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STATE OF RHODE ISLAND

IN GENERAL ASSEMBLY

JANUARY SESSION, A.D. 2016

A N A C T

RELATING TO BUSINESSES AND PROFESSIONS -- FANTASY CONTEST
REGISTRATION

Introduced By: Representatives Ruggiero, Craven, Kennedy, Marshall, and Blazejewski

Date Introduced: March 10, 2016

Referred To: House Finance

It is enacted by the General Assembly as follows:

1 SECTION 1. Title 5 of the General Laws entitled "BUSINESSES AND PROFESSIONS"

2 is hereby amended by adding thereto the following chapter:

3 CHAPTER 89

4 FANTASY CONTEST REGISTRATION

5 **5-89-1. Definitions. --** As used in this chapter, except as otherwise required by the
6 context:

7 (1) "Confidential information" means information related to the play of a fantasy contest
8 by fantasy contest players obtained as a result of or by virtue of a person's employment.

9 (2) "Department" means the department of business regulation.

10 (3) "Entry fee" means cash or cash equivalent that is required to be paid by a fantasy
11 contest participant to a fantasy contest operator in order to participate in a fantasy contest.

12 (4) "Fantasy contest" means any online fantasy or simulated game or contest with an
13 entry fee in which:

14 (i) The value of all prizes and awards offered to winning participants is established and
15 made known to the participants in advance of the contest;

16 (ii) All winning outcomes reflect the relative knowledge and skill of the participants and
17 shall be determined by accumulated statistical results of the performance of individuals, including
18 athletes in the case of sports events; and

1 (iii) No winning outcome is based on the score, point spread, or any performance of any
2 single actual team or combination of teams or solely on any single performance of an individual
3 athlete or player in any single actual event.

4 (6) "Fantasy contest operator" or "operator" means a person or entity that offers fantasy
5 contests for a cash prize to members of the public.

6 (7) "Fantasy contest player" or "player" means a person who participates in a fantasy
7 contest offered by a fantasy contest operator.

8 (8) "Principal stockholder" means any person who individually or in concert with their
9 spouse and/or immediate family members, legally or beneficially owns or controls, directly or
10 indirectly, fifteen percent (15%) or more of the equity ownership of a fantasy contest operator or
11 who, in concert with their spouse and/or immediate family members, has the power to vote or
12 cause the vote of fifteen percent (15%) or more of any such fantasy contest operator.

13 **5-89-2. Mandatory registration of fantasy contest operators and consumer**
14 **protection. -- (a) No fantasy contest operator shall offer any fantasy contest in the state of Rhode**
15 **Island without first being registered with the department of business regulation. Registration shall**
16 **be on forms prescribed by the department. Any registration issued by the department shall be**
17 **valid for one year from the date of issuance.**

18 (b) The application for registration submitted by a fantasy contest operator shall contain
19 the following information:

20 (1) The name and principal address of the applicable; if a corporation, the state of its
21 incorporation, the full name and address of each officer and director thereof, and, if a foreign
22 corporation, whether it is qualified to do business in the state of Rhode Island; if a partnership or
23 joint venture, the name and address of each officer thereof;

24 (2) The address of any offices of the applicant in the state of Rhode Island and its
25 designated agent for service of process, within the state. If the operator does not maintain an
26 office, the name and address of the person having custody of its financial records;

27 (3) The place where and the date when the applicant was legally established and the form
28 of its organization;

29 (4) The names and addresses of the officers, directors, trustees, and the principal salaried
30 executive staff officer;

31 (5) The name and address of each principal stockholder or member of such corporation;
32 and

33 (6) Such other information that the department deems necessary to ensure compliance
34 with the provisions of this chapter.

1 (7) As a part of its investigation as to whether to issue a registration hereunder, the
2 department shall require criminal background checks of individuals as it deems appropriate and
3 said individuals shall apply to the bureau of criminal investigation of the Rhode Island state
4 police or the Rhode Island department of the attorney general for a national criminal records
5 check with fingerprinting. The applicant whose criminal records check is being conducted shall
6 be responsible for the payment of the costs of said criminal records check. The Rhode Island state
7 police or the Rhode Island department of the attorney general, as applicable, shall send the results
8 of such criminal records check to the department. Prior to issuing any registrations, the
9 department shall adopt rules and regulations establishing criteria to be used in determining
10 whether based upon a criminal records check an application will be approved.

11 (c) Every registration filed under this chapter shall be accompanied by a nonrefundable,
12 initial application fee set by the department.

13 (d) As a condition of registration, a fantasy contest operator shall submit evidence
14 satisfactory to the department that the operator has established and will implement rules and
15 regulations for fantasy contests that:

16 (1) Prevent their employees and relatives living in the same household as the operator
17 from competing in any public fantasy contest offered by such operator in which the operator
18 offers a cash prize;

19 (2) Prevent the sharing of confidential information that could affect fantasy contest play
20 with third parties until the information is made publicly available;

21 (3) Verify that any fantasy contest player is eighteen (18) years of age or older;

22 (4) Ensure that players who are the subject of a fantasy contest are restricted from
23 entering a fantasy contest that is determined, in whole or part, on the accumulated statistical
24 results of a team of individuals in which such players are participants;

25 (5) Allow individuals to restrict themselves from entering a fantasy contest upon request
26 and take reasonable steps to prevent those individuals from entering the operator's fantasy
27 contests;

28 (6) Disclose the number of entries a single fantasy contest player may submit to each
29 fantasy contest and take reasonable steps to prevent such players from submitting more than the
30 allowable number; and

31 (7) Segregate player funds from operational funds in separate accounts and maintain a
32 reserve in the form of cash, cash equivalents, irrevocable letter of credit, bond, or a combination
33 thereof in an amount sufficient to pay all prizes and awards offered to winning participants.

34 (e) If the registration forms are filed online using a website approved by the department,

1 the operator shall follow the procedures on that website for executing the forms.

2 (f) Any operator that allows its registration to lapse, without requesting an extension sixty
3 (60) days prior to its expiration, shall be required to resubmit an initial registration for a fee of ten
4 thousand dollars (\$10,000). An extension may be granted by the department upon receipt of a
5 written request.

6 **5-89-3. Registration issuance. --** (a) The department shall consider all applications for
7 registration and shall issue a valid registration to an applicant that meets the criteria established
8 by this chapter and its rules and regulations.

9 (b) The department shall deny registration to any applicant unless it finds that the
10 applicant meets the criteria established by the department for the granting of registration.

11 (c) The department may deny registration to an applicant if it finds that the applicant, or
12 any officer, partner, principal stockholder, or director of the applicant:

13 (1) Has knowingly made a false statement of material fact or has deliberately failed to
14 disclose any information requested;

15 (2) Has at any time knowingly failed to comply with the provisions of this chapter or of
16 any requirements of the department;

17 (3) Has had a registration or permit to hold or conduct fantasy contests denied for just
18 cause, suspended, or revoked in any other state or country;

19 (4) Has legally defaulted in the payment of any obligation or debt due to the state of
20 Rhode Island; or

21 (5) Is not qualified to do business in the state or is not subject to the jurisdiction of the
22 courts of the state of Rhode Island.

23 (d) Any operator applying for registration or renewal of a registration may operate during
24 the application period unless the department has reasonable cause to believe that such operator is
25 or may be in violation of the provisions of this chapter and the department requires such operator
26 to suspend the operation of any fantasy contest until registration or renewal of registration is
27 issued.

28 (e) The department shall issue such registration within sixty (60) days of receipt of the
29 application for registration or renewal. If the registration is not issued or renewed, the department
30 shall provide the operator with the justification for not issuing or renewing such registration with
31 specificity.

32 **5-89-4. Fees and charges. --** (a) The initial fee for an application for registration in
33 accordance with this act shall be fifty thousand dollars (\$50,000). Thereafter, the annual fee for
34 an application for registration shall be twenty thousand dollars (\$20,000) a year.

1 (b) All fees, charges, and monetary penalties collected by the department as provided in
2 this chapter shall be paid into the general fund.

3 (c) Quarterly, the state of Rhode Island shall receive twenty percent (20%) of all funds
4 generated from Rhode Island residents from fantasy contest operations.

5 **5-89-5. Independent audit.** -- The state of Rhode Island has the right to hire, at
6 operator's expense, an independent auditor. A registered operator shall submit an annual audited
7 report of revenues to the department.

8 **5-89-6. Powers and duties of the department of business regulations.** -- (a) The
9 department shall have all powers and duties necessary to carry out the provisions of this chapter.
10 The department may establish procedures and regulations deemed necessary to carry out the
11 provisions of this chapter.

12 (b) Whenever it appears to the department that any person has violated any provision of
13 this chapter, it may apply to the appropriate court for an injunction against such person. The order
14 granting or refusing such injunction shall be subject to appeal as in other cases in equity.

15 (c) Whenever the department has reasonable cause to believe that a violation of this
16 chapter may have occurred, the department, upon its own motion or upon complaint of any
17 person, may investigate any fantasy contest operator to determine whether such operator has
18 violated the provisions of this chapter. In the conduct of such investigation, the department may
19 require or permit any person to file a statement in writing, under oath or otherwise as the
20 department determines, as to all facts and circumstances concerning the matter to be investigated.

21 **5-89-7. Violations.** -- Any person, firm, corporation, association, agent, or employee who
22 knowingly violates any procedure implemented by any other provision of this chapter shall be
23 liable for a civil penalty of not more than one thousand dollars (\$1,000) for each such violation.
24 Such amount shall be recovered in a civil action brought by the department and be paid into the
25 general fund.

26 **5-89-8. Hearing and appeal.** -- Any person aggrieved by a denial of the department to
27 issue a registration, the suspension or revocation of a registration, the imposition of a fine, or any
28 other action of the department may seek judicial review of such action in the superior court
29 pursuant to the provisions of chapter 35 of title 42 ("administrative procedures act").

30 **5-89-9. Public inspection of registration information.** -- The registration of fantasy
31 contest operators is required to be filed and shall be considered a public record pursuant to
32 chapter 2 of title 38 and shall be open to the public for inspection at such time and under such
33 conditions as the department may prescribe.

34 **5-89-10. Registration not an endorsement.** -- No registered operator shall use or exploit

1 [the fact of its registration under this chapter so as to mislead the public into believing that state](#)
2 [registration in any manner constitutes an endorsement or approval by the state of Rhode Island of](#)
3 [its fantasy contest operation.](#)

4 **5-89-11. Acquisition of interest in fantasy contest operator. --** [\(a\) If any person](#)
5 [acquires actual control of a registered operator, such person shall register with the department in](#)
6 [accordance with Rhode Island law.](#)

7 [\(b\) Where any such acquisition of control is without prior approval of the department, the](#)
8 [department may suspend any registration it has issued to such operator, order compliance with](#)
9 [this section, or take such other action as may be appropriate within the authority of the](#)
10 [department.](#)

11 SECTION 2. This act shall take effect upon passage.

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EXPLANATION
BY THE LEGISLATIVE COUNCIL
OF

A N A C T
RELATING TO BUSINESSES AND PROFESSIONS -- FANTASY CONTEST
REGISTRATION

- 1 This act would establish a process by which the operators of fantasy contest businesses
- 2 are to be registered and regulated.
- 3 This act would take effect upon passage.

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