

New Jersey's draft regulations: beyond gaming operators

Opportunities for non-gaming providers in New Jersey

With online gaming set to go live in New Jersey no later than November, all Atlantic City casinos have already teamed with i-gaming companies to develop and offer their products. Recently released proposed regulations offer those providers guidance on the necessary capabilities for internet gaming systems. Additionally, providers offering identity authentication, payment processing, telecommunications, and other support services can become licensed or registered under the proposed regulations.

Casino service industry enterprise licensees

The regulations require that companies providing internet gaming software or systems to casinos, and vendors who manage, control, or administer games and associated wagers conducted through the internet, must apply for a Casino Service Industry Enterprise (CSIE) licence. Other than the casino licensees themselves, this is the highest level of licence since it applies to those directly related to the offering of gaming online. Therefore, the initial application fee is \$5,000.

The regulations provide that CSIE applicants must submit a lengthy business entity disclosure form, providing information about company corporate structure, finances, ownership and management, and litigation history. Certain officers, directors, and managers must submit a personal history disclosure form and submit to a background investigation.

The regulations also specify required capabilities for internet gaming systems, such as the devices to log all gaming transactions and mechanisms for the Division of Gaming Enforcement (DGE) to query and export all gaming system data. The system must record all promotional offers made to players, authentication attempts when logging on, and individual patron history logs which record details regarding gaming sessions, wagers made, and transfers of funds into and out of patron accounts. The proposed regulations require that internet gaming systems employ a geo-location mechanism to detect the physical location of the player when logging into the system, and re-verify the location every hour thereafter. If the system detects that the player is no longer in the authorised area of New Jersey, the system will disable the account and not accept wagers until the player returns to an authorised area.

The systems must also contain a mechanism to generate daily reports to calculate taxable revenue. As established in the law, the regulations impose a 15% tax on internet gaming revenue, which is due and payable on the tenth calendar day of the month. The 'internet gaming gross revenue' is the total of all sums received by a casino licensee from internet gaming operations, less the total of all sums actually paid out to winning patrons. The regulations state that for the purposes of internet gaming gross revenue tax, affiliates will be considered a casino operator. This means that if a casino partners with an affiliate who manages the internet gaming operation, the

affiliate may be responsible for paying the tax.

Ancillary providers

The regulations require ancillary providers to be licensed. Ancillary providers are businesses offering customer identity, age verification, and geo-location verification services in connection with internet gaming, as well as marketing affiliates, junket enterprises and junket representatives. The application forms for ancillary providers are similar in length and detail to those of CSIEs, however the application fee is \$2,000.

Vendor registrants

Enterprises providing other services including, but not limited to, payment processing and related money-transmitting services, and telecommunications that are not specifically designed for internet gaming and patron interaction, must register as a vendor with the Division. Vendor registration forms are completed by the vendor and filed with the Division by the casino licensee. The vendor will also be required to complete a Vendor Registration Supplemental Disclosure Form, which will be filed directly with the Division. These forms are significantly shorter than the CSIE and ancillary provider applications.

Payment processors were originally deemed ancillary providers in the proposed regulations. However, the DGE announced the reclassification on 9 July 2013, announcing that if payment processors have no direct contact with patron gaming accounts or the internet gaming system itself, they will only be required to register as vendors; otherwise, they will have to obtain licensure as an ancillary provider. Even for those payment processors that only need to register as vendors, the DGE may require additional information with respect to these entities as well as requiring one or more individuals to submit disclosure forms and/or fingerprints. Such additional disclosures and filings would be substantially less than those required from an Ancillary Casino Service Industry Enterprise licence applicant.

Conclusion

Any CSIE or ancillary provider that wishes to become licensed in New Jersey by the to-be-announced go-live date must submit its completed applications to the DGE's Service Industry Licensing Bureau no later than 29 July 2013. The DGE has represented that it will complete its review of any applications submitted by that deadline in time to issue a determination or interim determination by the go-live date. Additionally, the state will be accepting public comments on the proposed regulations until 2 August. It is possible that the regulations will change somewhat in light of the comments.

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