework between licensed Internet gaming site operators, the gaming players and the regulators, for a fair, honest and robust gaming experience. Among real-money online casino games, the nature of online poker presents a number of unique regulatory challenges.

Each section of this guideline begins with a discussion (in italics) of the regulatory issues of special import to poker players (Players) in this partnership with the licensed site operators (Sites) and the regulatory agency (RA), followed by example provisions recommended for implementation. The guideline is not meant to encompass all regulatory issues for online gaming or online poker, but only those necessary to be included for the best interests of the poker players.

Please implement these regulatory provisions, or similar wording, for the rights and protection of the Players.

A. Authorized Poker Gaming

The popularity of various poker games among Players ebbs and flows over time, with new games or varieties invented at any time. There is no official reference which can be used as a definitive compendium of those card games that should be authorized for poker play. However, there are certain criteria that can be stated and used as a litmus test to determine if a card game is truly "poker."

Similarly, Players individually prefer specific stakes, buy-ins and wager limits. The only limits that Players need are those that are self-imposed, which evolve from experience. Only the very small percentage of Players who suffer from problem gaming need protection which can be provided through responsible gaming regulations for self-exclusion, account flagging and referral to professional guidance, and without imposing regulatory limits on the games for all other Players.

1. Poker Games Allowed

Any game which fits the following definition may be authorized by the RA for online play:

Poker *n.* Any of various peer-to-peer card games in which, following each of one or more rounds of dealing or revealing the cards, the players in sequence make tactical bets or drop out, the bets forming a pool to be taken either by the sole remaining player or, after all rounds and bets have been completed, by those remaining players who hold a superior hand according to a standard ranking of hand values for the game.

2. Game Limits

Sites shall be authorized by the RA to offer any limited or unlimited poker games desirable to their Players, without limitation to the game buy-ins, stakes or wagers except as determined by the Site for each game offered. Sites shall display to all Players for each game the limits for the game including the minimum and maximum buy-in; any antes, blinds, bring-ins or other forced bets; the stakes; and the type of wagering, whether limit, pot limit, no limit or a combination.

3. Responsible Gaming

Sites shall make available to each Player option settings in their customer account to set self-limits or self-exclusions, including:

- a. Amount-based deposit limits within a chosen time period.
- b. Amount-based loss limits within a chosen time period.
- c. Time-based session limits.
- d. Amount-based total buy-in limit.
- e. Amount-based stakes limits.
- f. Exclusion from particular games.
- g. Time-based exclusion from all gaming.
- h. Lifetime exclusion from the Site.

These self-exclusions and self-limits may be set or changed at any time by the Player using option settings within the Player's account or through request to the Site's customer support, except the lifetime self-exclusion may not be changed once set by the Player except as specified below. Any new option or expiration of a self-limit or self-exclusion shall be effective immediately. Any increase to or removal of a self-limit or reduction to or removal of a self-exclusion shall not be effective until at least 24 hours after the change is set or requested by the Player. Any decrease to a self-limit or extension of a self-exclusion shall be effective immediately. The lifetime self-exclusion may only be removed by written and notarized Player request to the Site, at the Site's discretion and no sooner than 30 days following the effective date of the most recent Player's lifetime self-exclusion.

When a self-limit is reached, the Site shall lock the Player's account from further wagering (or deposits for 'a. '), except to allow completion of any current hand in ring game play and any current tournament in progress in which the Player is already registered. The Player after 24 hours may unlock their account, to take effect immediately, by changing or resetting their self-limits either by the option settings within the Player's account or through request to the Site's customer support.

Upon locking the account and upon each Player login until the Player's account is unlocked, the Site shall display to the Player the reason the account is locked, the methods available to unlock the account, the self-limits and self-exclusions available to the Player and how to set them, and any other information normally provided for responsible gaming. The Site shall also send this information to the Player's registered email upon locking the account.

A Player may choose to set self-exclusions on all Sites by request to the RA, including:

- a. Time-based exclusion from all gaming.
- b. Lifetime exclusion from all Sites.

These self-exclusions may only be changed by written and notarized Player request to the RA, at the RA's discretion and no sooner than 120 days following the Player's most recent request to the RA for self-exclusion. The RA shall provide a list of these Player self-exclusions to all Sites and the Sites shall exclude these players accordingly.

Sites shall lock a Player's account from further deposits, requiring affirmative action by the Player to unlock the account by either option settings in their account or request to the Site's customer support, whenever:

- a. The Player's lifetime deposits to their account reach the benchmark amounts of \$2,500.00, \$20,000.00, \$100,000.00, \$500,000.00 and \$1,000,000.00;
- b. The Player makes five deposits to their account within any 7-day period without any intervening withdrawals;
- c. The Player makes ten deposits to their account within any 30-day period without any intervening withdrawals; or
- d. The Player makes no withdrawals from their account within any 120-day period, where the Player has participated in wagering in each of the four successive 30-day periods.

Upon locking the account and, until the Player unlocks their account, upon each login and each attempt to make a deposit, the Site shall display to the Player the reason the account is locked from further deposits, the methods available to unlock the account, the self-limits and self-exclusions available to the Player and how to set them, and any other information normally provided for responsible gaming. The Site shall also send this information to the Player's registered email upon locking the account.

Whenever a Player's account is locked three times within a one-year period for either 'b.' or 'c.', a Site employee trained in responsible gaming policies and procedures shall make personal contact with the Player by phone or email to take appropriate actions before the Player's account may be unlocked.

Sites may implement similar account locking procedures for other indicators of a need for responsible gaming measures upon approval of the RA.

At any time a Player is excluded from wagering or depositing by self-limit or self-exclusion, the Site shall ensure that the Player does not receive any marketing material from the Site, its affiliates or its service providers.

B. Game Fairness

For poker games, a Site can gain greater revenue not as in other casino gaming by altering the frequency or amount of

payouts, but rather by increasing the frequency or size of Player wagers in a hand and thereby increasing the rake taken as Site revenue. Similarly, in tournament poker increasing the frequency or size of Player wagers can result in shorter tournaments and thereby more fees collected by a Site as players busted out early from a tournament will often choose to enter another tournament.

Thus there is a financial incentive for a Site to influence the deal of the cards in order to encourage more wagering in each hand. In addition, if there is any bias to the deal of the cards, those in the know could take advantage of this knowledge as a Player to win against other Players.

Sites must provide a random, unbiased and secure deal of the cards, and an experience equal to live play. To ensure this, regulatory standards, testing and auditing must guard against any manipulation or bias of the deal.

1. The Shuffle and Deal

The hardware and software implemented by a Site for the shuffle and deal of the cards in any game shall meet these technical standards:

- a. The Random Number Generator (RNG) shall be based on real-world random events, as in modern hardware-based RNGs, or on a proven method of equivalent or superior random results verified by an independent testing laboratory;
- b. Except as provided for by the published rules of a game, the outcome of the generation of each card dealt out of a set of cards shall have been unpredictable and of equal probability to any other card and not influenced by any previous such outcome;
- c. Except as provided for by the published rules of a game, if the order of a set of cards is generated prior to a deal or other use in a game, the outcome of the generation of the order shall have been unpredictable and of equal probability to any other possible order and not influenced by any previous such outcome, and the deal shall proceed in such order in accordance with the rules of the game; and
- d. Except as provided for by the published rules of a game, every possible order of the set of cards in a game, as applicable in each game, shall be possible and equally likely to occur.

2. Testing and Certification

Randomness and security of the Dealing Process (including random number generation, conversion of the random numbers to virtual cards in the deck, retention of virtual cards being dealt in the hand and delivery of virtual cards to the Player client software) shall be audited and certified before implementation, by an independent testing laboratory appointed by the RA, and recertified every two years. The RA shall also order an audit of the deal process of each Site without advance notification at unannounced intervals at least once between certifications. Any changes to the Dealing Process of a Site shall be approved by the RA before implementation and audited for recertification by the independent testing laboratory before implementation or within 30 days.

C. Protection of Player Account Funds

Unlike other casino gaming, wherein customers most often deposit the amount of funds they are willing to lose to the house for the chances of winning a large prize they will withdraw, poker Players tend to use their online gaming account like a banking account. Players will usually keep a significant balance in their account that allows them to continue to play sessions of their favored poker games, withdrawing only winnings above their managed account balance or re-depositing when needed to keep their account funded for regular or periodic play.

To protect these Player funds, Sites must be required to account for them separately from their operational accounting and secure the funds to be available at any time in total to all the Players. It is incumbent on the RA to provide strict regulations and oversight to protect Players account funds from losses through Site misuse or mismanagement.

1. Player Assets

To secure the total of all Player Assets (Player account balance plus total cash value for incentives and prizes earned or pending to the Player) held by Sites, each Site shall either hold the same total as cash or cash equivalents in a financial account held in trust for the Players (Trust Account) at a government-insured financial institution approved by the RA, or purchase a surety bond (Bond) which covers the full amount of the total of all Player Assets at all times with an insurance

carrier that is approved by the RA and has the financial resources to back the Bond for the full amount.

For a Trust Account, the Site shall:

1. Withdraw funds from the Trust Account only to reconcile the Trust Account balance for Player withdrawals, wagering or account adjustments, or optionally to remove excess funds from the Trust Account which exceed total Player Assets;
2. Designate the Trust Account as held in trust for the Players such that Players have first and exclusive rights to those funds, above secured and unsecured creditors of the Site;
3. Designate the RA, or another government agency as designated by the RA, a party to the Trust Account for delivery of Player Assets or cash equivalent to Players in the case of failure or inability of the Site to do so;
4. Reconcile the funds in the Trust Account on a daily basis to ensure that the Trust Account balance is equal to or exceeds the total of all Player Assets;
5. Report to the RA daily the total amount of Player Assets and the total amount of funds held in the Trust Account;
6. Report immediately to the RA any instance of a shortfall in the Trust Account and the steps taken by the Site to rectify the shortfall;
7. Hire an independent certified accountant to examine at the end of each month all the Player Assets records and Trust Account records to determine the balances on each day of the preceding month and the steps taken by the Site to correct any shortfalls, and report its findings to the RA;
8. Allow unannounced auditing by the RA of Player Assets records and Trust Account records; and
9. Refrain from using Trust Account funds as security for any financial transactions with the exception of any amount that exceeds 105% of the total of all Player Assets.

For a Bond, the Site shall:

10. Purchase a Bond which provides the Site with the funds necessary to meet its obligations to all Players immediately when the Site is unable to do so for any reason;
11. Designate the funds available to the Site by the terms of the Bond such that Players have first and exclusive rights to those funds, above secured and unsecured creditors of the Site;
12. Designate the RA, or another government agency as designated by the RA, an additional named insured to the Bond for delivery of Player Assets or cash equivalent to the Players in the case of failure or inability of the Site to do so;
13. Include as a term of the Bond that the insurer shall notify the RA by Registered Mail and email 30 days in advance of any lapse or cancellation of the Bond;
14. Inspect daily the total of all Player Assets to ensure that the Bond coverage always meets or exceeds the total;
15. Report to the RA daily the total amount of Player Assets and the total amount of current coverage by the Bond;
16. Report immediately to the RA any instance of a shortfall in the Bond coverage and the steps taken by the Site to rectify the shortfall;
17. Hire an independent certified accountant to examine at the end of each month all the Player Assets records and Bond records to determine the balances and Bond coverage on each day of the preceding month and the steps taken by the Site to correct any shortfalls, and report its findings to the RA; and
18. Allow unannounced auditing by the RA of Player Assets records and Bond terms and records.

Additionally, the Site shall:

19. Allow only the Player account owner, legal assignees or heirs to access, use, redeem or withdraw any of their Player Assets, except in the cases of dispute resolutions, regulatory and statutory requirements or court order;
20. After verification of the Player's identity, promptly fulfill a Player request for withdrawal from their Player Assets which don't violate the terms and conditions of the site or a current site promotion, unless the Player's account is currently subject to investigation or dispute;
21. Reimburse a Player's account in a timely manner should any withdrawal fail to arrive to the Player's designated financial account or location; and
22. Repay immediately to all Players their entire Player Assets balance upon Site closure, dissolution under bankruptcy, or license revocation, expiration or surrender, using procedures approved by the RA.

Any inter-jurisdictional agreement for online poker must include provisions which:

1. Require these same standards for the protection of Player Assets held at Sites located in the other jurisdiction;
2. Require daily reconciliation of Player Assets between Sites with shared player pools; and
3. Provide methods for the RA to audit the records of any Site located in the other jurisdiction necessary to enforce

compliance with these standards.

2. Dormant Accounts

Prior to closing a Player account for dormancy, the Site shall inform the Player of the impending closure of their account for dormancy and the methods available to reset the account to active status, per the following schedule:

- a. By email or mail 30 days prior to closure;
- b. By email and mail 15 days prior to closure; and
- c. By email and telephone 5 days prior to closure.

Any activity on the Player's account, including simply logging in to the Player client software, shall reset the Player account to an active status and reset the countdown to dormancy. A Player may also reset their account status to active through request to the Site's customer support.

After a Player account is closed for dormancy, there shall be a one-year grace period for reinstatement of the Player account by request of the Player, including reinstatement of the full amount of Player Assets less any dormancy fees as published in the Site's terms and conditions and approved by the RA. If a Player's account is closed for dormancy, the Player's fictitious screen name, if any, shall remain unavailable for any new account registration indefinitely, except to the original Player.

D. Protection From Cheating, Fraud and Theft

As has been seen throughout the history of online poker, the large volume of wagering makes a particularly attractive target for unscrupulous persons. In most casino gaming, the funds wagered and lost go directly to the house. By contrast, in poker such losses are always to other Players, making the game susceptible to specialized forms of cheating and fraud. As well, the large amount of Player Assets held by the Sites makes an attractive target for theft.

Since a Site is not subject to the loss of Player funds to cheating, fraud or theft unless detected, Sites may not be motivated to implement successful methods of detection without regulatory oversight. Sites also have another clear disincentive to detect and deter cheating in online poker: Players who cheat tend to generate a large amount of play, actually increasing the revenues of the Site through rake and fees.

An essential part of online poker regulatory oversight is the protection of Players from such cheating, fraud or theft committed by Site personnel or other Players. The RA must implement strict regulations to ensure these protections. In addition, as it is a Site's responsibility to monitor for, detect and prevent cheating, fraud and theft, they must also be held financial accountable to Players for losses from such acts.

1. Key Personnel

Background checks by the RA of all the owners and key personnel shall be required of:

- a. Site license applicants;
- b. Service provider applicants; and
- c. Third-party vendors that will at any time have access to any Site software code, hardware or private customer information.

Background checks shall include investigation of any prior connection to gaming, both live and online, to ensure the integrity of all companies and persons in the industry.

2. Systems Security

Site gaming equipment shall be secured and accessible to only authorized personnel of the Site. Records of all access to the system and additions or changes to the hardware or software shall be retained by the Site indefinitely and available to the RA upon request.

3. Identity Verification

Sites shall verify the identity and home residence during registration of new Player accounts to ensure that:

- a. The registered name matches either a government database or a government-issued identity document;
- b. The registered residence address matches the account holder; and
- c. The person registering the account has only one Player account on the Site.

Sites shall obtain from Players upon new account registration a signed agreement that the Player shall be subject to the laws and regulations of the jurisdiction of the Site and the RA for all matters related to play on the Site.

4. Detection of Cheating, Fraud and Theft

Sites shall implement automated systems to monitor their games and systems to detect and flag:

- a. Collusion, including but not limited to chip-dumping, soft-playing, team play, and sharing of cards dealt;
- b. Anomalous play which varies from statistical expectations;
- c. Use of cheating software or devices;
- d. Use of multiple accounts on a single Site by a single Player;
- e. Compromised deal of the cards;
- f. Failure of the randomness of the deal; and
- g. Theft of Player funds or account information.

These monitoring systems shall be audited and certified by an independent testing laboratory appointed by the RA, and recertified every year, demonstrating high accuracy on realistic data over practical sample sizes.

Play, games or systems that are flagged by the monitoring systems, as well as any reports by Players or Site personnel of suspicious activity, shall be investigated by the Site's security team to determine if cheating, fraud or theft has occurred. Any positive determination of acts of cheating, fraud or theft and any disciplinary action taken shall be reported immediately to the RA, including the methodology used for detection of the acts, the methods and frequency of the acts, and the identifying information of the persons who committed the acts. The RA shall forward the necessary information to law enforcement for criminal prosecution as appropriate.

Players also may report to the RA suspected cheating, fraud or theft by any Site or their personnel. The RA shall implement procedures to investigate and resolve such reports, including involvement of law enforcement for criminal prosecution as appropriate.

Inter-jurisdictional agreements must include provisions to allow the RA to investigate and resolve reports of suspicious acts committed by Players or Sites in the other jurisdiction, and to enforce any resolution of findings.

The RA shall maintain and make available to all Sites and other RAs a list of the identifying information of any person found to have committed acts of cheating, fraud or theft; the methods used to commit the acts; and any methodologies successfully used to detect such acts. Sites shall bar any person on the list from access to any gaming account; shall investigate any existing account belonging to any such person for similar acts of cheating, fraud or theft; and shall report to the RA any such Player account and the findings of their investigation.

The RA shall also maintain a publicly available list on the RA website of any Player confirmed to have committed any acts of cheating, fraud or theft to include only the person's Player fictitious screen name (or any other identifier as was displayed to other Players during play) on the Sites where the acts took place, the names of the Sites where the acts took place, the methods used to commit the acts and the range of dates in which the acts took place.

5. Software Aids

Sites shall prevent the use of any software aid which imparts an unfair advantage to the Player including, but not necessarily limited to:

- a. Determining and displaying to the Player a suggestion for play action the Player should make during a game;
- b. Determining and making a play action for the Player;
- c. Displaying to the Player the cards held by any other Player that would not otherwise be known during the game; or
- d. Displaying to the Player any other Player's history of play that would not otherwise be known during the game or a playing profile of any other Player based on such history.

The Site shall publish on their website a list of software aids that are authorized to be used by Players during play and a list of software aids that are forbidden for use by Players during play. The Site shall monitor for and detect the use of any software aid by a Player during play.

If the Site detects use of any forbidden or unauthorized software aid, the Site shall first issue a warning to the player and lock the Player account from further wagering and withdrawals, requiring affirmative action by the Player to unlock the account by either option settings in their account or contact with the Site's customer support. Upon locking the account from wagering and upon each login until the Player unlocks their account, the Site shall display to the Player the reason the wagering is locked, the methods available to unlock the account and a link to the published lists of authorized and forbidden software aids. The Site shall also send this information to the Player's registered email upon locking the account from wagering. The site may prevent the player from unlocking their account pending further investigation by the Site or the RA.

Subsequent use by the Player of a forbidden software aid, or a pattern of use of forbidden software aids, shall be considered an instance of "use of cheating software or devices" and handled in accordance with Site policies and RA regulations.

6. Inter-Jurisdictional Special Protections

In the case of inter-jurisdictional agreements, special treatment must be given to issues specific to such agreements in regards to cheating, fraud and theft:

a. Multi-Accounting

Players may register an account on each of the different Sites of the same network, in multiple jurisdictions, in order to avail themselves of the varying promotional incentives. However, networked Sites must have automated mechanisms in place to detect and prevent the same Player from playing on the same game table or in the same tournament under two or more registered accounts on the network.

b. Prosecution of Criminal Acts

In order to deter cheating, fraud and theft, inter-jurisdictional agreements must require that Players who commit cheating, fraud or theft in other jurisdictions face either prosecution and criminal penalties in the jurisdiction of the RA or prosecution and criminal penalties which are at least as severe in their own jurisdiction. There also must be a mechanism for cross-jurisdictional cooperation in investigations and prosecution.

7. Cryptography and Security

Sites shall employ modern methods of cryptography, security protocols and unauthorized access detection, including implementation as approved by the RA of published standards by recognized standards authorities, to secure:

- a. All server-to-client and client-to-server pipeline communications;
- b. Client software access by anyone other than the Player, including from virus, trojan or similar software intrusion; and
- c. The Dealing Process of the cards to prevent access to or viewing of, through the Site servers or any other gaming equipment, Players' cards or any live game play code during play by any person, including any Site personnel.

8. Player Reimbursement

Sites shall promptly reimburse any Player Assets found to be missing, stolen or wrongfully taken from a Player account registered on their Site by any Site personnel or by failure of Site security measures, as well as any gaming losses suffered by a Player due to acts of cheating, fraud or theft confirmed by the Site or the RA. Such reimbursement to a Player shall not be contingent upon recovery of the funds by the Site from those who committed the acts.

Inter-jurisdictional agreements must include provisions that require a Site who registers the Player's account to reimburse their own registered Players regardless of where on their network any cheating, fraud or theft was effected, and such reimbursement to Players shall not be contingent upon recovery of the funds by the Site from another Site or other Players.

E. Consumer Protections

There are many consumer protections necessary for online gaming. Due to the peer-to-peer nature of online poker, special considerations and regulatory oversight need to be in place to protect the Players. For instance, as Sites have no financial motivation to uncover forms of cheating, fraud or theft that do not reduce Site revenues, such as collusion or robotic play, sometimes records going back five or more years may be required for newly opened investigations. The RA needs to implement a regulatory regime to ensure Sites implement proper consumer protections.

1. Customer Service

Sites shall provide 24/7/365 customer service to Players by telephone and email. Sites shall make a first non-automated response to Player emails on new issues within 24 hours.

For each Player support issue, the Site shall provide the customer with a unique identifying ticket number and keep the ticket in an open status until resolved. A closed ticket shall be re-opened at the request of the Player. Sites shall report to the RA any ticket which remains open, re-opened or unresolved past 30 days after the date of the original creation of the ticket and provide access to the ticket history to the RA upon request.

2. Player Disputes

Sites shall redress any wrongs due to site errors or system failures. Sites shall make prompt reimbursements or adjustment to Player accounts for any missing, stolen or lost Player Assets, withdrawals or promotional items determined to be due to Site errors, system failures or acts by Site personnel, or per "8. Player Reimbursement" above.

The RA shall make available to Players an accessible process for dispute resolution between a Player and any Site, or for an appeal of any support ticket resolution or lack of resolution by a Site. Sites shall submit to any arbitration or dispute resolution procedures of the RA, and comply with their decisions.

For cross-jurisdictional agreements, provisions must provide a mechanism for a Player to file and resolve a dispute against any Site with the RA that grants the Site operator license, regardless of the cross-jurisdictional nature of such a dispute. There must also be a mechanism available for appeal by the Player to the RA of their own jurisdiction should they fail to gain satisfaction from the RA of another jurisdiction.

3. Preservation of Site Records

In order to facilitate any audits, regulatory investigations, dispute resolutions or criminal investigations, Sites shall maintain and archive records and clear audit trails for a minimum of ten years for inspection by the RA when requested, including:

- Player account registration and information.
- Player account access.
- History of changes to a player's account.
- Player funds account history, including all credits, debits and adjustments.
- Player wagering history.
- Player promotional incentives history.
- Player rake and fees history.
- Player-to-Site and Site-to-Player communications.
- All games history.
- History of disputes and dispute resolutions.
- Site financial history.
- Site software history.
- Site software access history.
- Site hardware history.
- Site hardware access history.
- Site network access history.

4. Privacy Protection

Sites shall use state-of-the-art methods of data protection to ensure the security and privacy of Player information and accounts, as approved by the RA. Sites shall send immediate notification by email and notice by mail to a Player of any change made to a Player's identifying information in their Player account including changes to a Player's registered name, fictitious screen name, password, authentication questions, address, email, telephone or financial processing information.

Sites shall publish publicly and conspicuously on their website their Site privacy policies, as well as provide their Site privacy policies individually to each registered Player account holder in writing upon account registration and once each calendar year thereafter. Any changes to a Site's privacy policy shall be provided individually to each registered Player account holder in writing at least 30 days prior to enactment.

Sites shall offer an easily accessible method for Players to opt out of any or all marketing communications of the site or associated businesses, including an active unsubscribe link in every marketing email.

Sites shall not share without permission of the Player any private or account information with any other person or business, including between networked sites, unless required by law, court order or the RA. For cross-jurisdictional agreements, permission of the Player must be required for sharing their private or account information with any RA or government agency in another jurisdiction except where necessary for regulatory or criminal investigations or where required by law or court order.

If a Site implements physical biometrics for identity verification, the biometrics system shall convert the physical biometric data at the client end such that only an encrypted hash value that is unique for each session and that cannot be used to reconstruct the real-world physical biometric is sent on the communications pipeline to the Site server for identity verification.

5. Transparency

Sites shall publish publicly and conspicuously on their website all terms and conditions for player accounts, all site rakes and fees, and all rules of play. Sites shall publish publicly and conspicuously on their website all promotions and promotional events, including all of the applicable qualifications, terms and conditions.

Sites shall implement best practices for Truth in Advertising and keep all promises made in advertising.

Sites shall provide Players with their personal Player account, wagering or games history, including hand histories, for any time period at the Player's request. Hand histories shall only show the cards of other Players which were revealed at the time of play according to the rules of play.

For cross-jurisdictional agreements, Sites must be required to provide all written terms, conditions, rules and notifications in both English and the official language of the Player's jurisdiction to registered Players from the other jurisdiction.

6. Income Tax Treatments

The Site shall require each Player upon account registration to read and acknowledge a written statement that the Player shall be responsible for payment of all government income taxes on winnings. The statement shall include:

- a. A list of the federal, state and local government agencies of the jurisdiction of the Site which may assess income taxes on the Player's winnings, including agency name, contact address, website and the income tax filing and payment due dates; and
- b. Sample income tax reporting forms that the Site may be required to issue or file on the Player's wagers or winnings to those government agencies.

The site shall also deliver this statement at the end of each calendar year by mail or email to all registered Players who had any wagering activity during the year, or together in any yearly mailing to Players of their income tax reporting forms.

7. Jackpots and Prizes

Sites shall publicly and conspicuously flag in the Player client software any game where contributions to a jackpot or prize pool (Contributions) are taken from Players in addition to rake and fees. All Contributions shall be returned to Players

in the form of jackpot or prize awards (Awards), without deductions for any administration, marketing, commission or other costs or fees. Contributions may not be used for any promotional or marketing awards, such as bonuses or loyalty rewards. Players participating in any game where Contributions are taken shall be eligible to win at least one Award while playing such game. If any Award is in the form of merchandise or game entries, the Site shall use only enough funds from the Contributions to cover the actual merchandise or game cost of the Award (Award Value), and not any additional cost or fee that accrues to the revenue of the Site. Contributions shall be considered Player Assets and protected by the Site in the same manner as all other Player Assets by Trust Account or Bond.

Sites shall publish publicly and conspicuously on their website all the information pertaining to Contributions, Awards and Award Values, including:

- a. The amounts and rules for taking Contributions and allotting them to Awards;
- b. The Awards currently available to be won and their Award Values;
- c. The complete terms and conditions for winning each Award;
- d. The total amount of Contributions currently held by the Site, updated daily; and
- e. The amounts currently allotted to any progressive pool Award, including individually the primary Award amount and each backup Award tier, updated daily.

Addendum

There are two areas of special consideration in regards to the relationship between peer-to-peer poker gaming and taxation, which need special treatment at the legislative level: taxes assessed on site operators and the personal income tax deduction for gambling losses.

1. Taxes on Site Operators

The amount of taxation imposed on site operators can have a serious impact on the success of regulated online poker. Similar to consumer sales taxes, there is a demarcation point above which the level of taxation becomes self-defeating.

Players in the whole are very sensitive to amounts taken by sites as percentage fees on participation in poker, as it can make the difference between a beatable or unbeatable game. Unlike casino gaming, where the players expect to lose to the house except in the case of a lucky turn of events, poker players expect to have the opportunity to come out winning against the other players, with the house simply collecting a fee for facilitating the games. If taxation rises above the demarcation point, operators can be forced to impose excessive fees on the players which in turn will result in declining participation and thereby declining government revenues.

Legislators must accommodate this distinction between poker and casino gaming by limiting both the method and amount of taxes assessed on site operators for online poker. The method of taxation should remain in the realm of a revenue tax (especially one applied net of cash incentives paid out to players), and not a deposit or wager tax both of which easily accumulate to multiples compared to a revenue tax when applied to poker gaming. The demarcation point for the amount of taxation may vary depending on the size of the market served, but generally is significantly lower than for casino gaming, usually requiring a ceiling in the range of 10%-15% of site revenues.

2. Income Tax Gambling Loss Deduction

In some jurisdictions, lawmakers may look to limit or eliminate a gambling loss deduction for personal income taxes while taxing all winnings, on the principal that gambling is a discretionary activity. However, in poker the bets are an integral part of the strategy of each hand or game played, not simply a wager in advance on the outcome. If a Player is liable for income tax on each winning bet in poker, and disallowed a deduction for the losing bets, the Player's tax liability can quickly equal or exceed any winnings from the gaming. If a gambling loss deduction is not allowed, there will eventually be little or no participation from any Players in online poker as each discovers the resultant excessive taxation.

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A bill to be entitled

An act relating to Internet poker; creating the "Internet Poker Licensing and Consumer Protection Act of 2016"; providing for intrastate Internet poker to be provided to the public by cardroom operators through Internet poker networks operated by licensed Internet poker network operators; creating s. 849.087, F.S.; providing legislative intent; providing definitions; authorizing participation in and operation of intrastate Internet poker; providing for the Division of Pari-mutuel Wagering of the Department of Business and Professional Regulation to administer the act and regulate the operation of Internet poker networks, Internet poker network operators, network affiliates, and the playing of intrastate Internet poker; authorizing the Division to adopt rules, conduct investigations and monitor operations, review books and accounts and records, issue licenses, suspend or revoke any license or permit for a violation, take testimony, issue summons and subpoenas, monitor and ensure the proper collection of taxes and fees, monitor and ensure that the playing of Internet poker is conducted fairly, that player information and funds are protected by Internet poker network operators, and monitor and ensure that portals are operated under the branding servicemarks owned by cardrooms and display a servicemark designed by the Division to identify portals and Internet poker networks as licensed and regulated by the State of Florida; requiring Internet poker network operators to be licensed; providing for a coordinated initial launch of Internet poker networks; providing qualifications and conditions for licensure; providing application requirements; providing for licensed application reviews and investigations; requiring payment of the cost of processing license applications and refund of amount collected in excess of the cost; requiring a surety bond; authorizing reciprocal agreements with the gaming regulators of other jurisdictions; requiring Internet poker network operators to provide accessible customer service to players; providing for a network affiliate license to be issued to a cardroom operator to provide intrastate Internet poker for play; providing for applications for the network affiliate license and renewal thereof; providing conditions for licensure and renewal of licensure as an affiliate; requiring reporting to and approval by the Division of a change of ownership of the affiliate licensee; prohibiting certain acts by an affiliate; providing a fee; providing a condition for offering play of Internet poker through portals; providing for employee and business occupational licenses; requiring certain employees and certain companies doing business with a network affiliate or an Internet poker network operator to hold an appropriate occupational license; prohibiting such operator or affiliate from employing or allowing to be employed such a person or doing business with such a company if that person or company does not hold an occupational license; directing the Division to adopt rules regarding Internet poker network operator, network affiliate, and occupational licenses and renewal of such licenses; providing a fee for occupational license and renewal thereof; providing penalties for failure to pay the fee; exempting from licensure a person holding a valid employee cardroom occupational license; providing grounds for the Division to deny an application for or revoke, suspend, or place conditions or restrictions on or refuse to renew an occupational license; requiring fingerprints; providing procedures for processing fingerprints and conducting criminal history records checks and for payment of costs; providing requirements to register and play intrastate Internet poker; providing for an Internet Poker Self-Exclusion Form; requiring all Internet poker network operators to exclude from play any person who has completed such form; providing for maintenance of the form and distribution to the Division and all Internet poker network operators; requiring the Internet poker network operator to display a link to the website offering services related to the prevention of compulsive and addictive gambling; limiting liability; providing requirements for approval of games to be offered to players; providing requirements for all offered games and game results and games not completed; providing requirements to minimize fraud, cheating, and theft; providing procedures for complaints, investigations, and compensation related to fraud, cheating, and theft; prohibiting action for damages against the Internet poker network

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operator to prevent fraud, cheating, or theft under certain circumstances; providing restrictions on player access to games under certain circumstances; providing requirements for player eligibility and registration and player accounts; authorizing the Internet poker network operator to suspend or revoke player accounts; providing requirements for player account settings to self-limit play; providing procedures for a dormant player account; providing requirements for poker network operations; requiring the Internet poker network operator to establish a book of accounts, regularly audit financial records, and make the records available to the Division; requiring the Internet poker network operator to maintain such records for a certain period of time; providing technical system requirements; requiring the Internet poker network operator to define, document, and implement certain methodologies relating to its systems; requiring the Internet poker network operator to maintain such documentation for a certain period of time; providing for player participation fees; prohibiting certain relationships and acts by employees of the Division and occupational license holders and certain relatives; authorizing conduct of authorized games; prohibiting a person who has not attained a certain age from holding an Internet poker occupational license or engaging in any game conducted; prohibiting offering Internet poker to persons located in the state except in compliance with law; providing that an entity that has accepted any wager on any online gambling activity from a Florida resident prior to a certain date in felony violation of federal or state law is not eligible to apply for licensure and participate in intrastate Internet poker in Florida for a certain period of time; prohibiting manipulation of Internet poker play and operations; prohibiting the possession and use of certain software, tools and devices on an Internet poker network and requiring Internet poker network operators to notify the Division of such use; providing for the use or possession of such software, tools, and devices for the testing of an Internet poker network and development of protections against such items; providing for license fees to be paid by the Internet poker network operator and network affiliates; providing for disposition and accounting of fees collected; providing for an advance payment by the Internet poker network operator to be credited toward taxes; providing for the disposition of an advance payment under certain circumstances; providing for the tax rate and procedures for payment; requiring payments to be accompanied by a report showing all intrastate Internet poker activities for the preceding calendar month and containing such other information as prescribed by the Division; providing penalties for failure to pay taxes and penalties; providing for use of certain deposits; providing for distribution of revenues from the play of Internet poker; providing grounds for the Division to deny a license or the renewal thereof or suspend or revoke a license; providing for the suspension or revocation of a cardroom operator's license under certain circumstances related to Internet poker; providing for fines and citations; prohibiting false statements; providing for exclusion of a licensee from pari-mutuel, cardroom, and slot machine facilities under certain circumstances; providing for disposition of fines collected; authorizing the Division to adopt rules; providing for administration of the act and regulation of the intrastate Internet poker industry; providing an effective date.

Be It Enacted by the Legislature of the State of Florida:

Section 1. This act may be cited as the "Internet Poker Licensing and Consumer Protection Act of 2016."

Section 2. Section 849.087, Florida Statutes, is created to read:

849.087 Florida Internet poker authorized.—

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(1) LEGISLATIVE INTENT.—It is the intent of the Legislature to create a framework for the state to regulate intrastate Internet poker that can ensure consumer protections and additional revenue to the state by authorizing, creating, and implementing a licensing and regulatory structure and system of intrastate Internet poker to:

- (a) Provide that intrastate Internet poker is only offered for play in a manner that is lawful under the federal Unlawful Internet Gaming Enforcement Act of 2006, which authorizes a state to regulate and conduct intrastate Internet gambling, such as poker.
- (b) Provide a new source of revenue that will generate additional positive economic benefits to the state through the authorization of lawful and regulated intrastate Internet poker in Florida instead of flowing offshore to unregulated foreign operators and markets.
- (c) Create a licensing and regulatory relationship with Internet poker network operators with the technical expertise to ensure that wagering authorized by this section is only offered to registered players who are at least 18 years of age and physically present within the borders of this state at the time of play.
- (d) Provide for a license application process for Internet poker network operators that are qualified to be licensed by the state and meet all statutory, regulatory, and technical requirements of the state while protecting registered poker players.
- (e) Provide for only a licensed cardroom operator to become a licensed provider of intrastate Internet poker, through a portal to a licensed Internet poker network.
- (f) Ensure that the state is able to collect all taxes and fees from the operation of Internet poker networks and their portals.
- (g) Create a system to protect each registered poker player's private information and funds, prevent fraud, cheating, theft, and identity theft and ensure that the player's financial transactions are processed in a secure and transparent fashion.
- (h) Ensure that the regulatory agency has unlimited access to the premises and records of the Internet poker network operators and network affiliates to ensure strict compliance with its regulations concerning financial transactions, account access, and other security provisions.
- (i) Require the Internet poker network operators to provide accessible customer service to registered poker players.
- (j) Require the Internet poker networks to contain information relating to compulsive and addictive gambling, including a telephone number that an individual may call to seek information and assistance for gambling addiction, and provide protections from compulsive and addictive gambling including, but not limited to, self-limitation options, self-exclusion options and the detection and prevention of compulsive and addictive gambling behavior.

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- (k) Ensure that the funds belonging to poker players that are held by the Internet poker network operators in player accounts are protected from any bankruptcy, insolvency, dissolution or loss of license of an Internet poker network operator or a subcontractor.
- (l) Establish the State of Florida as a leading regulatory authority in the nascent state-licensed Internet poker industry in the United States, in the same way as it has become a leader in the regulation of live poker cardrooms.
- (2) DEFINITIONS.—Unless otherwise clearly required by the context, as used in this section:
- (a) "Authorized game" means a game, series of games, or tournament of poker which has been authorized under this section and is played in a nonbanking manner on an Internet poker network.
- (b) "Convicted" means having been found guilty, regardless of adjudication, as a result of a jury verdict, nonjury trial, or entry of a plea of guilty or nolo contendere.
- (c) "Department" means the Department of Business and Professional Regulation.
- (d) "Division" means the Division of Pari-mutuel Wagering of the Department.
- (e) "Enterprise" means a natural person or a proprietorship, partnership, corporation, company, society, association, consortium, joint venture, or any other business entity.
- (f) "Florida-regulated mark" means a servicemark that identifies an enterprise as licensed and regulated under this section pursuant to the laws of the State of Florida.
- (g) "Gross receipts" means the total amount of money received by an Internet poker network operator from registered players for participation in authorized games, not including any moneys collected for jackpot reserves, less any funds, other than amounts paid out from jackpot reserves, expended by the network operator or its network affiliates for player incentives provided to registered players on the poker network.
- (h) "Internet" means the information service which is collectively the myriad of computer and telecommunications facilities, including equipment and operating software, which comprise the interconnected world-wide network of networks that employ the Transmission Control Protocol/Internet Protocol, or any predecessor or successor protocols to such protocol, to communicate information of all kinds by wire or radio or by any successor information communications technology.
- (i) "Internet poker network" or "poker network" means a computerized system for the playing of and wagering of intrastate Internet poker by registered players through the portals maintained by network affiliates.
- (j) "Internet poker network operator" or "poker network operator" or "network operator" means an enterprise that is licensed by the state to operate an Internet poker network.

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- (k) "Intrastate Internet poker" or "Internet poker" means authorized games of poker played over the Internet by registered players who are physically present within the borders of the state at the time of play.
- (l) "Jackpot reserves" means a reserve of moneys held by an Internet poker network operator to be awarded to registered players as jackpot prizes, that is collected for this purpose from registered players participating in authorized games and is not used for any other purpose.
- (m) "Liquidity" means the total number of players participating in authorized games on an Internet poker network at a particular time or during a specified period of time.
- (n) "Network affiliate" means a licensed cardroom operator as defined in s. 849.086 who maintains a portal into an Internet poker network, by itself or in combination with one or more other network affiliates, and owns or has ownership interest in, respectively, the primary branding servicemarks under which the portal is displayed.
- (o) "Nonbanking" means a manner in which no Internet poker network operator, network operator licensee, subcontractor, network affiliate, network affiliate licensee, or holder of a business Internet poker occupational license under this section is a participating player, has a financial stake in the outcome, or holds the bank against which the participants play.
- (p) "Player balances" means all funds in a player account belonging to a registered player, plus the fair market value of any player incentives earned by or awarded to the registered player and credited to but not yet disbursed from the player account.
- (q) "Player incentives" means any bonuses, rewards, prizes, rake refunds, or other promotional items provided to a registered player by an Internet poker network operator or network affiliate as an incentive to begin or continue playing on an Internet poker network, but not including any fee retained by the Internet poker network operator or network affiliate that is a portion of the value of the promotional item when the item is received, used, or redeemed by the player. Player incentives do not include promotional items that are subject to terms of redemption, such as a bonus that has play-through requirements, until the terms have been fulfilled by the player and the promotional item has been released for receipt, use, or other form of redemption by the player.
- (r) "Poker" means any of various card games in which, following each of one or more rounds of dealing or revealing the cards, the players make tactical bets or drop out, the bets forming a pool or pools to be taken either by the sole remaining player or, after all rounds and bets have been completed, by those remaining players who hold a superior hand or hands according to a standard ranking of hand values for the game. In some variations of poker games, bets are made by players prior to dealing or revealing any of the cards.
- (s) "Portal" means any Internet domain, computer software, or similar consumer interface that facilitates the participation of registered players in intrastate Internet poker on an Internet poker network.
- (t) "Rake" means a fee assessed by an Internet poker network operator for providing Internet poker services, paid by a registered player for the right to participate in an authorized game.

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(u) "Registered player" means a natural person who is registered by an Internet poker network operator pursuant to this section to participate in authorized games conducted on the Internet poker network.

(v) "Subcontractor" means an enterprise contracted by an Internet poker network operator applicant or licensee to operate all or a portion of an Internet poker network on behalf of the applicant or licensee.

(w) "Wagering" means risking moneys or other thing of value by any enterprise upon the outcome or outcomes of a contest or a game subject to chance, upon an agreement or understanding that the enterprise, another enterprise or other enterprises, or both, will receive something of value based upon or in the event of a certain outcome or outcomes.

(3) INTRASTATE INTERNET POKER AUTHORIZED.—

(a) Under the Unlawful Internet Gaming Enforcement Act of 2006, a state is authorized to regulate and conduct intrastate Internet poker as long as all players and the online wagering activities are located within the state.

(b) Notwithstanding any other provision of law, a natural person in this state may participate as a registered player in an authorized game described in this section that is offered through a network affiliate portal by an Internet poker network operator on an Internet poker network, if such authorized game is conducted strictly in accordance with the provisions of this section and federal law.

(c) Notwithstanding any other provision of law, an enterprise may operate an Internet poker network as an Internet poker network operator described in this section, if the network operator holds a valid Internet poker network operator license under this section and such operations are conducted strictly in accordance with the provisions of this section and federal law.

(d) Notwithstanding any other provision of law, a cardroom operator may offer participation in intrastate Internet poker through a portal as a network affiliate described in this section, if the network affiliate a valid network affiliate license under this section and such portal is maintained strictly in accordance with the provisions of this section and federal law.

(4) AUTHORITY OF DIVISION.—The Division shall administer this section and regulate the operation of Internet poker networks, Internet poker network operators, subcontractors of network operators, network affiliates, and the play of intrastate Internet poker under this section and the rules adopted pursuant to this section, and the Division is authorized to do all of the following:

(a) Adopt rules related to intrastate Internet poker, including, but not limited to, rules governing: the issuance of network operator, network affiliate, and occupational licenses to Internet poker network operators, network affiliates, their employees, and their business services providers; operation of an Internet poker network and their systems requirements; security of the personal and financial information of registered players and of player accounts; recordkeeping, reporting, and auditing requirements; security and disposition of player balances and jackpot reserves; the distribution of revenue from Internet poker operations; and the imposition and collection of all fees and taxes imposed by this section.

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- (b) Monitor and conduct investigations of the operations of Internet poker networks, the playing of authorized games on a poker network, and the maintenance of portals to ensure compliance with all requirements under this section.
- (c) Review the books, accounts, and records, and enter and inspect the premises and operational equipment related to Internet poker, of any current or former Internet poker network operator, subcontractor, or network affiliate.
- (d) Issue a license to an enterprise to operate an Internet poker network, to a licensed cardroom operator as defined in s. 849.086 to maintain portals as a network affiliate, to a natural person to be employed by or working for an Internet poker network, a subcontractor, or a network affiliate, or to an enterprise to partner with, contract with, be associated with, or participate in the conduct of intrastate Internet poker with an Internet poker network operator, a subcontractor, or a network affiliate.
- (e) Suspend or revoke any license or permit issued by the Division, after hearing, for any violation of this section or the rules adopted pursuant to this section.
- (f) Take testimony, issue summons and subpoenas for any witness, and issue subpoenas duces tecum in connection with any matter under this section within its jurisdiction.
- (g) Monitor and ensure proper collection and disposition of taxes, fees, disbursements, and distributions imposed by this section. The internal controls of Internet poker network operators shall ensure no compromise of revenue to the state. The Division shall monitor, audit, and verify the cash flow and accounting of the revenue of the Internet poker networks for any given operating day.
- (h) Monitor and ensure that the playing of Internet poker is conducted fairly; systems for the protection of registered players including, but not limited to, anti-fraud, anti-cheating, anti-theft, detection of anomalous play, and detection and prevention of compulsive and addictive gambling behavior are implemented and effective; and all personal and financial information provided by registered players is protected by the Internet poker network operators, subcontractors, network affiliates, and their business service providers.
- (i) Monitor and ensure that player balances are maintained in separate banking accounts from business operational banking accounts by an Internet poker network operator at a financial institution within this state, or bonded by a surety or sureties authorized to do business in the state and approved by the Division and the Chief Financial Officer in his or her capacity as treasurer of the Division, such that the player balances are protected in the case of business insolvency, bankruptcy, or dissolution of, or expiration, abandonment, surrender, or revocation of the license of, the Internet poker network operator or any subcontractor, and such that the player balances shall be disbursed expeditiously to the registered players under the direction of the Division.
- (j) Monitor and ensure that jackpot reserves are maintained in separate banking accounts from business operational banking accounts by an Internet poker network operator at a financial institution within this state, or bonded by a surety or sureties authorized to do business in the state and approved by the Division and the Chief Financial Officer in his or her capacity as treasurer of the Division, such that the funds are protected in the case of business insolvency, bankruptcy, or dissolution of, or expiration, abandonment, surrender, or revocation of the license of, the Internet poker network operator or any

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subcontractor, and such that the jackpot reserves shall be disbursed expeditiously to the Division for distribution to those network affiliates of the network operator actively operating a cardroom under s. 849.086. Each such cardroom licensee shall receive a portion of such jackpot reserves equal to their portion of the licensed cardroom taxes paid to the state by all such cardroom licensees under s.849.086(13) for the preceding 12 calendar months, the funds to be used exclusively for player jackpot prizes in the licensed cardroom of the cardroom licensee. If two or more cardroom licensees join together to maintain a network affiliate portal, their portion of the licensed cardroom taxes paid to the state is calculated as a combined amount and their proportionate distribution under this paragraph is split in equal portions to each of the cardroom licensees.

(k) Monitor and ensure that a portal is displayed to the public under branding servicemarks owned by the network affiliate licensee or licensees, identifies any Internet poker network operator offering authorized games through the portal, and displays the Florida-regulated mark. The Division may require, by rule, portals to display any other marks or content which the Division determines necessary to fulfill the intent or requirements of this section and any rules adopted pursuant to this section.

(l) Accept, investigate, arbitrate, and issue rulings and impose penalties and fines regarding, complaints about or disputes with a licensee or subcontractor under this section related to violations or suspected violations of this section or any rules adopted pursuant to this section.

(m) Ensure that the public and players can easily distinguish that an enterprise is licensed and regulated under this section through the display of the Florida-regulated mark and any accompanying descriptive text. The Division shall design and register a servicemark to be used as the Florida-regulated mark, and require, by rule, display of the Florida-regulated mark by an enterprise licensed under this section on an Internet or software page related to intrastate Internet poker, accompanied by any descriptive text required by the Division, by rule.

(5) INTERNET POKER NETWORK OPERATOR LICENSE REQUIRED; APPLICATION.—An enterprise may not operate an Internet poker network in this state unless the enterprise holds a valid Internet poker network operator license issued under this section.

(a) Only an enterprise holding a valid license issued by the Division under this section may provide intrastate Internet poker for play to registered players on a portal or facilitate wagering in poker over the Internet to players located in this state.

(b) An Internet poker network operator must be an enterprise authorized to conduct business in this state.

(c) An enterprise seeking a license or renewal of a license to operate an Internet poker network shall make application on forms prescribed by the Division. An application for an Internet poker network operator license shall contain all of the information the Division determines, by rule, is required to ensure eligibility and suitability under this section.

(d) As a condition of licensure and to maintain continued authority to conduct intrastate Internet poker, an Internet poker network operator applicant or licensee must provide the documentation required under this section on a timely basis to the Division and the documentation must be appropriate, current, and accurate. A change in ownership of or interest in an Internet poker network

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operator licensee of 5 percent or more of the stock or other evidence of ownership or equity in an Internet poker network operator licensee or any parent corporation or other enterprise that in any way owns or controls an Internet poker network operator licensee must be approved by the Division before the change, unless the new holder of the ownership or interest was previously approved by the Division as one who owns or controls an Internet poker network operator licensee. A change in ownership or interest in an Internet poker network operator licensee of less than 5 percent, unless the change results in a cumulative ownership or interest of 5 percent or more, must be reported to the Division within 20 days after the change. The Division may then conduct an investigation to ensure that the license is properly updated to show the change in ownership or interest and that the licensee continues to meet all of the eligibility requirements under this section. A change in ownership or interest of less than 5 percent which results in a cumulative ownership or interest of 5 percent or more must be approved by the Division before the change, unless the new holder of the ownership or interest was previously approved by the Division as one who owns or controls an Internet poker network operator licensee. Reporting is not required under this paragraph if after the change the owner is holding 5 percent or less of the equity or securities of a corporate or enterprise owner of the Internet poker network operator licensee that has its securities registered pursuant to s. 12 of the Securities Exchange Act of 1934, 15 U.S.C. ss. 78a-78kk, and if the corporation or enterprise files with the United States Securities and Exchange Commission the reports required by s. 13 of that act or the securities of the corporation or enterprise are regularly traded on an established securities market in the United States, and the owner is not holding any other ownership or interest in the Internet poker network operator licensee.

(6) ELIGIBILITY OF AN INTERNET POKER NETWORK OPERATOR LICENSE APPLICANT.—Any enterprise who possesses the qualifications prescribed in this section may apply to the Division for a license to operate an Internet poker network under this section. The Division shall accept and process all applications for an Internet poker network operator license.

(a) Applicants and any applicant's subcontractor must meet the licensure and technical requirements and expertise to lawfully operate an Internet poker network in this state, and demonstrate the ability to ensure that intrastate Internet poker is only offered to registered players who are at least 18 years of age and who are physically present within the borders of this state at the time of play.

(b) The Division shall conduct a preliminary review of any application for a license under this subsection to make a preliminary determination of the eligibility of an enterprise to be granted an Internet poker network operator license. If the Division finds by preliminary review that an applicant is ineligible to have their application processed for licensure or to be issued an Internet poker network license, the Division shall notify the applicant of the reasons for the finding and may give the applicant an opportunity or opportunities to correct any deficiencies in the application or eligibility requirements.

(c) After a preliminary determination of eligibility of an applicant for an Internet poker network operator license by preliminary review, the Division shall conduct a comprehensive investigation to determine if the applicant, any subcontractors, and the Internet poker network are legally, technically, and financially qualified to operate an Internet poker network and meet all of the requirements for and are suitable for licensure under this section. If the Division finds by comprehensive investigation that an applicant, an applicant's subcontractor, or the Internet poker network does not meet all these requirements for licensure, the Division shall notify the applicant of the reasons for the finding and may

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give the applicant an opportunity or opportunities to correct any deficiencies in the application or requirements for licensure.

(d) Upon a final finding of the eligibility and suitability of an applicant, any subcontractors, and the Internet poker network for licensure under this subsection, the Division shall issue a 30-day Internet poker network operator license to the applicant. The 30-day operator license grants the licensee the right to operate the Internet poker network for a period of 30 days pursuant to this section, except with a restriction to allow play on the poker network by a maximum of 100 registered players at one time. To ensure suitability of the technical performance of the Internet poker network, the Division may increase the maximum number of registered players allowed to play on the poker network at one time under the 30-day operator license but the maximum number shall not exceed 500. If during the operation of the Internet poker network under the 30-day operator license the Division finds that the poker network does not meet all the requirements of this section, the Division may suspend the 30-day operator license until such time that the licensee is able to demonstrate to the Division that the network operator or a subcontractor has made the necessary corrections to the poker network to meet all the requirements of this section. During the effective period of a 30-day operator license, if the Division finds that the Internet poker network, the network operator, any subcontractors of the network operator, and the network affiliates offering play on the poker network through portals meet all the requirements under this section, the Division shall issue a 5-year Internet poker network operator license to the applicant, effective immediately except as specified in paragraph (e). The Division may issue additional 30-day operator licenses to an applicant in order to complete a determination that all the requirements under this section to issue a 5-year operator license to the network operator have been met. If a 30-day operator license is revoked, abandoned, surrendered, or expires and the Division has not issued an additional 30-day operator license or a 5-year operator license to the applicant, the applicant shall disburse all player balances it holds immediately and directly to the registered players under the direction of the Division and remit any jackpot reserves it holds to the Division for distribution pursuant to paragraph (4)(j).

(e) In order to effect a coordinated initial launch of Internet poker networks after enactment of this act and provide the Division the time necessary to prescribe rules, process initial applications, and provide for development and testing of initial Internet poker networks pursuant to this section, the date of initial launch for intrastate Internet poker shall be 180 days after enactment of this act. The Division may change the date of initial launch no later than 60 days before this date or 30 days before any subsequent date set by the Division, if the Division finds the change is necessary to accomplish the purposes under this paragraph. Any 30-day Internet network poker operator license shall not take effect before the date of initial launch and any 5-year Internet network poker operator license shall not take effect before 30 days after such date.

(7) **QUALIFICATIONS FOR AN INTERNET POKER NETWORK OPERATOR LICENSE.**—For the purposes of this section, the Division shall consider all of the following as minimum qualifications to determine whether an applicant and any subcontractors of the applicant are legally, technically, and financially qualified to receive a license as an Internet poker network operator:

(a) The applicant and any subcontractors are enterprises authorized to conduct business in this state.

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(b) The applicant and any subcontractors have not knowingly accepted or facilitated after enactment of this act in violation of any state or federal law any wagering in any online gambling activity, including poker, from any resident of this state, and have not knowingly purchased or otherwise acquired any asset of an enterprise that has knowingly accepted or facilitated after enactment of this act in violation of any state or federal law any wagering in any online gambling activity, including poker, from any resident of this state.

(c) The executives and key employees of the applicant and any subcontractors meet the requirements to obtain intrastate Internet poker occupational licenses from the Division, as set forth in subsection (12). A key employee is an employee who is among a specified percentage of the highest paid of all the employees of an enterprise, both salaried and non-salaried. The Division shall prescribe, by rule, the method to determine the key employees of an enterprise.

(d) The applicant or any subcontractor has existing and established experience with Internet gaming or is licensed to conduct Internet gaming activities, in one or more jurisdictions where Internet gaming is legal and regulated.

(e) The applicant, any subcontractors, and all entities with an ownership interest in the applicant or a subcontractor are in compliance with all federal and state laws in the jurisdictions in which they provide services.

(f) The applicant has provided all necessary documentation and information relating to all subcontractors and proposed subcontractors of the applicant.

(g) The applicant or any subcontractor has provided a description of how it will facilitate compliance with all of the standards and requirements for operation of an Internet poker network set forth in this section, including, but not limited to, those for:

1. Registration of players and registered player requirements relating to intrastate-only play, age verification, and detection and prevention of compulsive and addictive gambling behavior.
2. Network system requirements, including, but not limited to, connectivity, hardware, software, anti-fraud systems, anti-cheating systems, anti-theft systems, virus prevention, data protection, access controls, firewalls, disaster recovery, and redundancy.
3. Gaming systems, including, but not limited to, hardware and software that ensures that authorized games are legal, authorized games are fair, all data used for the conduct of each authorized game is randomly generated and unpredictable, and game and betting rules, player incentive rules, and current amounts of jackpot reserves are available to all registered players.
4. Ongoing auditing by the Division of accounting systems, including, but not limited to, those for player accounts, rake, player balances, jackpot reserves, and distribution of revenue to the state and network affiliates.
5. Separation and protection, or bonding, of player balances and jackpot reserves, and procedures in any instance of business insolvency, bankruptcy, or dissolution, or license expiration, abandonment, surrender, or revocation, of the Internet poker network operator or any subcontractor, to provide for

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the expeditious disbursement of player balances to the registered players under the direction of the Division and the expeditious disbursement of jackpot reserves to the Division for distribution pursuant to paragraph (4)(j).

(h) The applicant has provided all other documentation or information that the Division, by rule, has determined is required to ensure that the applicant and any subcontractors are legally, technically, and financially qualified to receive a license to become an Internet poker network operator and that the Internet poker network complies with all of the requirements of this section.

(8) SUBMISSION OF THE APPLICATION FOR AN INTERNET POKER NETWORK OPERATOR LICENSE; FEES.—In addition to demonstrating that the applicant and any subcontractors are legally, technically, and financially qualified to become an Internet poker network operator in this state, the applicant must describe how it will fulfill the Internet poker network operator role envisaged by this section.

(a) The applicant shall provide the following as prescribed by the Division, by rule:

1. All necessary documentation and information relating to the applicant and its direct and indirect owners, including, but not limited to:

a. Documentation that the enterprise is authorized to conduct business in this state and other founding documents.

b. Current and historical audited financial and accounting records.

c. Any and all documents relating to legal and regulatory proceedings in this state and other jurisdictions involving the applicant.

d. Any and all documents relating to the applicant's business history, including all state and federal tax filings.

e. Any and all documents relating to the nature and sources of the applicant's financing.

f. Any and all documentation that demonstrates that the applicant is financially qualified to perform the obligations of an Internet poker network operator as described in this section.

g. Any other documentation or information that the Division determines is required to ensure eligibility and suitability.

2. All necessary documentation and information relating to all subcontractors and proposed subcontractors of the Internet poker network operator applicant, including, but not limited to:

a. A description of the services to be provided by each subcontractor.

b. Information for each subcontractor as set forth in this section.

c. Any other documentation or information that the Division determines is required to ensure eligibility and suitability.

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3. A description as to how the applicant will facilitate compliance with all of the standards and requirements set forth in this section, including, but not limited to, those for:

a. Player registration requirements relating to intrastate-only play, age verification, and detection and prevention of compulsive and addictive gambling behavior.

b. Network system requirements, including, but not limited to:

(I) Connectivity.

(II) Hardware.

(III) Software.

(IV) Anti-fraud systems, anti-cheating systems, and anti-theft systems.

(V) Detection of anomalous play.

(VI) Virus prevention.

(VII) Data protection.

(VIII) Access controls.

(IX) Firewalls.

(X) Disaster recovery.

(XI) Redundancy.

c. Gaming systems, including, but not limited to, hardware and software that ensures that:

(I) Authorized games are legal;

(II) Authorized games are fair;

(III) Game and betting rules, player incentives rules, jackpot rules, and current amounts of jackpot reserves are available to all registered players; and

(IV) All data used for the conduct of each authorized game is randomly generated and unpredictable.

d. Accounting systems, including, but not limited to, those for:

(I) Player accounts.

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- (II) Rake.
 - (III) Transparency and reporting to the Division.
 - (IV) Player balances.
 - (V) Jackpot reserves.
 - (VI) Distribution of revenue to the state, payments and distributions to network affiliates, and disbursements of funds belonging to registered players.
 - (VII) Ongoing auditing.
- e. Customer service.
4. A description of the authorized games and services the applicant proposes to offer to registered players.
5. A description by the applicant of how it will ensure that registered players are at least 18 years of age or older and located within the state at the time of play, facilitate registered player protections, and resolve player complaints and disputes.
- (b) Upon submission of the initial application for an Internet poker network operator license, the applicant shall remit to the Division an initial filing fee of \$25,000 or more, as determined by the Division, by rule, as the amount necessary to compensate the Division for reasonably anticipated costs to be incurred to conduct preliminary and comprehensive investigations of the applicant and any subcontractors to determine if the applicant and any subcontractors are legally, technically, and financially qualified to become an Internet poker network operator and suitable for licensure under this section. The Division shall require the applicant to make additional payments if necessary to complete the investigations; however, the total amount collected and retained by the Division under this paragraph may not exceed the actual cost incurred to conduct the investigations. The Division shall, by rule, set a procedure for refunding any amount of the filing fee and any additional payments collected pursuant to this paragraph which is in excess of the amount used to cover the cost of the investigations. The Division shall furnish to the applicant an itemized statement of actual costs incurred during the investigations.
- (9) ANNUAL BOND REQUIRED.—The holder of an Internet poker network operator license shall be financially and otherwise responsible for the operation of the Internet poker network and for the conduct of any employee and any subcontractor's employee involved in the operation of the poker network. Before the issuance of an Internet poker network operator license, each qualified applicant for such a license must provide evidence of a surety bond in the amount of \$1 million or more, as determined by the Division, by rule, as the amount necessary to ensure compliance with this section and the rules adopted pursuant to this section, payable to the state, for each year that the applicant or licensee is to be licensed to be an Internet poker network operator in the state. The bond shall be issued by a surety or sureties authorized to do business in the state and approved by the Division and the Chief Financial Officer in his or her capacity as treasurer of the Division. The bond shall guarantee that an

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Internet poker network operator fulfills all financial requirements under this section. Such bond shall be kept in full force and effect by a network operator during the term of the license.

(10) OBLIGATION OF AN INTERNET POKER NETWORK OPERATOR.—An Internet poker network operator and any subcontractors shall comply with this section, all rules adopted pursuant to this section, and all applicable state and federal laws.

(a) A 5-year Internet poker network operator license is valid for a 5-year period, and may be renewed for additional 5-year periods upon application to the Division pursuant to subsection (8) if the poker network operator and any subcontractors continue to be qualified and suitable for the license under the requirements set forth in this section and the rules adopted pursuant to this section.

(b) If this section is amended, an Internet poker network operator must continue to comply with all provisions of this section and any rules adopted pursuant this section, or within 60 days provide the Division with written notice of its intent to discontinue Internet network poker operations. The network operator may discontinue Internet network poker operations and surrender their license no sooner than 90 days after such notice.

(c) In the event of commercial infeasibility due to a change in federal or state law rendering the provision of some or all intrastate Internet poker services illegal, an Internet poker network operator may surrender their license after providing the Division with at least 90 days' prior written notice of its intent to discontinue Internet network poker operations and a statement explaining its interpretation that continuing to operate an Internet poker network is commercially infeasible.

(d) In the event of abandonment, revocation, surrender, or expiration of an Internet poker network operator license, the Division shall oversee the orderly discontinuation of the Internet poker network operations, the disbursement of all player balances, the disbursement of any jackpot reserves, the remittance of all fees and taxes due to the state, the settlement of all contract obligations between the licensee or any subcontractors and network affiliates, and the fulfillment of any other obligations, financial or otherwise, of the licensee and any subcontractors under this section. Any player balances which remain undisbursed to a registered player after 30 days due to incorrect contact information in the player account or any other reason shall be remitted to the Division and deposited with the Chief Financial Officer to the credit of the Pari-mutuel Wagering Trust Fund. The Division shall disburse such funds to the registered player upon request of the registered player within the next 12 months.

(e) If a dispute arises between the Division and a licensee or subcontractor, the Division, licensee, or subcontractor may go through an administrative law or circuit court of competent jurisdiction for an adjudication of the dispute.

(f) To improve the liquidity of Internet poker networks, the Division may enter into reciprocal agreements with any other state gaming commission, governmental department, agency, or other authority exercising regulatory authority over the gaming of another jurisdiction, for the networking of the operations and authorized games of the Internet poker networks with any operations, games, wagering, and players in poker over the Internet of the Internet poker network operator licensees that are subject to the regulatory authority of the other jurisdiction, as long as such agreement and networking do not violate any federal laws, laws of this state, or laws of the other jurisdiction. The Division shall ensure that such reciprocal agreements do not compromise the protections provided to

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registered players under this section including, but not limited to, security of the personal and financial information of registered players and of player accounts; security and disposition of player balances and jackpot reserves; conduct and fairness of authorized games; detection and prevention of fraud, cheating, and theft; and detection and prevention of compulsive and addictive gambling behavior.

(g) An Internet poker network operator shall make available customer service to registered players by telephone, or any successor direct voice communications technology, and by email, or any successor Internet written communications technology, at all times that the network operator offers authorized games on an Internet poker network. The network operator shall make a first non-automated response to any email request for customer service on a new issue within 24 hours of receipt. For each new issue, the network operator shall provide the player with a unique identifying ticket number and keep the ticket for the issue in an open status until resolved. Upon closing a ticket, the network operator shall provide by email to the player a notification that the ticket is closed and a description of the resolution of the issue. A closed ticket shall be re-opened by the network operator at the request of the player by telephone, or any successor direct communications technology, or by email, or any successor Internet written communications technology, if the request is received within 30 days of the most recent ticket closing. A network operator shall report to the Division any ticket which is in an open status 30 days after or has been re-opened 30 days or more after the date of the original creation of the ticket, including the ticket number, identity of the registered player, date the ticket was first opened, and any other information prescribed by the Division, by rule. A network operator shall provide the history of a ticket to the Division upon request, including the ticket number, identity of the registered player, date the ticket was first opened, a record of all communications from and to the registered player regarding the issue with date stamp, any resolution determined by the network operator, any request that was made by the registered player to re-open the ticket with time stamp, and any other information prescribed by the Division, by rule.

(11) NETWORK AFFILIATE LICENSE REQUIRED; APPLICATION; FEES.—A network affiliate license may only be issued to a cardroom operator who is licensed under s. 849.086, actively operates a cardroom that has a minimum of 5 licensed tables, and complies with all the requirements of s. 849.086 and the rules adopted pursuant to that section.

(a) Only those enterprises holding a valid network affiliate license issued by the Division may provide intrastate Internet poker for play to registered players through a portal.

(b) After the initial network affiliate license is granted, the annual application for the renewal of that license shall be made in conjunction with the applicant's annual application for its cardroom license under s. 849.086.

(c) An enterprise seeking a license or renewal of a license to operate as a network affiliate shall make the application on forms prescribed by the Division. An application for a network affiliate license shall contain all of the information the Division, by rule, determines is required to ensure eligibility.

(d) As a condition of licensure and to maintain continued authority to provide intrastate Internet poker for play, a network affiliate applicant or licensee must provide the documentation required under this section on a timely basis to the Division and the documentation must be appropriate, current, and accurate. A change in ownership of or interest in a network affiliate licensee of 5 percent or more of the stock or other evidence of ownership or equity in a network affiliate licensee or any parent corporation

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or other enterprise that in any way owns or controls a network affiliate licensee must be approved by the Division before the change, unless the new holder of the ownership or interest was previously approved by the Division as one who owns or controls a network affiliate licensee. A change in ownership of or interest in a network affiliate licensee of less than 5 percent, unless the change results in a cumulative ownership or interest of 5 percent or more, must be reported to the Division within 20 days after the change. The Division may then conduct an investigation to ensure that the license is properly updated to show the change in ownership or interest and that the licensee continues to meet all of the eligibility requirements under this section. A change in ownership or interest of less than 5 percent which results in a cumulative ownership or interest of 5 percent or more must be approved by the Division before the change, unless the new holder of the ownership or interest was previously approved by the Division as one who owns or controls a network affiliate licensee. Reporting is not required under this paragraph if after the change the owner is holding 5 percent or less of the equity or securities of a corporate or enterprise owner of the network affiliate licensee that has its securities registered pursuant to s. 12 of the Securities Exchange Act of 1934, 15 U.S.C. ss. 78a-78kk, and if the corporation or enterprise files with the United States Securities and Exchange Commission the reports required by s. 13 of that act or the securities of the corporation or enterprise are regularly traded on an established securities market in the United States, and the owner is not holding any other ownership of or interest in the network affiliate licensee.

(e) As a condition of eligibility for license renewal, a network affiliate must be maintaining an active portal into an Internet poker network, by itself or in combination with one or more other network affiliates, and the licensee owns or has an ownership interest in the primary branding servicemarks under which the portal is displayed. A portal shall be considered active if in the preceding 3 months' intrastate Internet poker activities on the poker network included through the portal the participation in Internet poker of any registered players.

(f) A network affiliate licensee may not sell or lease all or any portion of its cardroom licensed under s. 849.086 to any enterprise, or contract with any enterprise to operate its portal, conduct marketing or promotional activities, or conduct any other aspects of business associated with the play of poker under s. 849.086 or intrastate Internet poker under this section, that does not meet and comply with all requirements and provisions of this section and s. 849.086.

(g) The annual network affiliate license fee shall be \$1,000. The annual license fee shall be deposited by the Division with the Chief Financial Officer to the credit of the Pari-mutuel Wagering Trust Fund.

(h) A network affiliate may not provide intrastate Internet poker for play to registered players through a portal, by itself or in combination with one or more other network affiliates, unless the licensee owns or has ownership interest in, respectively, the primary branding servicemarks under which the portal is displayed.

(i) The Division shall adopt any rules regarding the issuance and renewal of network affiliate licenses that the Division determines is necessary to fulfill the requirements of this section.

(12) EMPLOYEE AND BUSINESS OCCUPATIONAL LICENSES REQUIRED; APPLICATION; FEES.—

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- (a) A person employed by or otherwise working for or controlling an Internet poker network operator, a subcontractor, a network affiliate, or an enterprise holding a business Internet poker occupational license under this section, in any capacity related to the conduct of intrastate Internet poker, must hold a valid employee Internet poker occupational license issued by the Division.
- (b) An Internet poker network operator, a subcontractor, or a network affiliate may not employ or allow to be employed any person in any capacity related to the conduct of intrastate Internet poker unless the person holds a valid employee Internet poker occupational license.
- (c) An enterprise, other than a natural person required to hold an employee Internet poker occupational license under paragraph (a), must hold a valid business Internet poker occupational license issued by the Division to partner with, contract with, be associated with, or participate in the operation of an Internet poker network or portal with, in any capacity related to the conduct of intrastate Internet poker, an Internet poker network operator, subcontractor, or a network affiliate. An enterprise that is a provider of goods or services to a network operator, subcontractor, or network affiliate that provides similar goods or services to the public or other businesses for purposes other than the conduct of intrastate Internet poker and is not otherwise directly or indirectly involved in the control, conduct, or operation of a portal, an Internet poker network, or authorized games may be exempted by the Division, by rule, from the requirement to hold a business Internet poker occupational license under this paragraph.
- (d) An Internet poker network operator or network affiliate may not contract or otherwise do business with an enterprise required to hold a valid business Internet poker occupational license unless the enterprise holds the license.
- (e) Internet poker occupational licenses are not transferable.
- (f) An enterprise seeking an Internet poker occupational license or renewal of such a license shall make the application on forms prescribed by the Division and include payment of the appropriate application fee. An application for an Internet poker occupational license shall contain all of the information the Division, by rule, determines is required to ensure eligibility.
- (g) The Division shall adopt any rules regarding the issuance and renewal of Internet poker occupational licenses that the Division determines is necessary to fulfill the requirements of this section.
- (h) An employee Internet poker occupational license issued under this section is valid for the same term as a pari-mutuel occupational license issued under s. 550.105(1).
- (i) Pursuant to rules adopted by the Division, any enterprise may apply for and, if qualified, be issued a business Internet poker occupational license valid for a period of 3 years upon payment of the full occupational license fee for each of the 3 years for which the license is issued. The business Internet poker occupational license is valid during its specified term for the provision of goods or services to any Internet poker network operator, subcontractor, or network affiliate.
- (j) The fee for application for or an annual renewal of an Internet poker occupational license shall be determined by rule of the Division but may not exceed \$50 for an employee Internet poker occupational license or \$1,000 for a business Internet poker occupational license. Failure to pay the

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required fee constitutes grounds for disciplinary action by the Division against an Internet poker network operator, a network affiliate, or an Internet poker occupational applicant or licensee.

(13) EMPLOYEE AND BUSINESS OCCUPATIONAL LICENSE DENIAL, REVOCATION, SUSPENSION, LIMITATION, OR NONRENEWAL.—The Division may do any of the following:

(a) Deny an application for, or revoke, suspend, place conditions or restrictions on, or refuse to renew, any Internet poker occupational license if the applicant for the license or the licensee, or an employee, executive, or owner of the applicant or licensee, has been refused a license by, had a license revoked by, or has a license currently under suspension by any other state gaming commission, governmental department, agency, or other authority exercising regulatory authority over the gaming of another jurisdiction.

(b) Deny an application for, or revoke, suspend, place conditions or restrictions on, or refuse to renew, any Internet poker occupational license if the applicant for the license or the licensee, or an employee, executive, or owner of the applicant or licensee has unpaid fines related to gambling operations, including poker, over the Internet or otherwise, in another jurisdiction.

(c) Deny an application for, or revoke, suspend, place conditions or restrictions on, or refuse to renew, any Internet poker occupational license if the applicant for the license or the licensee, or an employee, executive, or owner of the applicant or licensee, has violated this section or the rules issued by the Division pursuant to this section.

(d) Deny an application for, revoke, or refuse to renew, any Internet poker occupational license if the applicant for the license or the licensee, or an employee, executive, or owner of the applicant or licensee, has been convicted in this state, in any other state, in any other jurisdiction, or under the laws of the United States of a capital felony, a felony, or an offense in any other state or jurisdiction that would be a felony under the laws of this state, involving arson; trafficking in, conspiracy to traffic in, smuggling, importing, conspiracy to smuggle or import, or delivery, sale, or distribution of a controlled substance; racketeering; or a crime involving a lack of good moral character, or has had a gaming license revoked by this state or any other jurisdiction for any gaming-related offense.

(e) Deny an application for, revoke, or refuse to renew, any Internet poker occupational license if the applicant for the license or the licensee, or an employee, executive, or owner of the applicant or licensee, has been convicted of a felony or misdemeanor in this state, in any other state, or under the laws of the United States if such felony or misdemeanor is related to gambling or bookmaking as described in s. 849.25, or any disqualifying criminal offense specified in paragraph (7)(b) of this section.

(f) Deny an application for, revoke, or refuse to renew, any Internet poker occupational license if the applicant for the license or the licensee, or executive or owner of the applicant or licensee, accumulates unpaid obligations, defaults in obligations, or issues drafts or checks that are dishonored or for which payment is refused without reasonable cause.

(14) EMPLOYEE AND BUSINESS OCCUPATIONAL LICENSE; FINGERPRINTS; FEES.—

(a) A person seeking an Internet poker occupational license must submit fingerprints for criminal history record checks. Division employees and law enforcement officers assigned by their employing

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agencies to work related to the conduct of intrastate Internet poker as part of their official duties, and a person holding a valid employee cardroom occupational license issued by the Division under s. 849.086(6), are exempted from the fingerprint and criminal history record check requirements under this subsection. Applicants who are foreign nationals shall submit such documents as necessary to allow the Division to conduct criminal history record checks in the applicant's home country.

(b) Fingerprints shall be taken in a manner approved by the Division for any Internet poker occupational license application, upon initial application and as required thereafter by rule of the Division, and shall be submitted electronically to the Department of Law Enforcement for state criminal history record check processing. The Department of Law Enforcement shall forward the fingerprints to the Federal Bureau of Investigation for national criminal history record check processing. The results of the criminal history record checks shall be returned to the Division for purposes of screening. The Division requirements under this subsection shall be instituted in consultation with the Department of Law Enforcement.

(c) All fingerprints submitted to the Department of Law Enforcement and required by this section shall be retained by the Department of Law Enforcement and entered into the statewide automated fingerprint identification system as authorized by s.943.05(2)(b) and shall be available for all purposes and uses authorized for arrest fingerprint cards entered into the statewide automated fingerprint identification system under s. 943.051. The Division shall inform the Department of Law Enforcement of any change in the license status of an applicant or licensee whose fingerprints are retained.

(d) The Department of Law Enforcement shall search all arrest fingerprints received under s. 943.051 against the fingerprints retained in the statewide automated fingerprint identification system under this subsection. Any arrest record that is identified with the retained fingerprints of a person subject to the criminal history screening requirements of this section shall be reported to the Division.

(e) The Division shall request the Department of Law Enforcement to forward the fingerprints of each person who holds a valid Internet poker occupational license to the Federal Bureau of Investigation for national criminal history record check processing every 3 years following issuance of the occupational license. If the fingerprints of such a person have not been retained by the Department of Law Enforcement, the person must file a complete set of fingerprints as provided for in paragraph (a).

(f) Under penalty of perjury, each person who is a licensee under this section must agree to inform the Division within 48 hours if he or she is convicted of or has entered a plea of guilty or nolo contendere to any offense specified in subsection (13), regardless of adjudication.

(g) Fees to be imposed for the costs of processing fingerprints, conducting criminal history record checks, performing ongoing searches, and the retention of fingerprints under this subsection shall be as established by rule of the Department of Law Enforcement. The fees for processing fingerprints and conducting criminal history record checks for an Internet poker occupational license shall be borne by the occupational license applicant or licensee. The fees for performing ongoing searches and the retention of fingerprints shall be borne by the nonemployee licensee under this section for the persons employed by or working for or with the licensee. The Department of Law Enforcement may invoice the Division for the fees each month. The Division shall collect the fees under this paragraph and shall forward payment to the Department of Law Enforcement.

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(h) All fees collected by the Division under this subsection shall be deposited with the Chief Financial Officer to the credit of the Pari-mutuel Wagering Trust Fund.

(15) REGISTERED PLAYERS; ELIGIBILITY; SELF-EXCLUSION.—

(a) Registered players must be located within this state at the time of play of intrastate Internet poker.

(b) A person who has not attained 18 years of age may not be a registered player or play intrastate Internet poker.

(c) An Internet poker network operator shall exclude the participation in intrastate Internet poker of any person who has submitted an Internet Poker Self-Exclusion Form to any poker network or network affiliate, in accordance with the time and extent of the exclusion requested on the form by the person.

1. An Internet poker network shall have available to any person an Internet Poker Self-Exclusion Form, on the Internet and accessible on any Internet or software page or screen that is displayed when:

a. A person opens the Internet or software page or screen to register as a registered player;

b. Each time after logging on as a registered player that a person accesses the first page of the Internet or software to play Internet poker; or

c. Any other page or screen of an Internet poker network or portal as prescribed by the Division, by rule.

2. The Division shall determine, by rule, all identifying information and options to be required or made available on any Internet Poker Self-Exclusion Form including at a minimum:

a. Name, current address, and date of birth;

b. Period of time for the exclusion to apply, including, but not limited to, options for 1 month, 3 months, 1 year, 3 years, and lifetime; and

c. An option to request removal of a self-exclusion, subject to any restrictions that the Division has determined, by rule, for detection and prevention of compulsive and addictive gambling behavior.

3. Upon receipt of a completed Internet Poker Self-Exclusion Form, an Internet poker network operator shall immediately provide a copy of the completed form to the Division and exclude the person who submitted the form from participation in intrastate Internet poker on the poker network.

4. A network affiliate shall have an Internet Poker Request for Self-Exclusion Form available in the network affiliate licensee's licensed cardroom in printed form, to be provided to any person upon request. Upon receipt of such printed Internet Poker Request for Self-Exclusion Form completed and signed by any person, a network affiliate shall immediately provide a copy of the completed form to the Division.

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5. Upon receipt of a completed Internet Poker Self-Exclusion Form, the Division shall immediately provide a copy of the completed form to all Internet poker network operators.

6. Each Internet poker network operator and network affiliate shall prominently display a link to the website of a responsible gaming organization that is under contract with the Division pursuant to s. 551.118(2) for services related to the prevention of compulsive and addictive gambling next to any link to and on any Internet Poker Self-Exclusion Form, and in any other location as prescribed by the Division, by rule.

7. A person may not bring any action against an Internet poker network operator, a subcontractor, a network affiliate, or the Division for negligence or any other claim if a person who has submitted a completed Internet Poker Self-Exclusion Form gains access to intrastate Internet poker and plays authorized games.

(16) INTRASTATE INTERNET POKER; AUTHORIZED GAMES.—

(a) In order to offer a specific game of poker to registered players for play, an Internet poker network operator shall provide the Division with:

1. A description of the game of poker and the related game and betting rules; and
2. Documentation relating to development and testing of the game's software in any form and extent prescribed by the Division, by rule.

(b) Upon submission of the information required in paragraph (a), an Internet poker network operator may begin offering the game as a conditional authorized game. If the Division does not object to the proposed game of poker within 30 days after receipt of the submission, the game shall be considered fully authorized and the network operator may continue to offer the authorized game to registered players. The Division may grant, suspend, or revoke authorization for any conditional or fully authorized game.

(c) Authorized games shall be operated strictly in accordance with the specified game and betting rules.

(d) An Internet poker network operator shall ensure that the authorized games of poker are fair. For each authorized game offered for play, the gaming system shall display the following information:

1. The name of the game.
2. Any restrictions on play.
3. The rules of the game.
4. All instructions on how to play.
5. Any permitted or required stakes, buy-in limits, betting limits, or forced bets such as antes, bring-ins, or blinds, and in the case of a tournament the amount of betting units given to each player.

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6. The policies and procedures applicable when the authorized game is interrupted and unable to complete.
 7. Any other information that the Internet poker network operator determines is necessary for the registered player to have in real time to compete fairly in the authorized game.
 8. Any other information prescribed by the Division, by rule.
- (e) All authorized games shall be conducted in such a fashion that:
1. Data used to create outcomes and the outcomes shall be random and unpredictable such that it is infeasible to predict the next occurrence in a game, given complete knowledge of the algorithm or hardware generating the sequence, and all previously generated data and outcomes;
 2. The set of possible outcomes shall include all of the theoretically possible outcomes for the game; and
 3. The game outcome or any game event outcome shall not be affected by the effective bandwidth, link utilization, bit error rate, or other characteristic of the communications channel between the gaming system and the playing device used by the player.
- (f) An Internet poker network operator shall deploy controls and technology to detect and prevent fraud, cheating, theft, and other illegal activity through collusion, systems intrusion, employee access, and other methods, including, but not limited to, external exchange of information between different players; playing in an authorized game from more than one player account at the same time by the same player; unauthorized access to a player account by a person other than the registered player; and use of prohibited programs, tools, or devices. A network operator shall do all of the following:
1. If an Internet poker network operator becomes aware that fraud, cheating, or theft is taking place or has taken place on the Internet poker network, it shall immediately take steps to stop such activities and shall expeditiously act to prevent further fraud, cheating, or theft from taking place on the poker network.
 2. An Internet poker network operator shall immediately inform the Division of any instances of, suspected instances of, or complaints of fraud, cheating, or theft on the Internet poker network and initiate an investigation within 12 hours to determine whether and to what extent fraud, cheating, or theft has taken place. An Internet poker network operator shall report the ongoing results and any final results of the investigation in writing to the Division starting within 24 hours after initiating the investigation and shall continue to report at least every 24 hours until its investigation is completed.
 3. A registered player may not bring an action for damages against an Internet poker network operator for attempting to prevent fraud, cheating, or theft if the network operator can demonstrate that it acted pursuant to this section to prevent such actions as soon as it became aware of them.
 4. An Internet poker network operator after discovery of fraud, cheating, or theft and before or upon completion of the related investigation shall fairly compensate registered players who suffered any gaming losses or player balances losses due to the fraud, cheating, or theft and shall report the

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amounts and method of determination of such compensations to the Division; however, the network operator shall not compensate any person found to have committed any act of fraud, cheating, theft, or other illegal activity on an Internet poker network. Registered players may register complaints about such matters with the Division for investigation and arbitration or adjudication.

(g) Notwithstanding the provisions of paragraph (f), the Division may conduct an independent investigation or initiate an administrative action to protect registered players from fraud, cheating, or theft on an Internet poker network, and a registered player, an Internet poker network operator, a subcontractor, a network affiliate, or the Division may report such criminal activities to law enforcement officials or bring an action for damages under federal or state law for such criminal activities in any court of competent jurisdiction.

(h) An Internet poker network operator shall deploy controls to ensure that a registered player is unable to play in an authorized game from more than one player account at the same time including from player accounts on more than one portal or from another jurisdiction.

(i) If the gaming server or software does not allow a hand of an authorized game to be completed, the hand shall be voided by the Internet poker network operator and all wagers relating to the incomplete hand shall be returned to the registered players, and any other policies and procedures of the Internet poker network in regards to such events shall be implemented and completed.

(17) PLAYER ACCOUNTS; SELF-LIMITATIONS.—

(a) An Internet poker network operator shall register a player and establish at least one player account belonging to the player prior to allowing the player to participate in Internet poker on the poker network.

(b) An Internet poker network operator shall ensure that personally identifiable information of a registered player is accessible to the player and the Division but is otherwise secure.

(c) A person may not participate in any authorized game on an Internet poker network unless the person is registered as a player and holds a player account.

(d) Player accounts may be established in person or by mail, telephone, or any electronic means.

(e) To register and establish a player account, a person must provide the following registration information:

1. First name and surname.
2. Principal residence address.
3. Telephone number.
4. Date of birth.
5. Legal identification or certification to prove that the person is at least 18 years of age.

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6. Valid email address.

7. The source of funds to be used to establish the account after the registration process is complete.

8. Any other information necessary for the Internet poker network operator to comply with the laws and tax regulations of the United States and this state and any rules adopted pursuant to this section.

(f) An Internet poker network operator shall prevent a person from registering more than one player account on any portal of the Internet poker network. An Internet poker network operator shall ensure that the first name, surname, principal residence address, date of birth, and email address for a registered player is the same on all of the player's player accounts on the Internet poker network. A change to this information made by the registered player on a player account shall be applied by the poker network operator to all of the player's player accounts on the poker network.

(g) Prior to completing the registration process, an Internet poker network operator shall explain to the person in a conspicuous fashion the privacy policies of the Internet poker network, and the person must assent to the following policies:

1. Personal identifying information about the player will not be shared with any nongovernment third parties without the permission of the player except, solely for the purpose of permitting the registered player to participate in authorized games on the Internet poker network, with subcontractors, network affiliates, or providers of business services licensed under this section, or a gaming regulatory authority pursuant to a reciprocal agreement under this section, or upon receipt of a court order to subpoena such information from the network operator.

2. Personal identifying information about the player may be shared with the Division of Pari-Mutuel Wagering, the Department of Law Enforcement, a gaming regulatory authority pursuant to a reciprocal agreement under this section, or any governmental agency that receives a court order to subpoena such information.

(h) Prior to completing the registration process, an Internet poker network operator shall require that a person agree to the terms of use agreement applying to registered players of the Internet poker network. Any time an Internet poker network operator changes its terms of use agreement, the network operator shall require each registered player to agree to the most recent terms of use agreement by or upon the next logon to the poker network by the registered player.

(i) An Internet poker network operator shall provide a registered player with the means to update the information provided in paragraph (e).

(j) An Internet poker network operator may revoke the player accounts of a registered player for any of the following reasons:

1. The registered player provided false information in the registration process.

2. The registered player has not updated registration information to keep it current.

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3. The registered player has violated the Internet poker network operator's terms of use agreement.

(k) An Internet poker network operator may suspend or revoke the player accounts of a registered player if the operator suspects or finds that the registered player has participated in any fraud, cheating, theft, or other illegal activity, related to Internet poker.

(l) If the account of a registered player is suspended or revoked by an Internet poker network operator, the network operator shall immediately disburse directly to the registered player any player balances belonging to the player unless the network operator initiates an investigation involving the registered player pursuant to this section. Upon completion of the investigation the network operator shall immediately disburse directly to the registered player any player balances belonging to the player unless the network operator has determined pursuant to the investigation that the registered player committed fraud, cheating, theft, or other illegal activity, related to Internet poker.

(m) An Internet poker network operator shall:

1. Provide a means for a registered player to put funds into a player account belonging to the player; however, a registered player may not increase the amount in a player account while participating in an authorized game;
2. Maintain records of the player balances of each player account belonging to a registered player;
3. Prohibit a registered player from placing a wager unless the player has sufficient funds in his or her player account to cover the amount of the wager;
4. Not provide credit to a registered player's player account or act as an agent for a credit provider to facilitate the provision of funds;
5. Provide a means for a registered player to withdraw on demand part or all of the player balances held in a player account belonging to the player, to be disbursed to the player pursuant to the terms of use agreement of the poker network; and
6. Update a registered player's player account balance at least as often as intervals or times prescribed by the Division, by rule, but no less than each time the registered player logs onto or off of the Internet poker network.

(n) An Internet poker network operator shall put in place other systems that provide registered players with the ability to control aspects of their participation in intrastate Internet poker. Upon registration and at any time a registered player is logged onto a player account on an Internet poker network through a portal, the network operator shall permit the registered player to adjust the settings for the player's player account registered on that portal to any of the following:

1. Set a limit on the number or amount of deposits that can be made to the player account within a specified period of time.
2. Set a limit on the amount that can be wagered by the player within a specified period of time.

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3. Set a limit on the losses that may incur to the player within a specified period of time.
4. Set a limit on the amount of time that the player can play after each logon to the Internet poker network or within a specified period of time.
5. Set a limit on the stakes that the player can play.
6. Prohibit the Internet poker network from allowing the registered player to participate in intrastate Internet poker, for a definite or indefinite period of time.
7. Set any other limitation on participation in intrastate Internet poker that the network operator wishes to offer to registered players or that is prescribed by the Division, by rule, to be offered in accordance with industry best practice standards related to detection and prevention of compulsive and addictive gambling behavior.
8. Remove any of the player account settings under this paragraph.
9. Set a period of time during which any player account settings under this paragraph selected by the player cannot be adjusted or removed by the player notwithstanding subparagraph (8); however, the player may contact customer service of the network operator to remove this setting from the player account after verification of the player's identity, subject to the terms of use agreement of the Internet poker network.
10. An option to apply all settings under this paragraph to all of the player's player accounts on the poker network.
 - (o) A person may not bring any action against an Internet poker network operator, a subcontractor, a network affiliate, or the Division for negligence or any other claim if a player who has set any limitations or restrictions on their participation in intrastate Internet poker under this subsection gains access to intrastate Internet poker and plays authorized games beyond the limitations or restrictions.
 - (p) After each time a registered player logs onto an Internet poker network, in order to assist the registered player to decide whether to suspend play, at least once each 60 minutes while logged on, a screen or page of the poker network shall display to the registered player the following:
 1. How long the player has been logged on to the poker network.
 2. The player's total winnings or losses since the time of last logging on.
 3. An option to the player to end the session and log off.
 - (q) If a registered player has not logged on to an Internet poker network within a 12-month period, the Internet poker network operator shall designate the registered player's player accounts as dormant and attempt to notify the registered player of the dormant status by email and mail at least once each 30 days for the next 60 days and by email and mail at least once each 30 days for the following 60 days. The registered player may remove the dormant status by logging on to the poker network, or by contacting customer service of the network operator to request removal of the dormant status. 150

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days after the designation of dormant status, if the registered player has not removed the dormant status the network operator shall suspend or close all of the registered player's player accounts on the poker network and remit any player balances belonging to the registered player to the Division, to be deposited with the Chief Financial Officer to the credit of the Pari-mutuel Wagering Trust Fund. The Division shall disburse these funds to the registered player upon request within the next 12 months of the registered player.

(r) Any disbursement of player balances to a registered player under this section may be made to an agent of the player if requested under penalty of perjury and oath by the player or the agent and the request is valid under the laws of this state and federal laws.

(s) An Internet poker network provider, subcontractor, or network affiliate may accept credit cards, charge cards, debit cards, electronic funds transfers, transfers between player accounts, cash, electronic currencies, bank checks, or other forms of financial instruments as a means for a registered player to add funds to or withdraw funds from a player account. No fee or surcharge shall be imposed on a registered player or a player account for adding funds to a player account.

(18) RECORDS AND REPORTS; PLAYER ACCOUNT BALANCES.—

(a) An Internet poker network operator shall establish a book of accounts and regularly audit and make available to the Division all financial records. An Internet poker network operator shall demonstrate that it has a system of maintaining records and reports that are readily available to the Division. The records and reports shall include the following:

1. Monthly auditable and aggregate financial statements of gaming transactions.
2. Calculation of all fees and taxes payable to government.
3. The identity and registration information of players.
4. The balance on each player account at the start of a session of play by the player.
5. The wagers placed by each player on each authorized game, time stamped by the games server.
6. The play history of each authorized game, time stamped by the games server.
7. The amount won or lost by each player in each hand of an authorized game.
8. The balance on each player account at the end of a session of play by the player.
9. The rake collected by the poker network on each hand or tournament of an authorized game.
10. For each tournament, the identity of each participating player, the entry fee, the times of start and end of the tournament, the tournament structure, the payout structure, and the payouts won by and distributed to players.

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11. The player incentives awarded to or earned by each player and the disbursement to or use by the player of the player incentives.
 12. The time of each log on and log off of a registered player to a player account.
 13. Each change to the player balances of a player account, time stamped.
 14. Each change to a registered player's registration information, time stamped.
 15. Each change to a registered player's settings under subsection (17), time stamped.
 16. Each player-to-site and site-to-player communication.
 17. All customer service ticket histories.
 18. All investigations and resolutions by the poker network of player complaints, player disputes, and instances of or suspected instances of fraud, cheating, theft, or other illegal activity.
 19. A history of the software and hardware of the Internet poker network, including, but not limited to, changes or additions to gaming servers, releases of game play software, changes to networking systems, changes to security systems, and changes to systems for the prevention or detection of illegal activity, each time stamped.
 20. A history of accesses to the software, hardware, or networking of the poker network including, but not limited to, identity of each user making an access, location of each access, and time of each access.
 21. Any other information prescribed by the Division, by rule.
- (b) An Internet poker network operator shall reconcile all data log files regarding the registered players' account balances on a monthly basis.
- (c) An Internet poker network operator shall retain the records and reports required under this subsection for no less than 10 years and at least 3 years following any expiration, abandonment, surrender, or revocation of its network operator license under this section.
- (19) INTERNET POKER NETWORK OPERATOR; TECHNICAL SYSTEMS REQUIREMENTS.—
- (a) An Internet poker network operator shall put in place technical systems that materially aid the Division in fulfilling its regulatory, consumer protection, and revenue-raising functions and allow the Division unrestricted access to and the right to inspect any of the technical systems and premises.
- (b) An Internet poker network operator shall ensure that the network is protected from manipulation or tampering to affect the random probabilities of winning plays.
- (c) An Internet poker network operator shall define and document its methodology for the following, and shall retain all such documentation for no less than 10 years and at least 3 years following

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any expiration, abandonment, surrender, or revocation of its network operator license under this section:

1. The development, implementation, and maintenance of gaming software in a manner representative of industry best practice standards.
2. Server connectivity requirements that include:
 - a. Minimum game server connectivity requirements that ensure players are protected from losses due to connectivity problems;
 - b. The system's ability to recover all transactions involving player balances in the event of a failure or malfunction; and
 - c. Interrupted game procedures.
3. Ability of the system to recover all information required for viewing a game interrupted due to loss of connectivity.
4. Consumer protection requirements.
5. Responsible advertising, marketing, and promotion that ensure that players are not misled through advertising or promotional activities, and will ensure that the terms and conditions of their promotions are followed.
6. Detective and preventive controls addressing money laundering and fraud risks.
8. Detective and preventive controls addressing compulsive and addictive gambling behavior.

(20) FEE FOR PARTICIPATION.—An Internet poker network operator may charge rake to registered players for the right to participate in authorized games conducted on an Internet poker network. The rake for any authorized game may be a per-hand charge, a flat fee, an hourly rate, or a percentage fee subject to any posted maximum amount, but may not be based on the amount won or lost by players. The rake shall be designated and conspicuously posted on the registered player's screen prior to the start of each authorized game.

(21) PROHIBITED RELATIONSHIPS.—

- (a) A person employed by or performing any function on behalf of the Division may not:
 1. Be an officer, director, owner, executive, or employee of any enterprise licensed by the Division under this section; or
 2. Have or hold any interest, direct or indirect, in or engage in any commerce or business relationship with any enterprise licensed by the Division under this section.

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(b) An employee of the Division or a relative living in the same household as the employee may not play at any time on an Internet poker network except as required to perform the duties of their employment by the Division.

(c) An Internet poker occupational licensee employed by or working with an Internet poker network operator or subcontractor, or a relative living in the same household as the licensee may not play at any time on the Internet poker network of the network operator.

(d) An Internet poker occupational licensee employed by or working with a network affiliate or a relative living in the same household as the licensee may not play at any time through a portal maintained by the network affiliate.

(22) PROHIBITED ACTS; PENALTIES.—

(a) An Internet poker network operator may conduct any game authorized under subsection (16) unless specifically prohibited by the Division or by this section.

(b) A person who has not attained 18 years of age may not hold an Internet poker occupational license or participate in any authorized game conducted on an Internet poker network.

(c) It is a violation of the laws of this state for any enterprise to allow any person present in this state to participate in the play of poker over the Internet for free or for money or any other consideration unless that enterprise can demonstrate that it is in compliance with the laws and tax regulations of the United States and of this state.

(d) Any enterprise that has knowingly accepted any wager of money or other thing of value on any online gambling activity, including poker, from any resident of this state in felony violation of federal or state law prior to enactment of this act is not eligible to apply for licensure under this section or participate in intrastate Internet poker in this state for a period of 3 years after the effective date of this act.

(e) Any person who manipulates or attempts to manipulate the outcome, payoff, or operation of the play of intrastate Internet poker by tampering, collusion, cheating, or fraud, or by the illegal or unauthorized use of any object, instrument, or device, by any means, commits a felony of the third degree, punishable as provided in s.775.082, s. 775.083, or s. 775.084.

(f) A person shall not use a program, tool, or device of computing software, hardware, or a combination of software and hardware on an Internet poker network if it is used or is intended to be used during an authorized game and it does any of the following:

1. Determines and displays to a player a suggestion for play action the player should make.
2. Determines and makes a play action for a player.
3. Displays to any person the values of the hidden cards, tiles, or similar playing tokens or electronic versions of such tokens held by a participant during an authorized game, that would not otherwise be known under the game and betting rules to such person.

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4. Displays to a player another player's history of play that would not otherwise be known by the player, or a playing profile of another player based on such history.

(g) Notwithstanding any other provision of this section, if an Internet poker network operator detects possession or use of a program, tool, or device described in paragraph (f) by a registered player, the network operator shall first issue a warning to the player that use of such program, tool, or device is a violation of the laws of this state. Subsequent use by the registered player of such program, tool, or device, or a pattern of use by the player of programs, tools, or devices described in paragraph (f) is a violation of the laws of this state. Any person who violates the laws of this state under this paragraph commits a misdemeanor of the second degree, punishable as provided in s. 775.082 or s. 775.083, and such violations shall be reported by the network operator to the Division immediately upon detection.

(h) Nothing in this subsection shall be construed to permit any person to knowingly use any program, tool, or device for the purpose of fraud, cheating, theft, or other illegal activity in Internet poker, or to require an Internet poker network to allow the use of any program, tool, or device in Internet poker.

(i) Notwithstanding any other provision of this subsection, it shall not be a violation of this subsection or the laws of this state for an applicant for an Internet poker network operator license, its agents, an Internet poker network operator, its agents, a subcontractor, its agents, the Division, its agents, or an independent testing laboratory to use or possess a program, tool, or device described in paragraph (f) if:

1. Such use or possession is solely for purposes of testing an Internet poker network or developing protections against such a program, tool, or device;
2. Such program, tool, or device is not used in play involving live wagering;
3. Such program, tool, or device is not capable of displaying to any person the values of the hidden cards, tiles, or similar playing tokens or electronic versions of such tokens held by a participant during an authorized game, that would not otherwise be known under the game and betting rules to such person.

(j) It is a violation of the laws of this state for any enterprise to display the Florida-regulated mark unless that enterprise holds a valid license under this section and displays the Florida-regulated mark pursuant to this section and the rules adopted by the Division under this section.

(23) LICENSE FEES.—

(a) Upon the issuance of the Internet poker network operator license and annually thereafter on the anniversary date of the issuance of the license, an Internet poker network operator licensee shall pay a nonrefundable license fee of \$250,000 for the succeeding 12 months of licensure.

(b) Upon issuance of the network affiliate license and annually thereafter, as prescribed by the Division, a network affiliate licensee shall pay to the Division a nonrefundable license fee of \$1,000 or a 1/12th portion of the \$1,000 fee for each partial or whole month until the required renewal date of the license under this section.

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(c) The license fees required under this subsection shall be deposited with the Chief Financial Officer to the credit of the Pari-mutuel Wagering Trust Fund to be used by the Division for the regulation of and investigations related to intrastate Internet poker under this section and the enforcement of the provisions of this section. These payments shall be accounted for separately from taxes, fees, or fines paid pursuant to chapters 550 and 551 and s. 849.086.

(24) ADVANCE PAYMENT BY AN INTERNET POKER NETWORK OPERATOR.—

(a) Upon the issuance of a 5-year Internet poker network operator license by the Division under subsection (6), the licensee shall pay to the Division a payment of \$5 million. This payment shall be treated as an advance payment to the state by the network operator and shall be credited against the tax imposed on monthly gross receipts derived from the play of intrastate Internet poker pursuant to paragraph (25)(a) until the original amount is recouped by the network operator.

(b) If an Internet poker network operator license is abandoned, revoked, or surrendered or expires before the licensee recoups the full amount of the advance payment under this subsection and the licensee has satisfied all its obligations under this section, 50 percent of the amount that has not been recouped shall be refunded to the network operator. If the licensee has not satisfied all its outstanding obligations under this section, the Division may use any of the amount that has not been recouped, first the 50 percent refundable funds and then the 50 percent nonrefundable funds, to satisfy any of the outstanding obligations, first to return remaining player balances to registered players and then to satisfy other financial obligations under this section. Use of any of the funds of the advance payment to satisfy outstanding obligations of the licensee shall not release the licensee from any of its outstanding obligations except in the amount of any of the 50 percent refundable funds used by the Division to fulfill outstanding obligations of the licensee. After refund or use of the funds of the advance payment pursuant to this paragraph, any remaining portion of the 50 percent refundable funds shall be refunded to the licensee and any other remaining funds of the advance payment shall be utilized and distributed in the manner specified in s. 550.135(1) and (2).

(c) All funds received under this subsection shall be deposited by the Division with the Chief Financial Officer to the credit of the Pari-mutuel Wagering Trust Fund. Any funds in the Pari-mutuel Wagering Trust Fund that are credited against the taxes of an Internet poker network operator pursuant to subsection (25) shall be utilized and distributed in the manner specified in s. 550.135(1) and (2). These payments shall be accounted for separately from taxes, fees, or fines paid pursuant to chapters 550 and 551 and s. 849.086.

(25) TAX RATE; PENALTIES.—

(a) An Internet poker network operator shall pay a tax to the state of 10 percent of the network operator's monthly gross receipts derived from the play of intrastate Internet poker. However, an Internet poker network operator shall pay no taxes under this paragraph until the full amount of the advance payment made by the licensee under subsection (24) has been credited against the tax. Credit of the advance payment toward the tax shall be made upon receipt by the Division of the monthly report required under paragraph (b).

(b) The gross receipts tax imposed by this subsection shall be paid to the Division. An Internet poker network operator shall remit the gross receipts tax to the Division to be deposited with the Chief

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Financial Officer to the credit of the Pari-mutuel Wagering Trust Fund. The payments shall be remitted to the Division by electronic funds transfer on the 5th day of each calendar month for taxes imposed for the preceding month's intrastate Internet poker activities. The payments shall be accompanied by a report under oath showing all intrastate Internet poker activities for the preceding calendar month and any other information prescribed by the Division, by rule.

(c) A licensee who fails to make any tax payment required under this section is subject to an administrative fine of up to \$10,000 for each day the tax payment is not remitted, as determined by the Division by rule. All penalties imposed and collected under this subsection shall be deposited with the Chief Financial Officer to the credit of the Pari-mutuel Wagering Trust Fund. If a licensee fails to pay penalties imposed by order of the Division under this subsection, the Division may suspend, revoke, or refuse to renew the license of the Internet poker network operator.

(d) All of the funds deposited to the credit of the Pari-mutuel Wagering Trust Fund under this subsection shall be utilized and distributed in the manner specified in s. 550.135(1) and (2). These payments shall be accounted for separately from taxes, fees, or fines paid pursuant to chapters 550 and 551 and s. 849.086.

(26) DISTRIBUTION OF REVENUE DERIVED FROM THE PLAY OF INTERNET POKER; STATEWIDE ADVERTISING.—

(a) After the tax on the monthly gross receipts derived from the play of intrastate Internet poker is paid to the state pursuant to subsection (25), portions of the remaining monthly gross receipts shall be distributed by the Internet poker network operator as follows:

1. No less than 40 percent shall be distributed to the network affiliates that maintained any portals on the Internet poker network during the preceding month, in accordance with any contract terms between the Internet poker network operator and the network affiliates. These distributions by the Internet poker network operator shall be completed by the 10th day of each calendar month.
2. Ten percent shall be distributed in equal portions to each network affiliate that maintained any active portal on any Internet poker network during the preceding month, by itself or in combination with one or more other network affiliates. A portal shall be considered active for the purposes of this subparagraph if the preceding month's intrastate Internet poker activities on the poker network included through the portal the participation in Internet poker of any registered players. The Internet poker network operator shall remit this distribution to the Division on the same day as the gross receipts tax under subsection (25) and the Division shall make the final distributions of the funds to network affiliates under this subparagraph by the 12th day of each calendar month.
3. One percent shall be distributed to fund services related to the prevention of compulsive and addictive gambling provided by the entity that is under contract with the Division under s. 551.118(2). The Internet poker network operator shall remit this distribution to the Division on the same day as the gross receipts tax under subsection (25) and the Division shall be responsible for the final distribution and audit of the funds under this subparagraph.

(b) Each network affiliate licensee shall use a percentage of any distributions it received under paragraph (a) to supplement greyhound purses, jai alai prize money, purses, and breeders' awards, in

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the same percentage amounts as required of the greyhound, jai alai, thoroughbred, quarter horse, or harness horse permit holder under s.849.086(13) as if the distributions received are part of their cardroom monthly gross receipts or net proceeds, as applicable, for the preceding calendar month.

(c) The Division shall ensure that all distributions under this subsection are made in accordance with the provisions of this section and may adopt rules to ensure the auditing and proper distribution of funds.

(d) No less than 3.5 percent of the monthly gross receipts of an Internet poker network operator shall be used by the network operator within 12 months to fund statewide advertising, marketing, and promotion of the play of intrastate Internet poker, other than for player incentives. The Division shall perform an annual audit to verify that the Internet poker network operators use such funds solely for the statewide advertising, marketing, and promotion of the play of intrastate Internet poker, other than for player incentives.

(e) This subsection does not prevent a number of network affiliates from joining together in a coalition for the purpose of the marketing and promotion of the play of intrastate Internet poker on one or more portals or one or more Internet poker networks.

(27) SUSPENSION, REVOCATION, OR DENIAL OF LICENSE.—

(a) The Division may deny a license or the renewal of a license, or may suspend or revoke any license if the applicant, licensee, or a subcontractor of the licensee has violated or failed to comply with any provision of this section or any rule adopted pursuant to this section; knowingly caused, aided, abetted, or conspired with another to cause any enterprise to violate this section or any rule adopted pursuant to this section; or obtained a license or permit by fraud, misrepresentation, or concealment; or if the holder of the license or a subcontractor of the licensee is no longer eligible to be a licensee or a subcontractor under this section.

(b) If a network affiliate's pari-mutuel permit or license is suspended or revoked by the Division pursuant to chapter 550, or its cardroom operator's license is suspended or revoked by the Division pursuant to s. 849.086, the Division may, but is not required to, suspend or revoke the cardroom operator's network affiliate license. If a network affiliate's license is suspended or revoked by the Division or the Division refuses to renew the license, for any violations this section, the Division may, but is not required to, suspend or revoke the licensee's cardroom operator's license.

(28) FINES; CITATIONS.—

(a) In lieu of suspending or revoking a license under paragraph (27)(a), the Division may impose an administrative fine, not to exceed \$100,000 for each count or separate offense, upon an Internet poker network operator or a network affiliate for the willful violation of or failure to comply with the provisions of this section or any rule adopted pursuant to this section, by the licensee, a subcontractor of the licensee, or the network affiliate.

(b) The Division may impose a civil fine of up to \$10,000 upon a licensee or suspend, revoke, place conditions or restrictions on, or refuse to renew a license under this section if the applicant for the license, the licensee, a subcontractor of the applicant or licensee, or any executive, owner, or key

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employee of the applicant, subcontractor, or licensee, provides false information under oath regarding an application for a license issued by the Division or an investigation by the Division.

(c) Except as otherwise provided by law and in addition to any other penalty, the Division may impose an administrative fine of up to \$20,000 on any person who knowingly makes or causes to be made, or aids, assists, or procures another to make, a false statement in any report, disclosure, application, or any other document required under this section or any rule adopted pursuant to this section.

(d) The Division may impose a civil fine of up to \$25,000 for each violation of or failure to comply with the provisions of this section or the rules adopted pursuant to this section in addition to or in lieu of any penalty provided for in subsections (13) or (27).

(e) The Division may adopt a penalty and fines schedule for violations of or failures to comply with the provisions of this section or a rule adopted pursuant to this section, and adopt rules allowing for the issuance of citations, including procedures to address such citations, to enterprises who commit such violations or failures to comply.

(f) In addition to any other penalty provided by law, the Division may exclude from any or all licensed pari-mutuel, cardroom, or slot machine facilities in this state any applicant or licensee under this section who has been found ineligible for an Internet poker occupational license or any licensee under this section whose Internet poker occupational license has been suspended or revoked by the Division, for a period not to exceed the period of ineligibility, suspension, or revocation.

(g) All fines imposed and collected under this subsection shall be deposited with the Chief Financial Officer to the credit of the Pari-mutuel Wagering Trust Fund. These payments shall be accounted for separately from taxes, fees, or fines paid pursuant to chapters 550 and 551 and s. 849.086.

(29) RULEMAKING.—The Division may adopt rules pursuant to ss. 120.536(1) and 120.54 to administer the provisions of this section.

(30) LEGISLATIVE AUTHORITY; ADMINISTRATION OF SECTION.—The Legislature finds and declares that it has exclusive authority over the conduct and taxation of intrastate Internet poker in this state. Only the Division of Pari-mutuel Wagering and other authorized state agencies shall administer this section and regulate the intrastate Internet poker industry in the state, including operations of all Internet poker network operators, subcontractors, and network affiliates, play of authorized games, and the Internet poker computer systems authorized in this section, as provided by law and rules adopted by the Division.

Section 3. Section 849.16, Florida Statutes, is amended by adding at the end:

“(4) This section may not be construed, interpreted, or applied to the possession or use of a computer, telephone or similar device for the operation or play of authorized games as that term is defined in the Internet Poker Licensing and Consumer Protection Act of 2016.”

Section 4. This act shall take effect July 1, 2016.