

AMENDED IN SENATE AUGUST 19, 2013

SENATE BILL

No. 678

Introduced by Senator Correa

February 22, 2013

An act to add Chapter 5.2 (commencing with Section ~~19990~~ 19990.01) to Division 8 of the Business and Professions Code, relating to ~~gambling~~ gambling, making an appropriation therefor, and declaring the urgency thereof, to take effect immediately.

LEGISLATIVE COUNSEL'S DIGEST

SB 678, as amended, Correa. Internet gambling.

(1) *The Gambling Control Act provides for the licensure of certain individuals and establishments that conduct controlled games, as defined, and for the regulation of these gambling activities by the California Gambling Control Commission. The Department of Justice has related investigatory and enforcement duties under the act. Any willful violation of these provisions is punishable as a misdemeanor, as specified.*

This bill would authorize intrastate Internet poker, as specified. The bill would authorize eligible entities to apply for a license to operate an intrastate Internet poker Web site offering the play of authorized games to players within California, as specified. The bill would prohibit the offer or play of any gambling game provided over the Internet that is not an authorized game permitted by the state pursuant to this bill. The bill would prohibit a person, except as provided, from aggregating computers or other access devices in a public setting within this state for the purpose of playing a gambling game on the Internet, or to promote, facilitate, or market that activity. The bill would make any

violation of these provisions punishable as a misdemeanor. By creating new crimes, the bill would impose a state-mandated local program.

This bill would require the commission, and any other state agency with a duty pursuant to these provisions, to adopt regulations within 120 days after the effective date of this bill, in consultation with the department to implement these provisions, and to facilitate the operation of intrastate Internet poker Web sites and expedite the state's receipt of revenues. This bill would authorize the commission to issue initial licenses, as specified, and would establish the procedure for license renewal. The bill would require a license applicant to apply to the commission and pay an application deposit sufficient to cover all costs associated with the issuance of the license, for deposit into the Internet Poker Licensing Fund, as created by the bill, to be continuously appropriated to the department and the commission in the amounts reasonably necessary to investigate and evaluate the suitability of license applicants. The bill would establish separate license procedures for an applicant that is a federally reorganized Indian tribe.

This bill would require the payment of a regulatory fee, for deposit into the Internet Poker Fund, as created by the bill, subject to annual appropriation by the Legislature for the actual reasonable costs of license oversight, consumer protection, state regulation, problem gambling programs, and other purposes related to this bill. The bill would require each licensee to pay a one-time license fee for deposit in the General Fund. The license fee would be credited against fees imposed on the licensee's gross gaming proceeds, as specified.

This bill would authorize each licensee, subject to approval by the department, and the department, subject to approval by the commission, to establish administrative procedures to resolve registered player complaints.

This bill would require the department, in consultation with the commission, the Treasurer, and the Franchise Tax Board, to issue a report to the Legislature describing the state's efforts to meet the policy goals articulated in this bill within one year of the effective date of this bill and, annually, thereafter. The bill would also require the Bureau of State Audits, at least 4 years after the issue date of any license by the state, but no later than 5 years after that date, to issue a report to the Legislature detailing the implementation of this bill, as specified.

(2) The bill would state that its provisions are severable.

(3) The California Constitution requires the state to reimburse local agencies and school districts for certain costs mandated by the state.

Statutory provisions establish procedures for making that reimbursement.

This bill would provide that no reimbursement is required by this act for a specified reason.

(4) This bill would declare that it is to take effect immediately as an urgency statute.

The Gambling Control Act provides for the licensure of certain individuals and establishments that conduct controlled games, as defined, and for the regulation of these gambling activities by the California Gambling Control Commission. The Department of Justice has related investigatory and enforcement duties under the act. Any violation of these provisions is punishable as a misdemeanor, as specified.

This bill would authorize the operation of Internet poker Web sites within the borders of this state. The bill would require the commission to establish a regulatory framework for the licensure of eligible entities and the operation of Internet poker Web sites within the borders of the state.

Vote: majority^{2/3}. Appropriation: ~~no~~-yes. Fiscal committee: yes. State-mandated local program: ~~no~~-yes.

The people of the State of California do enact as follows:

1 SECTION 1. Chapter 5.2 (commencing with Section 19990.01)
2 is added to Division 8 of the Business and Professions Code, to
3 read:

4
5 CHAPTER 5.2. THE INTERNET POKER CONSUMER PROTECTION
6 ACT OF 2013

7
8 Article 1. General Provisions

9
10 19990.01. This chapter shall be known and may be cited as
11 the Internet Poker Consumer Protection Act of 2013.

12 19990.02. The Legislature hereby finds and declares all of the
13 following:

14 (a) The state and the governments of numerous federally
15 recognized California Indian Tribes currently maintain and
16 implement substantial regulatory and law enforcement efforts to
17 protect thousands of Californians who play, among other things,
18 real-money poker in, respectively, licensed California card rooms

1 *and authorized tribal government casinos, yet the state provides*
2 *no licensing requirements, regulatory structure, or law enforcement*
3 *efforts to protect Californians who play the same games online on*
4 *an illegal and unregulated basis for money. The Legislature finds*
5 *that protection of the interests of both the state and persons within*
6 *its jurisdiction that play real-money games online requires the*
7 *authorization and establishment of a system for regulating Internet*
8 *poker gambling within California.*

9 *(b) In October 2006, Congress passed the SAFE Port Act (Public*
10 *Law 109-347), to increase the security of United States ports. That*
11 *act included a section entitled the Unlawful Internet Gambling*
12 *Enforcement Act of 2006 (UIGEA), which prohibits the use of*
13 *banking instruments, including credit cards, checks, or fund*
14 *transfers, for interstate Internet gambling, essentially prohibiting*
15 *poker and other gambling games played online by United States*
16 *citizens. UIGEA includes exceptions, however, that permit*
17 *individual states to create a regulatory framework to enable*
18 *intrastate Internet gambling, in which wagers are made exclusively*
19 *within a single state whose laws or regulations comply with all of*
20 *the following:*

21 *(1) Contain certain safeguards regarding those transactions,*
22 *including both of the following:*

23 *(A) Age and location verification requirements.*

24 *(B) Data security standards designed to prevent access by*
25 *minors and persons located outside of that state.*

26 *(2) Expressly authorize the betting or wagering process.*

27 *(3) Do not violate any federal gaming statutes, including all of*
28 *the following:*

29 *(A) The Interstate Horseracing Act of 1978.*

30 *(B) The Professional and Amateur Sports Protection Act.*

31 *(C) The Gambling Devices Transportation Act.*

32 *(D) The Indian Gaming Regulatory Act of 1988 (IGRA).*

33 *(c) Despite the absence of enabling legislation in conformity*
34 *with UIGEA, Californians participate in Internet poker and other*
35 *forms of Internet gambling operated by offshore operators that*
36 *are not regulated by California or United States authorities.*
37 *Neither federal nor California laws provide any protections for*
38 *California participants in those sites, nor do the citizens of*
39 *California directly benefit from these activities. This significant*
40 *rise in Internet gaming within California, together with efforts by*

1 *other states to begin authorizing and regulating Internet gambling*
2 *and recent federal claims of illegal activities by certain offshore*
3 *Internet gambling operators, has increased the need for California*
4 *to enact on an urgent basis a statutory framework for authorizing*
5 *and regulating Internet gaming within the state. The Legislature*
6 *finds that Internet poker is a reality that must be addressed by*
7 *California in order to protect consumers from compulsive*
8 *gambling, underage play and exploitation from illegal operators,*
9 *as well as to meet the needs of its citizens and economy. California*
10 *also wants to limit the scope of Internet gambling to the game of*
11 *poker, with which it has extensive regulatory experience.*

12 *(d) By regulating Internet poker, the state will achieve the*
13 *following:*

14 *(1) Protect and promote its economy.*

15 *(2) Provide California players with a safe and secure*
16 *environment to play online.*

17 *(3) Ensure fair and transparent Internet gambling.*

18 *(4) Protect player funds and their winnings.*

19 *(5) Protect against underage gambling.*

20 *(6) Combat crime, racketeering, corruption, money laundering,*
21 *and terrorism financing.*

22 *(7) Enable the poker industry in California, which employs*
23 *thousands of Californians, to compete fairly in Intrastate poker.*

24 *(8) Generate millions of dollars of additional revenues to meet*
25 *California and tribal governmental needs.*

26 *(e) California, thus, has a state interest in authorizing and*
27 *regulating legitimate Internet poker and in ensuring that those*
28 *activities are consistent with existing public policy regarding the*
29 *playing of poker games within the state. The public interest will*
30 *be best served by requiring that those entities who desire to own*
31 *or operate Internet poker web sites within the state continue to*
32 *comply with the existing standards and rigorous scrutiny that must*
33 *be met in order to qualify to offer poker games within the state.*

34 *(f) The Legislature has determined, from experience gained by*
35 *observing the development of Internet poker throughout the world,*
36 *and in agreement with the federal requirements for authorizing*
37 *Internet gambling under UIGEA, that California's regulatory*
38 *requirements must include all of the following:*

39 *(1) A system that is implemented and administered in a fair and*
40 *transparent manner that ensures that players can participate in*

1 *an environment that safeguards and secures their personal data*
2 *in accordance with the latest industry data security standards.*

3 (2) *The maintenance of player deposits and winnings in a secure*
4 *system that enables players to access and withdraw their funds at*
5 *any time in accordance with published terms and conditions.*

6 (3) *The subjection of all authorized Internet gaming software*
7 *to rigorous testing by independent testing facilities to ensure that*
8 *the game outcomes are unbiased and unpredictable.*

9 (4) *The exclusion of minors and the protection of vulnerable*
10 *players from compulsive and excessive gambling by installing*
11 *player verification systems and enforcing measures to detect these*
12 *individuals and behavior in order to prevent them from accessing*
13 *and playing on Internet Web sites.*

14 (5) *Ensuring that online gambling activities are free from crime*
15 *or the use of moneys obtained illegally, including the use of systems*
16 *designed to detect, prevent, and report suspicious activities and*
17 *transactions, including, but not limited to, robotic or collusive*
18 *play, money laundering, or the evasion of state income taxes.*

19 (6) *To offer responsible gaming features that limit a player's*
20 *potential for excessive gambling.*

21 (g) *It is in the interest of the state to recapture, to the maximum*
22 *extent, the hundreds of millions of dollars of public service funding*
23 *that has been repeatedly cut during the state's budget crisis. It is*
24 *the intent of the Legislature in enacting this chapter to ensure that*
25 *the state realizes a minimum of _____ dollars (\$_____) of General*
26 *Fund revenue from operator and license fees and payments during*
27 *the 2015–16 fiscal year.*

28 (h) *The Legislature has considered and finds that authorization*
29 *of intrastate Internet poker pursuant to this chapter does not violate*
30 *the California Constitution or interfere with any right or exclusivity*
31 *provision under any compact between the state and any federally*
32 *recognized Indian tribe. Neither the equipment, including the*
33 *computers required to access authorized intrastate Internet poker*
34 *games under this chapter, any component thereof, nor any building*
35 *or room, other than where poker is currently authorized, may be*
36 *used in the operation or play of Internet poker. This chapter also*
37 *prohibits the offering or use of any slot machine or other gaming*
38 *device as defined in any of those compacts, or any other device*
39 *which permits the playing of a gambling game against a computer*
40 *or device in connection with any Internet poker game authorized*

1 *under this chapter. Only nonbanking poker games in which*
2 *authorized live players play against each other in real time is to*
3 *be permitted. The Legislature finds that the application of UIGEA*
4 *in California would not be prohibited by the activities contemplated*
5 *by this chapter and that the chapter does not violate federal law*
6 *by infringing upon tribal sovereignty.*

7 *(i) This chapter does not prohibit any federally recognized*
8 *Indian tribe within California with a tribal-state gaming compact*
9 *with the state pursuant to IGRA from participating in authorized*
10 *Internet poker games pursuant to these provisions.*

11 *19990.03. It is the intent of the Legislature to create a licensing*
12 *and regulatory framework that will achieve all of the following:*

13 *(a) Ensure that authorized games are offered for play only in*
14 *a manner that is consistent with federal and state law.*

15 *(b) Authorize the California Gambling Control Commission to*
16 *issue licenses, with the recommendation of the Department of*
17 *Justice, to applicants that meet the qualifications and background*
18 *requirements consistent with this chapter, and to authorize those*
19 *agencies to conduct the investigations necessary to carry out those*
20 *duties.*

21 *(c) Ensure that game play authorized by this chapter is offered*
22 *only to registered players who are physically present within the*
23 *borders of California at the time of play and who are 21 years of*
24 *age or older.*

25 *(d) Include all of the provisions in this chapter as terms of the*
26 *license between the state and each licensee, subject to the*
27 *enforcement provisions delineated in this chapter.*

28 *(e) Grant power to the state agencies authorized in this chapter*
29 *to oversee the operations of each licensee and to enforce the*
30 *provisions of this chapter to ensure that the interests of the state*
31 *and registered players are protected.*

32 *(f) Establish a process that includes the ability to conduct*
33 *background investigations as necessary to determine an applicant's*
34 *suitability to participate in the gaming industry, and financial*
35 *ability to obtain a license and the required software from the*
36 *applicant's own resources, in order to prevent a person from using*
37 *a false identity to acquire a license, and requires that each*
38 *employee of a licensee receive all necessary licenses and work*
39 *permits from the state prior to engaging in any activities for which*
40 *that license or permit is required.*

- 1 (g) *Ensure that the state is able to collect income tax revenues*
2 *from authorized players in California.*
- 3 (h) *Distribute regulatory fees which have been deposited into*
4 *the Internet Poker Fund, as established in Section 19990.86, which*
5 *shall be administered by the Controller, subject to annual*
6 *appropriation by the Legislature, and which shall not be subject*
7 *to the formulas established by law directing expenditures from the*
8 *General Fund, for the following:*
- 9 (1) *The actual costs of license oversight, consumer protection,*
10 *state regulation, and problem gambling programs.*
- 11 (2) *Other purposes related to this chapter as the Legislature*
12 *may decide.*
- 13 (i) *Create systems to protect each player's private information*
14 *and prevent fraud and identity theft.*
- 15 (j) *Ensure that authorized players are able to have their*
16 *financial transactions processed in a secure, safe, and transparent*
17 *fashion, including the segregation of player deposits from other*
18 *operator funds, the right to terminate accounts and obtain the*
19 *return of deposits, the payment of winnings on a timely basis, and*
20 *full accountability of all bets made, moneys collected, and prizes*
21 *and pots paid out, including the basis therefore under game rules.*
- 22 (k) *Ensure that all authorized Internet gambling games offered*
23 *by a licensee are fair and honest, including, but not limited to,*
24 *verifiable protections against cheating, collusion, nonrandom card*
25 *shuffles or dealing, and advance knowledge of cards dealt.*
- 26 (l) *Ensure that all applicable gaming regulatory agencies have*
27 *unrestricted access to the premises and records of each licensee*
28 *that relate to the operation, maintenance, control, money handling*
29 *or other material aspect of any authorized game and that these*
30 *premises and accounts be in strict compliance with state and tribal*
31 *gaming laws and regulations concerning credit authorization,*
32 *account access, and other security provisions and that all of the*
33 *operator's computers, servers and other components of the gaming*
34 *system, and any bank or other repository where player's or*
35 *operator's funds in connection with the poker room operation are*
36 *deposited, are physically located within California.*
- 37 (m) *Require that each licensee provide players with easily*
38 *accessible customer service.*
- 39 (n) *Require that each licensee's Internet Web site contain*
40 *information relating to problem gambling, including a telephone*

1 *number that an individual may call to seek information and*
2 *assistance for a potential gambling addiction, provided that*
3 *operators shall not be required to disrupt game play with that*
4 *information.*

5 *(o) Require that each licensee and all of its service providers,*
6 *including tribal governments, meet the requirements applicable*
7 *to it in connection with authorized games.*

8 *(p) Ensure that there are no artificial business constraints on*
9 *the licensee, such as limits on the percentage of revenues that may*
10 *be paid to service providers or limits on the number of intrastate*
11 *Internet poker rooms a licensee may operate or that the state may*
12 *issue overall.*

13 *(q) Ensure that all employees of the licensee are located, and*
14 *all gaming activities operated by it are conducted, physically within*
15 *the state and that the activities of licensees relating to gaming*
16 *activities remain within the state's regulatory jurisdiction, either*
17 *because they are conducted within state boundaries or by entities*
18 *that have agreed to subject themselves to the state's regulatory*
19 *and enforcement jurisdiction, provided that this chapter does not*
20 *prohibit the use of servers or other equipment located outside*
21 *California where that equipment is maintained solely for backup*
22 *purposes.*

23 *(r) Create an express exemption from disclosure, pursuant to*
24 *the California Public Records Act under subdivision (b) of Section*
25 *6253 of the Government Code, that exempts from public disclosure*
26 *proprietary information of a license applicant or a licensee in*
27 *order to permit disclosure of confidential information to state*
28 *agencies while achieving the public policy goals of deploying*
29 *secure systems that protect the interests of the state and players.*

30 *(s) Preserve the authority of the state to opt out of or into any*
31 *federal framework for Internet poker, or to enter into an agreement*
32 *with other states to provide Internet poker, provided these schemes*
33 *or frameworks meet the criteria and address the issues concerning*
34 *the matters set forth herein and are in compliance with applicable*
35 *law.*

36 *(t) As a matter of public policy requiring statewide consistency,*
37 *preempt any city, county, or city and county from enacting any*
38 *law or ordinance regulating or taxing Internet poker activities*
39 *covered in this chapter.*

Article 2. Definitions

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19990.05. For the purposes of this chapter the following words have the following meanings:

(a) “Authorized game” means a game of poker as defined in this chapter that has been approved by the commission for play on the Internet in an authorized poker room. Authorized games may only be operated by licensed poker room operators on an authorized poker platform.

(b) “Authorized player” means a registered player who has provided the information and met the qualifications to play an authorized game.

(c) “Authorized poker platform” means a software system that has been approved by the regulatory agency to manage and operate the play and presentation of authorized games, provided that player management systems and funds management systems, as defined in this chapter, shall be in software modules that are separate from the poker platform software and shall not be under the operation or control of, or accessible to, an authorized platform operator unless the platform operator is also the licensed poker room operator for the poker room on which the platform is operated.

(d) “Authorized poker room” means a virtual cardroom on the Internet with one or more virtual card tables in which authorized players can play authorized games, provided that this chapter does not prohibit an authorized poker room from offering “play for free” or “play for fun” poker games to authorized players. Authorized poker rooms may only operate games on an authorized platform and shall handle financial and player management functions through authorized software that is separate and distinct from the game management system.

(e) “Authorized poker room skin,” or “skin,” means a portal to an authorized poker room which may be provided by a poker room licensee to any person or entity, a skin sponsor, that is, itself, qualified to hold an authorized poker room license, and shall be regulated in accordance with subdivision (o) of Section 19990.20.

(f) “Background investigation” means a process of reviewing and compiling personal and criminal history and financial information through inquiries of various law enforcement and

1 *public sources to establish a person’s qualifications and suitability*
2 *for a license to participate in the gambling industry.*

3 (g) *“Bet” means the placement of money or something of*
4 *monetary value at risk of being lost depending of the outcome of*
5 *a game.*

6 (h) *“Commission” means the California Gambling Control*
7 *Commission, except that where the described function also involves*
8 *a function to be served by the department, the term “commission”*
9 *shall also mean the department to the extent of those functions.*

10 (i) *“Core functions” and “core functioning” mean the*
11 *management, administration, or control of the following:*

12 (1) *Bets.*

13 (2) *Authorized players.*

14 (3) *Payments to and from authorized players.*

15 (4) *Authorized games.*

16 (5) *Intellectual property, including the trademarks, trade names,*
17 *service marks, or similar intellectual property under which a*
18 *licensee identifies its games to its customers.*

19 (6) *A system for administering the deposit accounts, including*
20 *records of moneys owed to, or paid to or from, players by the*
21 *operator.*

22 (j) *“Department” means the Department of Justice, except that*
23 *where the described function also involves a function to be served*
24 *by the commission, the term “department” shall also mean the*
25 *commission to the extent of those functions.*

26 (k) *“Deposit account” is a fund maintained by an authorized*
27 *poker room on behalf of authorized players into which the players*
28 *may deposit cash for use for betting in games or for deposit of*
29 *player winnings from games.*

30 (l) *“Employee work permit” means a permit issued to an*
31 *employee of a licensee by the commission after a background*
32 *investigation and finding of suitability.*

33 (m) *“Finding of suitability” means a finding by the regulatory*
34 *agency that a person meets the qualification criteria described in*
35 *Article 4 (commencing with Section 19990.20), and that the person*
36 *would not be disqualified on any of the grounds specified in that*
37 *article.*

38 (n) *“Funds management system” means an authorized software*
39 *system that is dedicated to managing player funds in authorized*
40 *games, including, but not limited to, tracking player accounts,*

1 *bets, pot collections and awards, player credits, financial reporting*
2 *requirements, and other financial transactions associated with the*
3 *operation of authorized games. Funds management systems may*
4 *only be operated by a licensed poker room operator and only in*
5 *connection with a poker room under its management and control.*

6 (o) *“Gamble” or “gambling” means the placing of a bet or*
7 *something of value at risk on the chance that the outcome of a*
8 *game or event over which the player does not have total control*
9 *will occur and that will result in the winning of a prize for correctly*
10 *predicting the outcome.*

11 (p) *“Game” means a contest in which players may win or lose*
12 *depending on skill, chance or a combination thereof, depending*
13 *on the rules of play.*

14 (q) *“Gaming system” means the combination of hardware,*
15 *software and data networks specifically described in Section*
16 *19990.35.*

17 (r) *“Good standing” means that a person has not had a*
18 *California gaming license or determination of suitability suspended*
19 *or revoked by a final decision of an agency that has issued that*
20 *license or been issued a final order by a court of competent*
21 *jurisdiction to cease conducting gaming activities. A suspension,*
22 *revocation, or order shall be deemed final for purposes of this*
23 *definition when it is no longer subject to challenge or appeal*
24 *through administrative or court processes. The reinstatement of*
25 *a finding of suitability or license following a suspension or*
26 *revocation shall restore a person’s eligibility to be considered*
27 *suitable or for a license, unless the determination of reinstatement*
28 *itself bars that restoration.*

29 (s) *“Gross revenues” means the total amount of moneys paid*
30 *by players to the operator to participate in authorized games before*
31 *deducting the cost of operating those activities except for fees to*
32 *intermediate and payment processing fees. Gross revenues do not*
33 *include player account deposits, amounts bet, except to the extent*
34 *that those bets are used for generating fees to the operator as*
35 *permitted under this chapter, and only to the extent those bet*
36 *portions are retained by the operator; discounts on goods or*
37 *services, rebates or promotional discounts or stakes provided to*
38 *players, or revenues from nongaming sources, such as from food,*
39 *beverages, souvenirs, advertising, clothing and other nongaming*
40 *sources.*

- 1 (t) “Initial license” means a license issued under this chapter
2 on or before a date set by the commission pursuant to paragraph
3 (1) of subdivision (a) of Section 19990.70 for the issuance of the
4 first licenses that will be issued under this chapter and that shall
5 be issued simultaneously.
- 6 (u) “Intermediary” means a party that enters into an agreement
7 with a licensee to recruit players to the licensee’s authorized poker
8 room.
- 9 (v) “Internal control system” means the system utilized by the
10 authorized operator to ensure that all procedures involving the
11 play of the game, the payment, receipt, rewarding, deposit or other
12 handling of moneys, the integrity of the game equipment, the player
13 actions to be scrutinized, enforcement of the age and geographic
14 restrictions on players, and all other aspects of the game and the
15 poker room are being carried out in a way that will comply with
16 game rules and laws, uphold the integrity of the game, and prevent
17 fraud or cheating from occurring.
- 18 (w) “Internet poker” means an authorized game.
- 19 (x) “Internet Poker Fund” means the fund established pursuant
20 to Section 19990.86.
- 21 (y) “Internet Poker Licensing Fund” means the fund established
22 pursuant to Section 19990.20.
- 23 (z) “Internet self-exclusion form” means a form on which an
24 authorized player notifies an authorized poker room operator that
25 he or she must be excluded from participation in authorized games
26 for a stated period of time.
- 27 (aa) “Intrastate” means within the borders of California.
- 28 (ab) “Key employee” means any natural person employed by
29 a licensed operator or service provider licensee who is an officer
30 or director of the licensee, or who, in the judgment of the
31 commission, has the authority to exercise significant influence
32 over decisions concerning the operation of the licensee, over the
33 operation of an authorized platform or poker room, or over any
34 core function associated therewith.
- 35 (ac) “Land-based gaming entity” means a licensee that is a
36 card club operated pursuant to Chapter 5 (commencing with
37 Section 19800).
- 38 (ad) “Licensee” means a licensed operator, a service provider,
39 or any other person holding a license under this chapter.

- 1 ^(ae) “Licensed operator” means an authorized poker room
2 operator, an authorized poker platform operator, or both.
- 3 ^(af) “Operator” means a person that operates an authorized
4 platform or poker room.
- 5 ^(ag) “Owner” means a person that has a financial interest in
6 or control of a licensee, service provider, or other entity required
7 to be found suitable under this chapter.
- 8 ^(ah) “Per hand charge” means the amount charged to an
9 authorized player to enable him or her to play a hand in an
10 authorized game. Notwithstanding any other provision of state
11 law, per hand charges may be collected on behalf of all
12 participants in an individual game through the collection by the
13 operator of a percentage of the pot or each bet made into the pot.
- 14 ^(ai) “Per hand game” means a game for which the operator
15 charges the player for each hand played.
- 16 ^(aj) “Person” means an natural person, corporation, business
17 trust, estate, trust, partnership, limited liability company,
18 association, joint venture, government, including a tribal
19 government, governmental subdivision, agency, or instrumentality,
20 public corporation, or any other legal or commercial entity.
- 21 ^(ak) “Play-for-fun game” means a version of a lawfully played
22 gambling game in which there is no requirement to pay to play or
23 any possibility of winning any prize or other consideration of value.
24 Play-for-fun games are typically offered for training, educational,
25 marketing, or amusement purposes only.
- 26 ^(al) “Play-for-free game” means a version of a lawfully played
27 gambling game that may include prizes or pots, without requiring
28 a fee or other consideration for the right to play.
- 29 ^(am) “Player management system” means an authorized
30 software system dedicated to managing the activities of players in
31 authorized games. Player management systems may only be
32 operated by licensed poker room operators, and only in connection
33 with poker rooms under their management and control.
- 34 ^(an) “Play settings” means the options and default parameters
35 made available by an operator to a player in the play of games.
- 36 ^(ao) “Player account” means a record kept by a poker room
37 operator on the gaming system, storing the player’s personal
38 details, in which player gaming deposits and winnings are kept
39 separate from an operator’s assets.

1 (ap) “Player session” means a temporary connection
2 established between a player’s interface and a gaming system for
3 the exchange of information, for the duration of the time that an
4 authorized player is logged into his or her account.

5 (aq) “Poker” means any of several nonbanked card games
6 commonly referred to as “poker” that meet all of the following
7 criteria:

8 (1) Played by two or more individuals who bet and play against
9 each other and not against the house on cards dealt to them out
10 of a common deck of cards for each round of play, including those
11 games played over the Internet using electronically generated and
12 displayed virtual cards.

13 (2) The object of the game is to hold or draw to a hand
14 containing a predetermined number of cards which, when all cards
15 to be dealt in the round have been distributed and the betting is
16 completed, meets or exceeds the value of the hands held by the
17 other players. The pot of bets made is awarded to the player or
18 players holding the combination of cards which qualify as the
19 winning combination under the rules of play. Values may be
20 assigned to cards or combinations of cards in various ways, such
21 as in accordance with their face value, the combinations of cards
22 held, such as cards of a similar suit or face value, the order of the
23 cards that are held, or other values announced before the round.

24 (3) The house may deal or operate and officiate the game, and
25 may collect a fee for doing so, but is not a participant in the game
26 itself. The house has no stake in who wins or loses or the amount
27 that is wagered.

28 (4) Poker may be played in a variety of ways, including dealing
29 all cards to the players so that they may not be seen by others,
30 dealing the cards open face to the players, dealing through a
31 combination of both, or creating a common set of cards that may
32 be used by all players. The particular rules and winning
33 combinations are made known to the players before each round
34 is dealt.

35 (5) All bets are placed in a common pot. At one or more
36 predetermined point during the game a player may resign,
37 challenge other players to make additional bets into the pot, or
38 demand that players reveal their hand so a winner can be
39 determined.

1 (6) A poker game that has been approved by the commission
2 for play in an authorized live poker club in California under the
3 Gambling Control Act shall be eligible for qualification by the
4 commission as the basis of an authorized intrastate Internet poker
5 gambling game, except that neither pai gow nor any other game
6 in which persons other than authorized players to whom the cards
7 in the game are dealt, and by whom they are held and played, are
8 permitted to be on a game outcome or other game feature, or who
9 may otherwise control the play of the hand, shall be authorized,
10 offered, or played in connection with an intrastate Internet poker
11 game. Subject to this limitation, the rules governing play in an
12 authorized poker game under this chapter shall generally be the
13 same as if the game were lawfully played in a live poker club.

14 (7) Video games, slot machines, and other similar devices that
15 individuals play against the house or device and win based on
16 valuations or combinations of cards that are similar to those
17 valuations or combinations used in live, interactive poker games,
18 commonly known as “video poker” and “video lottery,” are not
19 “poker” and are not permitted under this chapter.

20 (ar) Other characteristics defining “poker” under this chapter
21 include the following:

22 (1) Live players with equal chances of winning competing
23 against each other over the Internet in real time and not against
24 the house or any device.

25 (2) Success over time may be influenced by the skill of the
26 player.

27 (3) The bets of one player may affect the decisions of another
28 player in the game, and the decisions of one player may affect the
29 success or failure of another.

30 (4) The term “poker” includes poker tournaments in which
31 players pay a fee to the operator of the tournament under
32 tournament rules approved by the applicable gaming regulatory
33 agency.

34 (as) “Poker enterprise” means a person or entity meeting the
35 requirements for that designation under subdivision (d) of Section
36 19805 and any other requirements under law for operating a
37 land-based gaming entity.

38 (at) “Proprietary information” means and includes all
39 information that, whether or not patentable or registerable under
40 patent, copyright, trademark, or similar statutes, (1) can be

1 *protected as a trade secret under California law or any other*
2 *applicable state law, federal law, or foreign law, or (2) derives*
3 *independent economic value, actual or potential, from not being*
4 *generally known to the public or to other persons that can obtain*
5 *economic value from its disclosure or use. “Proprietary*
6 *information” includes, but is not limited to, computer programs,*
7 *databases, data, algorithms, formulas, expertise, improvements,*
8 *discoveries, concepts, inventions, developments, methods, designs,*
9 *analyses, drawings, techniques, strategies, new products, reports,*
10 *unpublished financial statements, budgets, projections, billing*
11 *practices, pricing data, contacts, client and supplier lists, business*
12 *and marketing records, working papers, files, systems, plans and*
13 *data, and all registrations and applications related thereto.*

14 *(au) “Registered player” means a player who has submitted*
15 *the required registration information to an authorized poker room*
16 *operator in order to be eligible to become an authorized player*
17 *in an authorized game in that poker room.*

18 *(av) “Regulatory agency” means the commission, a tribal*
19 *gaming commission with jurisdiction over the tribal license*
20 *applicant and licensee, or both, and the department, as provided*
21 *in this chapter.*

22 *(aw) “Player’s agreement” means the legal agreement to be*
23 *offered by an authorized poker room operator and accepted by a*
24 *registered player as a condition of becoming an authorized player*
25 *and qualified for play in an authorized game. The player’s*
26 *agreement shall delineate, among other things, permissible and*
27 *impermissible activities in which the player may or may not engage*
28 *on the Internet poker Web site and the consequences of engaging*
29 *in those activities.*

30 *(ax) “Registration information” means the information provided*
31 *by a person to a poker room operator in order to record the*
32 *person’s interest in becoming an authorized player in that poker*
33 *room.*

34 *(ay) “Robotic play” means the use of a machine or software by*
35 *a player or operator to simulate or automate player action at any*
36 *point in a game, or otherwise to act as a substitute for a live player.*

37 *(az) “Service provider” means a person that, under a service*
38 *provider license, does any of the following:*

39 *(1) Supplies goods or services to an authorized platform*
40 *operator or poker room operator to enable the operator to operate*

1 *that platform or poker room. Service providers may not provide*
2 *goods or services directly to authorized players or authorized*
3 *games in connection with the operation of any authorized platform*
4 *or poker room, but shall only do so through and by a licensed*
5 *platform or poker room operator.*

6 *(2) Provides a gaming product or service to a licensee for use*
7 *in an authorized game, including providing intermediary services.*

8 *(3) The term “service provider” does not include a provider of*
9 *goods or services that are not principally used in connection with*
10 *the operation of an authorized game.*

11 *(ba) “State” means the State of California.*

12 *(bb) “Tournament” means a competition in which players play*
13 *a series of games to decide the winner.*

14 *(bc) “Tournament charge” means the amount charged by the*
15 *operator for an authorized player to play in a tournament.*

16 *(bd) “Tournament winnings” means the amount of a prize*
17 *awarded to an authorized player in a tournament.*

18 *(be) “Tribe” means a federally recognized Indian tribal*
19 *government located within California.*

20 *(bf) “Tribal enterprise” means an entity that is wholly owned*
21 *and controlled by one or more tribes and no others, and shall be*
22 *treated as a tribe for the purpose of this chapter.*

23 *(bf) “Tribal regulatory agency” means the person, agency,*
24 *board, committee, commission, or council designated under tribal*
25 *law or the rules of the tribal enterprise to carry out the primary*
26 *gaming regulatory responsibilities for a tribe or tribal enterprise,*
27 *provided that tribal enterprises that are combinations of tribes or*
28 *tribal enterprises shall include within their rules a designation of*
29 *a specific tribal regulatory agency to register with the commission*
30 *and function as the primary tribal regulatory agency with*
31 *regulatory jurisdiction over the combination. That designation*
32 *may not be changed except upon 20 days’ written notice to the*
33 *commission.*

34 *(bg) “Wagering suspense account” means a segregated account*
35 *that temporarily holds the bets in a game pending the outcome of*
36 *the game.*

Article 3. Authorized Games

1
2
3 19990.10. To the extent permitted by federal law, the operation
4 of gambling games on the Internet shall be authorized as long as
5 all players and their betting activities are located within the state
6 and the games are not played by minors.

7 19990.11. Notwithstanding any other law, a person in
8 California shall be 21 years of age or older to participate as a
9 registered player in an authorized game.

10 19990.12. (a) A person in the state shall not offer the
11 opportunity to play an Internet gambling game, and a person shall
12 not offer the opportunity to play an authorized game to anyone
13 located within this state without holding a valid operator’s license
14 issued by the state to offer the play of authorized games.

15 (b) It is unlawful for a person to offer or play an Internet
16 gambling game that is not authorized by the state.

17 (c) Except as stated in this chapter, this chapter does not impose
18 a limitation, restriction, or requirement on the offering of “play
19 for fun” games, or “play for free” games on the Internet.

20 (d) It is unlawful for a person to offer the use of, or aggregate,
21 except at a license poker room operator’s lawfully operating live
22 site, computers or other devices or equipment in a public setting
23 or for consideration for the purpose of enabling others to access,
24 play or participate over the Internet, directly or indirectly, in an
25 authorized game or any other gambling activity, or to promote or
26 market the playing of those games or activities, whether or not
27 those games or activities are controlled games or authorized under
28 this chapter.

29 (e) A violation of this chapter is punishable as a misdemeanor.

30 19990.13. Any money, other representative of value, or real
31 or personal property used in, or derived from, the play of a
32 gambling game provided on the Internet that is not authorized by
33 the state pursuant to this chapter is subject to seizure by the
34 commission or by a peace officer. Upon a finding by a court that
35 the money, other representative of value, or real or personal
36 property was used in, or derived from, the play of a gambling game
37 provided on the Internet that is not authorized by the state pursuant
38 to this chapter, that money or property shall be forfeited to the
39 Internet Poker Fund established in Section 19990.86. This chapter
40 does not apply to play-for-fun or play-for-free games.

1 19990.14. *Only poker games that are offered for play or played*
2 *in an authorized poker room are authorized games.*

3
4 *Article 4. Licensing Internet Poker Gambling*

5
6 19990.20. (a) *There shall be the following three categories of*
7 *licenses:*

8 (1) *Platform operator licenses. Platform operator licenses shall*
9 *be required of a person operating an authorized platform.*

10 (2) *Poker room operator licenses. Poker room operator licenses*
11 *shall be required of a person operating an authorized card room.*

12 (3) *Service provider licenses. A service provider license shall*
13 *be required of a person providing goods or services to, or in*
14 *connection with, the operation of an authorized poker room.*

15 (b) *Entities eligible to apply for, receive, and maintain a*
16 *platform operator license or a poker room operator license*
17 *pursuant to this chapter are the following:*

18 (1) *A poker enterprise, as defined in subdivision (m) of Section*
19 *19805, that holds an owner license to operate a land-based gaming*
20 *entity issued pursuant to subdivision (a) of Section 19851, subject*
21 *to oversight by, and in good standing with, the commission.*

22 (2) *A federally recognized California Indian tribe with a valid*
23 *gaming ordinance or resolution and a valid compact authorizing*
24 *it to offer gaming under the Indian Gaming Regulatory Act of*
25 *1988, or a tribal enterprise controlled by, and subject to, the*
26 *powers and immunities of one or more members, partners, or*
27 *shareholder tribes that have that authorization. A tribal enterprise*
28 *may have as its members, partners, or shareholders any*
29 *combination of federally recognized tribes or tribal enterprises.*

30 (3) *A legal entity whose members, partners, or shareholders or*
31 *any combination of poker enterprises, Indian tribes, and tribal*
32 *entities, each of which is eligible to hold the same kind of license*
33 *as or to be held by the combination.*

34 (4) *In the case of a platform operator license, the applicant, or,*
35 *if a combination, each of its members, partners, or shareholders,*
36 *shall have been lawfully offering and operating live on-premises*
37 *poker gambling games for in-person players within California*
38 *continuously for the three years immediately preceding the filing*
39 *of the application.*

1 (c) A service provider license may be issued to any person or
2 form of entity, provided the applicant meets the regulatory
3 requirements for the license.

4 (d) For the purposes of this section, an incorporation or other
5 change in legal form of ownership during the three years
6 immediately preceding application for licensure that did not alter
7 the ownership qualifications of the entity, does not disqualify an
8 entity otherwise eligible for licensure.

9 (e) Initial licenses for purposes of this section are licenses issued
10 pursuant to applications properly and completely filed with the
11 appropriate regulatory commission not later than 120 days prior
12 to the date on which the first license issued pursuant to this chapter
13 shall take effect. Subject to the power of the appropriate regulatory
14 commission to deny, revoke, suspend, condition, or limit an
15 operating license, as provided in this chapter, a license is eligible
16 for renewal at the end of each term. Failure of a licensee to file
17 an application for renewal prior to the expiration date of the
18 license may be deemed to be an abandonment of the license.

19 (f) Platform operator licenses issued under this chapter shall
20 be for a term of up to 10 years, and shall require payment of a
21 license fee payment of ____ dollars (\$____).

22 (g) Poker room operator licenses issued under this chapter shall
23 be for a term of 5 years and shall require a license fee payment of
24 ____ dollars (\$____).

25 (h) Service provider licenses issued under this chapter shall be
26 for a term of 10 years and shall require a license fee pay of ____
27 dollars (\$____).

28 (i) A license applicant shall submit to the commission, together
29 with its application, an application deposit as determined by the
30 department, in consultation with the commission, and any tribal
31 regulatory agency with jurisdiction over the applicant's intended
32 poker room or platform for the reasonably anticipated costs to
33 complete a necessary background investigation and evaluate the
34 suitability of the applicant.

35 (j) All moneys collected pursuant to this section shall be
36 deposited into the Internet Poker Licensing Fund, which is hereby
37 created, to be administered by the department. Notwithstanding
38 Section 13340 of the Government Code, all moneys in the fund are
39 continuously appropriated to the department and the commission,
40 without regard to fiscal years, in the amounts necessary for the

1 department and the commission to perform their duties under this
2 section.

3 (k) An operator and service provider license applicant who
4 intends to function as an operator licensee or service provider to
5 a tribal poker room or platform, including a tribe or tribal
6 enterprise providing those services under this chapter, and any
7 others required to be licensed in connection therewith under this
8 chapter, tribal license applicants, shall obtain a license from the
9 tribal regulatory agency exercising jurisdiction over that platform
10 or poker room, under the procedures set forth in this section. The
11 parties intend that the licensing process provided for pursuant to
12 this chapter shall involve joint cooperation among tribal regulatory
13 agencies, the commission, and the department. The licensing
14 process shall be as follows:

15 (1) All tribal license applicants shall pay the required fee to the
16 commission and obtain a certified receipt verifying payment.

17 (2) The certified receipt of payment shall be presented to the
18 tribal regulatory agency prior to that agency beginning the
19 background and licensing process.

20 (3) Tribal gaming agencies receiving those applications shall
21 notify the commission of those applications within five days
22 following receipt thereof.

23 (4) In reviewing an application for a license, the tribal
24 regulatory agency shall determine whether issuance of the license
25 would meet the licensing standards set forth in this chapter. A
26 license may not be issued unless, based on all information and
27 documents submitted, the tribal regulatory agency is satisfied that
28 the applicant meets all of the criteria set forth in Sections 199022
29 and 199023, including those which must be met to find that an
30 applicant is suitable for licensing.

31 (5) Each applicant for a tribal regulatory agency license shall
32 submit the completed application along with the required
33 information and a tribal regulatory agency application fee, if
34 required, to the tribal regulatory agency in accordance with the
35 rules and regulations of that agency. At a minimum, the tribal
36 regulatory agency shall require submission and consideration of
37 all information required under Sections 199022 and 199023. For
38 applicants who are business entities, the licensing provisions shall
39 apply to the entity as well as to each of the following:

40 (A) Its officers and directors.

1 (B) *Its principal management employees, including any chief*
2 *executive officer, chief financial officer, chief operating officer,*
3 *and general manager.*

4 (C) *Its owners or partners, if an unincorporated business.*

5 (D) *Its shareholders who own more than 10 percent of the shares*
6 *of the corporation, if a corporation.*

7 (E) *Each person or entity, other than a financial institution that*
8 *the tribal regulatory agency has determined does not require a*
9 *license under the preceding section, that, alone or in combination*
10 *with others, has provided financing in connection with any gaming*
11 *authorized under this chapter, if that person or entity provided*
12 *more than 10 percent of (i) the startup capital, (ii) the operating*
13 *capital over a 12-month period, or (iii) a combination thereof. For*
14 *purposes of this section, where there is any commonality of the*
15 *characteristics identified in subparagraphs (A) to (E), inclusive,*
16 *between any two or more entities, those entities may be deemed*
17 *to be a single entity. Nothing herein precludes the tribe or tribal*
18 *regulatory agency from requiring more stringent licensing*
19 *requirements.*

20 (6) *The tribal regulatory agency shall conduct, or cause to be*
21 *conducted, all necessary background investigations reasonably*
22 *required to determine that the applicant is qualified for a gaming*
23 *license under the standards set forth in Sections 199022 and*
24 *199023.*

25 (7) *In lieu of completing its own background investigation, and*
26 *to the extent that doing so does not conflict with or violate this*
27 *chapter, the tribal regulatory agency may contract with the*
28 *commission and the department for the conduct of background*
29 *investigations, may rely on a state certification of nonobjection*
30 *previously issued under a gaming compact involving another tribe,*
31 *or may rely on a state gaming license previously issued to the*
32 *applicant, to fulfill some or all of the tribal regulatory agency's*
33 *background investigation obligation. An applicant for a tribal*
34 *license shall be required to provide releases to the commission to*
35 *make available to the tribal agency background information*
36 *regarding the applicant. The commission shall cooperate in*
37 *furnishing to the tribal regulatory agency that information, unless*
38 *doing so would violate any agreement the commission has with a*
39 *source of the information other than the applicant, or would impair*
40 *or impede a criminal investigation, or unless the tribal regulatory*

1 agency cannot provide sufficient safeguards to ensure the state
2 gaming agency that the information will remain confidential or
3 that a provision of the information would violate state or federal
4 law.

5 (8) If the tribe adopts an ordinance confirming that Article 6
6 (commencing with section 11140) of Chapter 1 of Title 1 of Part
7 4 of the Penal Code is applicable to members, investigators, and
8 staff of the tribal regulatory agency, and those members,
9 investigators, and staff thereafter comply with that ordinance,
10 then, for purposes of carrying out its obligations under this section,
11 the tribal regulatory agency shall be considered to be an entity
12 entitled to receive state summary criminal history information
13 within the meaning of paragraph (12) of subdivision (b) of Section
14 11105 of the Penal Code. The Department of Justice shall provide
15 services to the tribal regulatory agency through the California
16 Law Enforcement Telecommunications System (CLETS), subject
17 to a determination by the CLETS advisory committee that the tribal
18 regulatory agency is qualified for receipt of those services, and
19 on those terms and conditions as are deemed reasonable by that
20 advisory committee.

21 (9) Upon completion of the necessary background investigation,
22 the tribal regulatory agency may issue a license on a conditional
23 or unconditional basis. Nothing herein shall create a property or
24 other right of an applicant in an opportunity to be licensed, or in
25 a license itself, both of which shall be considered to be privileges
26 granted to the applicant in the sole discretion of the tribal
27 regulatory agency.

28 (10) Any tribal license application under this chapter may be
29 denied, and any license issued may be revoked, if the tribal
30 regulatory agency determines that the application is incomplete
31 or deficient, or if the applicant is determined to be unsuitable or
32 otherwise unqualified for a gaming license. Pending consideration
33 of revocation, the tribal regulatory agency may suspend a license.
34 All rights to notice and hearing shall be governed by the rules of
35 the tribal regulatory agency, which shall meet minimum
36 requirements to be developed among the tribes, the commission,
37 and the department, and as to which the applicant will be notified
38 in writing, along with notice of an intent to suspend or revoke the
39 license.

1 (11) *Except as provided in subparagraph (B), upon receipt of*
2 *notice that the commission or department, collectively or*
3 *individually, the state regulatory agency, has determined that a*
4 *person would be unsuitable for licensure in a similar application*
5 *filed in connection with a nontribal operation, the tribal regulatory*
6 *agency shall not issue the requested license or, if that notice is*
7 *received after issuance of the license, promptly revoke that license,*
8 *provided that the tribal regulatory agency may, in its discretion,*
9 *reissue a license to the person following entry of a final judgment*
10 *reversing the determination of the commission and department in*
11 *a proceeding in state court conducted pursuant to Section 1085*
12 *of the Civil Code.*

13 (12) *The tribal regulatory agency may summarily suspend the*
14 *license of any employee if the tribal regulatory agency determines*
15 *that the continued licensing of the person or entity could constitute*
16 *a threat to the public health or safety or may violate this chapter.*

17 (13) *Upon receipt of a completed license application and a*
18 *determination by the tribal regulatory agency that it intends to*
19 *issue the license, the tribal regulatory agency shall transmit to the*
20 *commission a notice of intent to license the applicant, together*
21 *with all of the following:*

22 (A) *A copy of all tribal license application materials and*
23 *information received by the tribal regulatory agency from the*
24 *applicant.*

25 (B) *An original set of fingerprint cards.*

26 (C) *A current photograph.*

27 (D) *Except to the extent waived by the commission, those*
28 *releases of information, waivers, and other completed and executed*
29 *forms as the tribal regulatory agency shall require.*

30 (14) *The tribal regulatory agency shall also require the*
31 *applicant to file an application with the state gaming agency, prior*
32 *to issuance of any license, for a determination of suitability for*
33 *licensure under this chapter. Upon receipt of completed license*
34 *application information from the tribal regulatory agency, the*
35 *state gaming agency may conduct a background investigation*
36 *pursuant to state law to determine whether the applicant would*
37 *be suitable to be licensed for association with a poker room or*
38 *platform subject to the jurisdiction of the gaming agency. If further*
39 *investigation is required to supplement the investigation conducted*
40 *by the tribal regulatory agency, the applicant will be required to*

1 *pay the statutory application fee charged by the state regulatory*
2 *agency pursuant to this chapter, but any deposit requested by the*
3 *state regulatory agency shall take into account the initial deposit*
4 *already provided by the applicant, reports of the background*
5 *investigation already conducted by the tribal regulatory agency,*
6 *and any other burdens on the applicant.*

7 *(15) Failure to pay the application fee may be grounds for denial*
8 *of the application by the state regulatory agency.*

9 *(16) The state regulatory agency and tribal regulatory agency*
10 *shall cooperate in sharing as much background information as*
11 *possible, both to maximize investigative efficiency and*
12 *thoroughness, and to minimize investigative costs.*

13 *(17) Upon completion of the necessary background investigation*
14 *or other verification of suitability, the state regulatory agency*
15 *shall issue a notice to the tribal regulatory agency certifying that*
16 *the state has determined that the applicant would be suitable, or*
17 *that the applicant would be unsuitable, for licensure in connection*
18 *with a poker room or platform under this chapter and, if unsuitable,*
19 *stating the reasons therefor. Prior to denying an application for*
20 *a determination of suitability, the state regulatory agency shall*
21 *notify the tribal regulatory agency and afford the tribe an*
22 *opportunity to be heard. If the state regulatory agency denies an*
23 *application for a determination of suitability, that agency shall*
24 *provide the applicant with written notice of all appeal rights*
25 *available under state law.*

26 *(18) The tribal regulatory agency shall require a licensee to*
27 *apply for renewal of a determination of suitability at the time the*
28 *licensee applies for renewal of a tribal license under this chapter.*

29 *(19) The state regulatory agencies and the tribal gaming*
30 *agencies under gaming compacts then in effect shall cooperate in*
31 *developing standard licensing forms for tribal gaming license*
32 *applicants, on a statewide basis, that reduce or eliminate*
33 *duplicative or excessive paperwork, which forms and procedures*
34 *shall take into account the requirements under this chapter and*
35 *the expense thereof.*

36 *(l) An application deposit amount from a license applicant that*
37 *remains after completion of a background investigation and the*
38 *finding of suitability shall be refunded to the applicant. If*
39 *additional moneys are needed to complete the investigation of the*

1 license applicant, the applicant shall pay the funds necessary to
2 complete the investigation.

3 (m) There is no limit on the number of Internet poker rooms an
4 authorized poker room licensed operator may operate.

5 (n) All initial licenses issued pursuant to this chapter shall take
6 effect on the same date, as determined by the commission, but not
7 later than one year after this chapter becomes effective.

8 (o) In addition to the licenses required under this chapter, an
9 application may be made to become a skin sponsor, under the
10 following rules:

11 (1) Skins are intended to serve as an alternative means by which
12 those qualified to operate an authorized poker room may
13 participate in intrastate Internet poker and through which
14 authorized players can be attracted to, and may participate in,
15 authorized games being conducted in the authorized poker room.
16 Skins are typically represented on an Internet Web site through
17 graphics and words distinguishing it from those employed directly
18 by the authorized poker room.

19 (2) Other than design and other advertising considerations,
20 skin sponsors shall have no operation or control over the skin or
21 authorized poker room, or any access to the platform or games
22 played thereon. All games offered through a skin shall be treated
23 the same as other authorized games played in the host poker room
24 and shall be subject to the same rules. Players entering games
25 from skins or directly through the poker room may be mixed among
26 the tables in the poker room and need not be informed as to the
27 source from which other players entered the room.

28 (3) An unlimited number of skins for an authorized poker room
29 may be issued to one or more skin sponsors by the poker room
30 licensee. A fee to the commission for a skin sponsorship shall be
31 collected and paid to the commission in the amount of ____% of
32 the fee to be paid to the licensed poker room operator for operating
33 the skin on the sponsor's behalf, but the fee to the commission
34 shall be equal to or greater than ____ dollars (\$____) annually.

35 (4) Players accessing the authorized poker room through a skin
36 shall be authorized and, in all other respects, treated and subject
37 to the same rules as any other player in the room.

38 (5) Additional rules governing advertisements, identifications,
39 and notifications to players regarding skins shall be issued by the
40 regulatory agency, which shall prohibit the use of a skin to serve

1 *as a false front for a person's participation in intrastate Internet*
2 *poker under this chapter by any person who would not otherwise*
3 *qualify to do so as a licensee of an authorized poker room.*

4 *19990.21. An entity described in subdivision (b) of Section*
5 *19990.20 is eligible for a platform operator license or a poker*
6 *room operator license. There is no limit on the total number of*
7 *operating licenses the state may issue. An eligible entity may jointly*
8 *apply for a license, either as a partnership or some other*
9 *combination of eligible entities, as long as that combination is*
10 *comprised entirely of eligible entities. An eligible entity that is a*
11 *partnership, consortium, or other combination of eligible entities*
12 *may itself have an interest in only a single license.*

13 *19990.22. (a) Factors to be considered in evaluating the*
14 *application for a license shall include, but are not limited to,*
15 *quality, efficiency, reliability, financial viability, durability,*
16 *adaptability, timely performance, integrity, and security.*

17 *(b) (1) A nontribal license applicant shall be a resident of*
18 *California or an entity organized in California, domiciled in*
19 *California, and in good standing with the Secretary of State and*
20 *Franchise Tax Board, and subject to auditing, enforcement of the*
21 *terms of the license, and state taxation.*

22 *(2) The following applies to tribal license applicants:*

23 *(A) The commission shall consult with California tribal*
24 *governments and regulatory agencies to develop a registration*
25 *and application process that takes into account, and avoids*
26 *duplication of, efforts by the commission and tribal governmental*
27 *gaming agencies to perform background and other suitability tests*
28 *applicable to tribes under their tribal-state compacts.*

29 *(B) A tribal license applicant shall be federally recognized as*
30 *a tribe, perform a substantial portion of its governmental functions*
31 *within the borders of California, and be subject to a tribal-state*
32 *compact, Secretarial procedures for class III gaming under IGRA,*
33 *or a gaming ordinance or resolution approved under IGRA that*
34 *is in effect.*

35 *(C) A tribal enterprise license applicant shall include with its*
36 *license application an express and limited waiver of all tribal*
37 *owners' sovereign immunity solely for the purposes of enforcing*
38 *the terms of a license issued under this chapter and any regulations*
39 *promulgated thereunder, and with regard to a claim, sanction, or*
40 *penalty arising therefrom, and for no other purpose.*

1 (D) Tribal applicants who have conducted live poker games for
2 in-person players on their tribal lands for at least three continuous
3 years prior to filing their license application and are in good
4 standing shall be presumed to be suitable to hold a gaming license.

5 (3) A licensed operator cannot accept goods for services from
6 a service provider that has not been licensed as a service provider
7 under this chapter.

8 (4) All facilities, bank accounts, and accounting records of a
9 license applicant related to authorized gaming activity shall be
10 located in California.

11 (5) Proprietary information supplied by a license applicant to
12 a state agency shall be exempt from public disclosure to the extent
13 permitted under Section 6253 of the Government Code.

14 (6) In addition to other confidentiality protections afforded to
15 license applicants, the state and its regulatory agencies and the
16 tribe and their regulatory agencies shall treat the proprietary
17 information of a license applicant as confidential to protect the
18 license applicant and to protect the security of a prospective
19 intrastate Internet poker platform or poker room. This chapter
20 does not prohibit the exchange of confidential information among
21 state agencies, tribal gaming agencies, or both, considering a
22 license application, nor does it prohibit the state or its agencies
23 from entering into agreements to share applicant background
24 information with other gaming licensing agencies in other
25 jurisdictions.

26 19990.23. (a) The commission or, if application for licensing
27 in connection with a tribal platform or poker room, the appropriate
28 tribal regulatory agency, shall review the suitability and capability
29 of a license applicant in conformity with the rules set forth in this
30 chapter.

31 (b) With respect to nontribal licenses, the commission may
32 establish a process to conduct a preliminary determination of
33 suitability based on a partial investigation of license applicants
34 that are seeking licensure along with a determination of which
35 license applicants may be subject to a partial investigation. A
36 partial investigation is intended to screen out applicants that do
37 not meet the prima facie evidential showing that it meets the
38 suitability requirements of this chapter. A partial investigation
39 shall include fingerprint-based state and federal criminal history
40 checks and clearances, and inquiries into various public databases

1 regarding credit history and civil litigation. A partial investigation
2 shall also include a review of the applicant's financial status,
3 which shall include the required submission of a report prepared
4 on behalf of the applicant by a department-approved forensic
5 accounting, audit, or investigative firm, in a format developed by
6 the department, and at the applicant's expense. The report shall
7 include the financial information necessary for the department to
8 make a preliminary determination of suitability. The department
9 may specify additional requirements regarding the contents of the
10 report and any other financial information or documentation
11 required to be submitted with the application. A full investigation
12 shall be conducted of only those persons that pass the partial
13 investigation and that will undergo a full investigation pursuant
14 to subdivision (c). Those applicants that do not pass the partial
15 investigation may appeal the decision to the commission.

16 (c) The commission shall conduct a full investigation into the
17 suitability of a license applicant that initially applies to the
18 commission for a license, and in the case of tribal license
19 applicants, following approval of the license by the tribal
20 regulatory agency.

21 (d) Notwithstanding anything in this chapter to the contrary,
22 an applicant that is a tribe and is subject to a tribal-state compact,
23 secretarial procedures for class III gaming under IGRA, or a
24 gaming ordinance or resolution approved under IGRA that is in
25 effect, shall be presumed suitable and shall not be required to pay
26 the application fee. In all other instances the investigation shall
27 include all of the following persons:

28 (1) The license applicant.

29 (2) All officers, directors, partners, and members of the license
30 applicant.

31 (3) The owner or owners of the following:

32 (A) The license applicant.

33 (B) An affiliate of the license applicant.

34 (C) A person deemed by the department to have significant
35 influence over the license applicant or its service providers or
36 their respective operations.

37 (D) A person that directly or indirectly holds a beneficial interest
38 or ownership interest of 10 percent or more of a service provider
39 or player recruiter of the licensee. The commission may require
40 a person with a smaller interest to be found suitable in the exercise

1 of its discretion where it deems appropriate. If the person is not
2 a natural person, the department may determine which officers,
3 directors, and owners of the person are significantly involved in
4 the management or control of the person as it relates to core
5 functions so as to require an investigation into suitability.

6 (e) A full investigation shall include a review and evaluation of
7 the license applicant's qualifications and experience to provide
8 the services anticipated of a licensee, which shall include the
9 required submission of a report prepared on each applicant by an
10 outside firm contracted and supervised by the department, in a
11 format developed by the department, and at the applicant's
12 expense. The report shall include information necessary for the
13 department to make a determination of suitability, as specified in
14 regulation, consisting of, but not limited to, personal history, prior
15 activities and associations, credit history, civil litigation, past and
16 present financial affairs and standing, and business activities. The
17 department may specify additional requirements regarding the
18 contents of the report and other information or documentation
19 required to be submitted with the application. If the license
20 applicant is using or providing gaming software, the license
21 applicant shall also provide compliance certification of its gaming
22 software by a department-approved certification entity.

23 (f) An institutional investor holding less than 10 percent of the
24 equity securities of a service provider's holding or intermediary
25 companies shall be granted a waiver of an investigation of
26 suitability or other requirement if all of the following apply:

27 (1) The securities are those of a corporation, whether publicly
28 traded or privately held.

29 (2) Holdings of those securities were purchased for investment
30 purposes only.

31 (3) The institutional investor annually files a certified statement
32 with the department to the effect that it has no intention of
33 influencing or affecting the affairs of the issuer, the licensee, or
34 service provider, as applicable, or its holding or intermediary
35 companies.

36 (4) Notwithstanding paragraph (3), the institutional investor
37 may vote on matters submitted to the vote of the outstanding
38 security holders.

39 (5) The certification described in paragraph (3) shall include
40 a statement that the institutional investor beneficially owns the

1 equity securities of the corporation for investment purposes only,
2 and in the ordinary course of business as an institutional investor,
3 and not for the purpose of causing, directly or indirectly, the
4 election of members of the board of directors, or effecting a change
5 in the corporate charter, bylaws, management, policies, or
6 operations of the corporation or any of its affiliates. The
7 certification also shall indicate any changes to the structure or
8 operations of the institutional investor that could affect its
9 classification as an institutional investor, as listed in paragraph
10 (7). Additionally, the certification shall state that the institutional
11 investor and corporation shall maintain gaming compliance
12 policies and procedures to implement and ensure compliance with
13 this chapter and regulations promulgated thereunder.

14 (6) An institutional investor granted a waiver under this
15 subdivision that subsequently decides to influence or affect the
16 affairs of the issuer shall provide not less than 30 days' notice of
17 that intent and shall file with the department a request for
18 determination of suitability before taking an action that may
19 influence or affect the affairs of the issuer. However, the
20 institutional investor may vote on matters submitted to the vote of
21 the outstanding security holders. If an institutional investor
22 changes its investment intent, or the department finds reasonable
23 cause to believe that the institutional investor may be found
24 unsuitable, the institutional investor shall take no action other
25 than divestiture with respect to its security holdings until it has
26 complied with any requirements established by the department,
27 which may include the execution of a trust agreement. The
28 institutional investor and its relevant holding, related, or subsidiary
29 companies shall immediately notify the department and, if a tribal
30 license is involved, the tribal regulatory agency, of any information
31 about, or actions of, an institutional investor holding its equity
32 securities when that information or action may impact upon the
33 eligibility of the institutional investor for a waiver pursuant to
34 paragraph (2).

35 (7) If at any time the regulatory agency finds that an institutional
36 investor holding a security of a licensee under this chapter has
37 failed to comply with the terms of this chapter, or if at any time
38 the department finds that, by reason of the extent or nature of its
39 holdings, whether of debt or equity securities, an institutional
40 investor is in a position to exercise such a substantial impact upon

1 *the controlling interests of a licensee that investigation and*
2 *determination of suitability of the institutional investor are*
3 *necessary to protect the public interest, the department may take*
4 *any necessary action otherwise authorized under this chapter to*
5 *protect the public interest.*

6 *(8) For purposes of this subdivision, an “institutional investor”*
7 *includes all of the following:*

8 *(A) A retirement fund administered by a public agency for the*
9 *exclusive benefit of federal, state, or local public employees.*

10 *(B) An investment company registered under the federal*
11 *Investment Company Act of 1940 (15 U.S.C. Sec, 80a-1 et seq.).*

12 *(C) A collective investment trust organized by banks under Part*
13 *Nine of the Rules of the Comptroller of the Currency.*

14 *(D) A closed-end investment trust.*

15 *(E) A chartered or licensed life insurance company or property*
16 *and casualty insurance company.*

17 *(F) A federally regulated or state-regulated bank, savings and*
18 *loan, or other federally or state-regulated lending institution.*

19 *(G) An investment adviser registered under the federal*
20 *Investment Advisers Act of 1940 (15 U.S.C. Sec. 80b-1 et seq.).*

21 *(H) Other persons as the department may determine for reasons*
22 *consistent with the public interest.*

23 *(g) The tribe or tribes that own a tribal enterprise, and the*
24 *officers, directors, and employees of that tribe or tribes, are not*
25 *subject to suitability review as a condition of the tribal enterprise*
26 *obtaining a license pursuant to this chapter, provided that the*
27 *tribal enterprise is controlled by an independent board of directors.*
28 *The officers, directors, and employees of the tribal enterprise are*
29 *not hereby exempted from suitability review.*

30 *(h) Except as otherwise provided by statute or regulation, every*
31 *person, that, by statute or regulation, is required to hold a license*
32 *shall obtain a license prior to engaging in the activity, or occupying*
33 *the position, with respect to which the license is required. An*
34 *applicant for licensing, or for any approval or consent, shall make*
35 *a full and true disclosure of all information to the appropriate*
36 *regulatory agencies as necessary to carry out the policies of the*
37 *state relating to the licensing and control of poker. The burden of*
38 *proving a person’s qualifications to receive a license is on the*
39 *applicant.*

1 (i) *The regulatory agencies may issue a finding of suitability*
2 *for a license applicant to obtain a license only if, based on all of*
3 *the information and documents submitted, the commission is*
4 *satisfied that each of the persons subject to investigation pursuant*
5 *to this section is both of the following:*

6 (1) *A person of good character, honesty, and integrity, or, if an*
7 *entity, in good standing in its jurisdiction of organization and in*
8 *all other jurisdictions in which it is qualified, or should be*
9 *qualified, to do business.*

10 (2) *A person whose prior activities, criminal record, if any,*
11 *reputation, habits, and associations do not pose a threat to the*
12 *public interest of this state, or to the effective regulation and*
13 *control of controlled poker, or create or enhance the dangers of*
14 *unsuitable, unfair, or illegal practices, methods, and activities in*
15 *the conduct of controlled poker or in the carrying on of the business*
16 *and financial arrangements incidental thereto.*

17 (j) *The commission shall issue a finding that a license applicant*
18 *is not suitable to obtain a license if it finds that a person subject*
19 *to investigation pursuant to this section is described by any of the*
20 *following:*

21 (1) *Failed to clearly establish eligibility and qualifications in*
22 *accordance with this chapter.*

23 (2) *Failed to timely provide information, documentation, and*
24 *assurances required by this chapter or requested by the*
25 *department, or, with respect to a license applicant, failed to reveal*
26 *any fact material to qualification, or supplied information that is*
27 *untrue or misleading as to a material fact pertaining to the*
28 *suitability criteria.*

29 (3) *Been convicted of a felony, including a conviction by a*
30 *federal court or a court in another state or foreign jurisdiction for*
31 *a crime that would constitute a felony if committed in California,*
32 *except that a conviction of a felony involving the hunting or fishing*
33 *rights of a tribal member while on his or her reservation shall not*
34 *be included among the class of disqualifying felonies.*

35 (4) *Been convicted of a misdemeanor in a jurisdiction involving*
36 *dishonesty or moral turpitude within the 10-year period*
37 *immediately preceding the submission of the application, unless*
38 *the applicant has been granted relief pursuant to Section 1203.4,*
39 *1203.4a, or 1203.45 of the Penal Code. However, the granting of*
40 *relief pursuant to Section 1203.4, 1203.4a, or 1203.45 of the Penal*

1 Code shall not constitute a limitation on the discretion of the
2 department or affect the applicant's burden.

3 (5) Has associated with criminal profiteering activity or
4 organized crime, as defined in Section 186.2 of the Penal Code.

5 (6) Has contemptuously defied a legislative investigative body,
6 or other official investigative body of a state or of the United States
7 or a foreign jurisdiction, when that body is engaged in the
8 investigation of crimes relating to poker, official corruption related
9 to poker activities, or criminal profiteering activity or organized
10 crime, as defined in Section 186.2 of the Penal Code.

11 (7) Is less than 21 years of age.

12 (8) Has knowingly and willfully accepted a bet after December
13 31, 2006, from a person located in the United States on any form
14 of Internet gambling, including, but not limited to, poker, that has
15 not been affirmatively authorized by law of the United States or
16 of each state in which a person making that bet were located, or
17 has been the holder of a direct or indirect financial interest in a
18 person or entity that has accepted that bet.

19 (9) Has knowingly facilitated or otherwise provided services
20 with respect to bets or gambling games using the Internet involving
21 persons located in the United States for a person described in
22 paragraph (8), acting with knowledge of the fact that these bets
23 or gambling games involved persons located in the United States.

24 (j) Actions on license applications will be treated as follows:

25 (1) The commission shall reject the license application of an
26 applicant found to be ineligible for licensure.

27 (2) If denial of the application, or approval of the license with
28 restrictions or conditions on the license, is recommended, the
29 department shall prepare and file with the commission written
30 reasons upon which the recommendation is based. Prior to filing
31 its recommendation with the commission, the department shall
32 meet with the applicant, or the applicant's duly authorized
33 representative, and inform the applicant generally of the basis for
34 a proposed recommendation that the application be denied,
35 restricted, or conditioned.

36 (3) This section neither requires the department to divulge to
37 the applicant confidential information received from a law
38 enforcement agency or information received from a person with
39 assurances that the information would be maintained confidential,

1 *nor to divulge any information that might reveal the identity of an*
2 *informant or jeopardize the safety of a person.*

3 *(4) Denial of an application shall be without prejudice to a new*
4 *and different application filed in accordance with any regulations*
5 *adopted by the department with respect to the submission of*
6 *applications.*

7 *(5) A request to withdraw an application for a license may be*
8 *made by the license applicant at any time prior to final action on*
9 *the application by the department by filing a written request with*
10 *the commission to withdraw the application, absent knowledge of*
11 *a specific reason to suspect that the person or entity may be found*
12 *unsuitable.*

13 *(6) The commission shall waive the application of the provisions*
14 *of paragraph (8) of subdivision (j) or paragraph (9) of subdivision*
15 *(j) to an applicant who can demonstrate by clear and convincing*
16 *evidence that its conduct in connection with bets and gambling*
17 *games involving persons located in the United States was not*
18 *unlawful under federal law and the laws of each state in which*
19 *persons making the bets were located. The termination of a*
20 *prosecution of that applicant under the laws of any state, the United*
21 *States, or other jurisdiction in a manner other than with a*
22 *conviction shall not be regarded as evidence that the applicant's*
23 *conduct was not unlawful. This section does not waive the need*
24 *to comply with all otherwise applicable license and suitability*
25 *requirements.*

26 *19990.23.5. A finding of suitability by a state gaming agency*
27 *within the United States with expertise recognized within the*
28 *gaming industry that is also recognized as meeting this standard*
29 *by the department, shall be grounds for a state provisional finding*
30 *of suitability with respect to a particular person or entity until a*
31 *permanent suitability finding is issued by the department as to that*
32 *person or entity.*

33 *19990.24. In addition to any other data that the department*
34 *shall request from a license applicant as a matter of law, and to*
35 *ensure that a license applicant is legally, technically, and*
36 *financially qualified to become a licensee, the department shall*
37 *request that a license applicant name, describe, or provide all of*
38 *the following:*

1 (a) *The license applicant’s experience and qualifications to*
2 *provide the services anticipated of a licensee as set forth in Article*
3 *5 (commencing with Section 19990.30).*

4 (b) *The names of all of the license applicant’s owners,*
5 *executives, and employees at the time the application is submitted,*
6 *as well as sufficient personally identifiable information on each*
7 *of those persons to conduct background investigations as required*
8 *by the department.*

9 (c) *For those owners, executives, and employees who would be*
10 *required to hold a work permit if the license application were*
11 *granted, the application shall include information regarding their*
12 *qualifications to obtain that permit. That information may be in*
13 *the form of work permit applications to be processed by the*
14 *department along with the license application.*

15 (d) *The fingerprints of the owners, directors, managers,*
16 *executives, and employees of the licensee and its affiliates, using*
17 *live scan technology.*

18 (e) *Documentation and information relating to the license*
19 *applicant and its direct and indirect owners, including, but not*
20 *limited to, all of the following:*

21 (1) *Proof of the license applicant’s formation in California,*
22 *including, as applicable, articles of incorporation, articles of*
23 *organization, bylaws, operating agreement, partnership agreement,*
24 *or other formation or charter documents. For a tribe or tribal*
25 *enterprise, this requirement shall be satisfied by providing*
26 *documentation regarding the tribe’s federal recognition and its*
27 *operation of a substantial portion of its governmental activities in*
28 *California.*

29 (2) *Current and historical audited financial and accounting*
30 *records performed in accordance with Generally Accepted*
31 *Accounting Principles (GAAP) or International Financial*
32 *Reporting Standards (IFRS).*

33 (3) *Documents describing legal and regulatory proceedings in*
34 *which the license applicant has been or is a party.*

35 (4) *Documents relating to the license applicant’s business*
36 *history and structure.*

37 (5) *Documents relating to the nature and sources of the license*
38 *applicant’s financing, including, but not limited to, operating*
39 *agreements, partnership agreements, stock purchase agreements,*
40 *loan capital agreements, pro forma cap tables, pro forma*

1 *statements of profits and loss, investor rights agreements, voting*
2 *agreements, and shareholder agreements. These materials may*
3 *be submitted subject to a request for confidentiality.*

4 (6) *Documentation that demonstrates that the license applicant*
5 *is financially qualified to perform the obligations of a licensee as*
6 *described in this article.*

7 (7) *An independent financial audit report by a certified public*
8 *accountant.*

9 (f) *A description of the functions, goods, or services that the*
10 *license applicant intends to provide through licensed service*
11 *providers, rather than conducting directly.*

12 (g) *A description of the games and services the license applicant*
13 *proposes to offer to authorized players, in the case of an applicant*
14 *for an operator's license, or of the goods or services the license*
15 *applicant proposes to offer to licensed operators, in the case of*
16 *an applicant for a service provider's license.*

17 (h) *In the case of an applicant for an operator's license, a*
18 *description of the manner in which the licensee's facilities will*
19 *accomplish the goals of this chapter, including, but not limited to:*

20 (1) *The licensee's location within the state.*

21 (2) *The licensee's security systems.*

22 (3) *The license applicant's proposal for the manner in which it*
23 *will facilitate compliance with all of the standards set forth in this*
24 *chapter and federal law, including, but not limited to, Section*
25 *5362(10)(B) of Title 31 of the United States Code.*

26 (i) *In the case of an applicant for a license, the system*
27 *requirements that the license applicant plans to implement to*
28 *achieve the state's goals under this chapter, including, but not*
29 *limited to, the following:*

30 (1) *Connectivity and level of service.*

31 (2) *The system architecture of the gaming equipment.*

32 (3) *The software architecture of the gaming system.*

33 (4) *The network architecture of the gaming system.*

34 (5) *The security employed for the protection of the gaming*
35 *system.*

36 (6) *The security employed for the protection of online players.*

37 (7) *Connectivity with systems belonging to service providers.*

38 (8) *Methods employed to maintain high service availability.*

39 (9) *Change management procedures.*

40 (10) *Information security policies.*

- 1 (11) *Disaster recovery procedures.*
- 2 (12) *Policies to ensure transparency and integrity in gaming.*
- 3 (13) *Financial policies for the protection of player funds.*
- 4 (14) *Gaming systems, including, but not limited to, hardware*
- 5 *and software that ensure all of the following:*
- 6 (A) *The games are legal.*
- 7 (B) *The games are independent and fair and played by live*
- 8 *persons.*
- 9 (C) *Game and betting rules are available to all registered*
- 10 *players.*
- 11 (D) *All data used for the conduct of each game are randomly*
- 12 *generated and unpredictable to the same extent that a properly*
- 13 *shuffled finite deck of tangible playing cards would be random*
- 14 *and unpredictable.*
- 15 (15) *Accounting systems, including but not limited to, those for*
- 16 *any of the following:*
- 17 (A) *Authorized player accounts.*
- 18 (B) *Per hand charges.*
- 19 (C) *Transparency and reporting to all state agencies.*
- 20 (D) *Distribution of funds, pursuant to the license and this*
- 21 *chapter, to the state and authorized players.*
- 22 (E) *Ongoing auditing and ongoing internal control and*
- 23 *compliance reviews.*
- 24 (16) *Facility security systems to protect the intrastate Internet*
- 25 *poker Web site from internal and external threats.*
- 26 (j) *The license applicant's proposal to facilitate the statutory*
- 27 *duties and responsibilities of the state agencies with jurisdiction*
- 28 *over aspects of the licensee's operations, including, but not limited*
- 29 *to, all of the following:*
- 30 (1) *The department.*
- 31 (2) *The commission.*
- 32 (3) *The Treasurer.*
- 33 (4) *The Franchise Tax Board.*
- 34 (k) *In addition to demonstrating that the license applicant is*
- 35 *legally, technically, and financially qualified to become a licensee,*
- 36 *an applicant for an operator's license shall also provide*
- 37 *compliance certification of its gaming software by a*
- 38 *department-approved certification entity to ensure that it complies*
- 39 *with the requirements of this chapter.*

1 19990.25. (a) *The holder of an owner license issued pursuant*
2 *to subdivision (a) of Section 19851 that is in good standing, is not*
3 *unqualified to operate a land-based poker entity by reason of an*
4 *investment in a license applicant or a licensee.*

5 (b) *An official representative of the government of a federally*
6 *recognized California Indian tribe with a tribal-state gaming*
7 *compact with the state or conducting gaming activities pursuant*
8 *to secretarial procedures, or the tribe itself or its subsidiaries, is*
9 *not unqualified to operate a land-based poker entity by reason of*
10 *an investment in a license applicant or a licensee.*

11 (c) (1) *A license applicant whose application is denied by the*
12 *state regulatory agency may bring an action to appeal that decision*
13 *to the Superior Court of the County of Sacramento. Damages or*
14 *other monetary awards shall not be permitted.*

15 (2) *The Superior Court of the County of Sacramento shall uphold*
16 *the decision by the state regulatory agency if there is substantial*
17 *evidence to support the department's decision to deny the license*
18 *application.*

19 (3) *If the Superior Court of the County of Sacramento finds for*
20 *the license applicant, it shall return the application to the*
21 *department for action consistent with the decision of the court.*

22
23 *Article 5. Rights and Obligations of Licenses*
24

25 19990.30. (a) *A licensee shall comply with the terms of this*
26 *chapter.*

27 (b) *A licensed operator may cease its operations after providing*
28 *the department with a 90-day advance notice of its intent and a*
29 *statement explaining its reasons for doing so, which may include*
30 *the fact that continuing to operate the intrastate Internet poker*
31 *Web site is commercially infeasible. In response to that notice, the*
32 *state may file an action in the Superior Court of the County of*
33 *Sacramento if it deems that action necessary to protect a state*
34 *interest, including, but not limited to, the interests of authorized*
35 *players.*

36 (c) *If a dispute arises between the state and the licensee, the*
37 *department or a licensee may file an action in the superior court*
38 *of a county in which the department has an office for an*
39 *interpretation of the rights and responsibilities of the state and*
40 *the licensee pursuant to this chapter.*

1 19990.31. (a) Prior to initiating operations and thereafter, a
2 licensee shall ensure that each employee has been issued an
3 employee work permit by the department, pursuant to standards
4 adopted by the department, prior to that person having access to
5 the licensee's facilities. The permit shall be renewed every two
6 years.

7 (b) An employee work permit shall not be issued unless, based
8 on all of the information and documents submitted, the department
9 is satisfied that the applicant is, at a minimum, all of the following:

10 (1) A person of good character, honesty, and integrity.

11 (2) A person whose prior activities, criminal record, if any,
12 reputation, habits, and associations do not pose a threat to the
13 public interest of this state, or to the effective regulation and
14 control of controlled poker, or create or enhance the dangers of
15 unsuitable, unfair, or illegal practices, methods, and activities in
16 the conduct of controlled poker or in the carrying on of incidental
17 business and financial arrangements.

18 (3) A person who is in all other respects qualified to hold an
19 employee work permit as provided in this chapter.

20 (c) An applicant for an employee work permit is disqualified
21 for any of the following reasons:

22 (1) Failure of the applicant to clearly establish eligibility and
23 qualification in accordance with this chapter.

24 (2) Failure of the applicant to provide timely information,
25 documentation, and assurances required by this chapter or
26 requested by a state official, or failure of the applicant to reveal
27 any fact material to the qualification, or the supplying of
28 information that is untrue or misleading as to a material fact
29 pertaining to the qualification criteria.

30 (3) Conviction of a felony, including a conviction by a federal
31 court, a court in another state, or a court in another country, for
32 a crime that would constitute a felony if committed in California.

33 (4) Conviction of the applicant for a misdemeanor involving
34 dishonesty or moral turpitude within the 10-year-period
35 immediately preceding the submission of the application, unless
36 the applicant has been granted relief pursuant to Section 1203.4,
37 1203.4a, or 1203.45 of the Penal Code. However, the granting of
38 relief pursuant to Section 1203.4, 1203.4a, or 1203.45 of the Penal
39 Code shall not constitute a limitation on the discretion of the
40 department or affect the applicant's burden under subdivision (b).

1 (5) Association of the applicant with criminal profiteering
2 activity or organized crime, as defined in Section 186.2 of the
3 Penal Code.

4 (6) Contemptuous defiance by the applicant of a legislative
5 investigative body, or other official investigative body of a state
6 or of the United States, when that body is engaged in the
7 investigation of crimes relating to poker, official corruption related
8 to poker activities, or criminal profiteering activity or organized
9 crime, as defined in Section 186.2 of the Penal Code.

10 (7) The applicant is less than 21 years of age.

11 (d) A licensee shall apply for an employee work permit on behalf
12 of each employee.

13 (e) An employee work permit shall not be issued unless the
14 applicant meets the qualification standards adopted by the
15 commission.

16 (f) The department shall establish a fee to be paid by a licensee
17 for the cost of background investigation on employee work permit
18 applications submitted on behalf of that licensee's employees. The
19 department and the commission shall establish processes for the
20 revocation or suspension of an intrastate Internet poker license
21 or employee work permit, and to withdraw an application for an
22 intrastate Internet poker license or employee work permit.

23 (g) (1) A licensee shall not enter into, without prior approval
24 of the department, a contract or agreement with a person who is
25 denied a poker license or employee work permit pursuant to
26 Chapter 5 (commencing with Section 19800), or whose poker
27 license or employee work permit is suspended or revoked by the
28 department, or with a business enterprise under the control of that
29 person, after the date of receipt of notice of the department's
30 action.

31 (2) A licensee shall not enter into a contract or agreement with
32 a person or entity that has knowingly and willfully accepted a bet
33 from a person located in the United States on a form of Internet
34 gambling, including, but not limited to, poker, after December 31,
35 2006, that has not been affirmatively authorized by a law of the
36 United States or of each state in which the person making that bet
37 was located, or has been the holder of a direct or indirect financial
38 interest in a person or entity that has accepted a bet. This section
39 does not apply to a person or entity that has demonstrated, by
40 clear and convincing evidence, pursuant to the process described

1 *in paragraph (6) of subdivision (i) of Section 19990.23, that its*
2 *conduct in connection with bets and gambling games involving*
3 *persons located in the United States was not unlawful under federal*
4 *law and the laws of each state in which persons making bets were*
5 *located.*

6 *(h) A licensee shall not employ, without prior approval of the*
7 *department, a person in a capacity for which he or she is required*
8 *to have an employee work permit, if the person has been denied a*
9 *poker license or an employee work permit pursuant to Chapter 5*
10 *(commencing with Section 19800), or if his or her poker license*
11 *or employee work permit has been suspended or revoked after the*
12 *date of receipt of notice of the action by the department. A licensee*
13 *shall not enter into a contract or agreement with a person whose*
14 *application for a poker license or an employee work permit has*
15 *been withdrawn with prejudice, or with a business enterprise under*
16 *the control of that person, for the period of time during which the*
17 *person is prohibited from filing a new application for a poker*
18 *license or an employee work permit.*

19 *(i) If an employee who is required to hold an employee work*
20 *permit pursuant to this chapter is denied an employee work permit,*
21 *or has his or her employee work permit revoked by the department,*
22 *the employee shall be terminated immediately in all capacities.*
23 *Upon notifying the licensee of the department's action, the*
24 *employee shall have no further involvement in the poker operation.*
25 *Notwithstanding any provisions of this chapter to the contrary:*

26 *(1) If an employee who is required to hold an employee work*
27 *permit pursuant to this chapter has his or her employee work*
28 *permit suspended, the employee shall be suspended in all*
29 *capacities. Upon notifying the licensee of the department's action,*
30 *the employee shall not be permitted to have involvement in the*
31 *poker operation during the period of suspension.*

32 *(2) A licensee shall not designate another employee to replace*
33 *the employee whose employment was terminated or suspended,*
34 *unless the other employee has an existing work permit.*

35 *(j) A licensee shall not pay to a person whose employment has*
36 *been terminated or suspended pursuant to subdivision (i)*
37 *remuneration for a service performed in a capacity in which the*
38 *person is required to hold an employee work permit, except for*
39 *amounts due for services rendered before the date of receipt of*
40 *notice of the department's action of suspension or termination.*

1 (k) Except as provided in subdivision (i), a contract or
2 agreement for the provision of services or property to a licensee
3 for the conduct of an activity pertaining to the operation of an
4 authorized game, which is to be performed by a person required
5 by this chapter, or by regulations adopted pursuant to this chapter,
6 to hold an employee work permit, shall be terminated upon a
7 suspension or revocation of the person's employee work permit.

8 (l) In a case in which a contract or agreement for the provision
9 of services or property to a licensee or an affiliate thereof, or for
10 the conduct of an activity at an intrastate Internet poker Web site,
11 is to be performed by a person required by this chapter or by
12 regulations adopted by the department to hold an employee work
13 permit, the contract shall be deemed to include a provision for its
14 termination without liability on the part of the licensee or affiliate,
15 upon a suspension or revocation of the person's employee work
16 permit. In an action brought by the department to terminate a
17 contract pursuant to subdivision (k), it is not a defense that the
18 agreement does not expressly include the provision described in
19 this subdivision, and the lack of express inclusion of the provision
20 in the agreement is not a basis for enforcement of the contract by
21 a party thereto.

22 (m) If a licensee does not comply with the requirements of this
23 section, the department may impose a civil fine of not more than
24 ____ dollars (\$____) per occurrence. In the event that a licensee
25 negligently, willfully, or wantonly fails to comply with these
26 requirements, the department may initiate an enforcement action
27 and subject a licensee to a civil fine of ____ dollars (\$____) and
28 an order to suspend or revoke the licensee's license.

29 19990.32. The licensee is responsible for providing current
30 and accurate documentation on a timely basis to all state agencies,
31 as provided in this chapter.

32 In addition to any other confidentiality protections provided to
33 persons licensed by the state, the state and its agencies shall treat
34 the proprietary information provided by a licensee as confidential
35 to protect the licensee and to protect the security of the gaming
36 system.

37 19990.33. (a) Changes in ownership of the licensee shall be
38 approved by the department prior to the closing of a proposed
39 transaction.

1 (b) The department shall investigate to ensure that a person
2 acquiring an interest in a licensee is suitable and otherwise
3 financially, technically, and legally qualified to be a licensee
4 consistent with this chapter. If an acquiring person is found to be
5 unsuitable to be a licensee or otherwise not financially, technically,
6 or legally qualified to be a licensee, the licensee or the acquiring
7 person may challenge that determination consistent with
8 subdivision (c) of Section 19990.25.

9 (c) A change in the elected officers of a tribal government
10 licensee shall not be considered to be a change in interest or
11 ownership of the licensee.

12 19990.34. All facilities, software, and any other property, both
13 tangible and intangible, used by the licensee in offering authorized
14 games for play on an authorized platform or in an authorized
15 poker room shall be owned or licensed by the licensed operator
16 and shall be approved by the department.

17 19990.35. The gaming system is divided into three parts:

18 (a) A player management system that shall include all the
19 technology, functions, and internal control system required to
20 establish, manage, administer, and control a player's online
21 gaming account.

22 (b) A funds management system that shall include all the
23 technology, functions and internal control system mechanisms
24 required to record and manage real money in the deposit account
25 or in rewards and bonus management systems, whether those
26 systems are for real or noncashable value.

27 (c) A games management system that shall include all the
28 technology, functions and internal control system mechanisms
29 required to set up, manage and monitor authorized games,
30 including games content and game logic, but does not receive,
31 process, or store personal information about players and their
32 funds.

33 (d) This section does not prohibit a licensed operator from
34 licensing software, intellectual property, or other goods, services,
35 or information used by the gaming system from a licensed service
36 provider.

37 (1) The player management system and the fund management
38 system shall belong to, and be the responsibility of, an authorized
39 poker room operator. A licensed poker platform operator shall

1 not have access to the player management system and fund
2 management system.

3 (2) The game management system shall belong to, and be the
4 responsibility of, an authorized poker platform operator.
5 Authorized poker room operators shall not have access to the
6 games management system.

7 (e) The player management system shall at a minimum carry
8 out the following functions:

9 (1) Player registration.

10 (2) Player settings.

11 (3) Player account management.

12 (4) Responsible gaming.

13 (5) Player authentication.

14 (6) Player authorization.

15 (7) Geolocation.

16 (8) Set up a safe and secure connection with the player terminal.

17 (9) Age verification.

18 (f) The licensed poker room operator is responsible to control
19 and manage the player identity, funds and data related to
20 authorized players in that poker room to ensure the privacy and
21 funds security of authorized players. This section does not prohibit
22 the licensed operator from licensing software, intellectual property,
23 or other goods, services, or information used by the player
24 management or funds management system from a licensed service
25 provider.

26 (g) The licensed poker platform operator shall ensure that
27 players are eligible to play the games operated by the poker room
28 licensee and implement appropriate security standards to prevent
29 collusion and cheating during games and that all gaming is fair.
30 This provision does not prohibit the licensed operator from
31 licensing software, intellectual property, or other goods, services,
32 or information used by the game management system from a
33 licensed service provider.

34 (h) An authorized player shall be physically located within the
35 State of California at the time of engaging in an authorized game.
36 However, an authorized player shall not be hindered from
37 accessing his or her player's account from anywhere outside
38 California as long as he or she does not engage in gaming.

39 (i) An authorized player shall be 21 years of age or older.

1 (1) An internet game shall not be provided, directly or indirectly,
2 to an individual under 21 years of age.

3 (2) Each licensed operator shall do all of the following:

4 (A) Prior to permitting an individual to play an authorized
5 game, the licensed poker room operator shall verify that the
6 individual is 21 years of age or older. The licensed operator shall
7 match the name, address, and date of birth provided by the
8 individual to information contained in a database approved by the
9 department as being reliable for those purposes.

10 (B) If the licensed poker room operator is unable to verify that
11 the individual is 21 years of age or older pursuant to subparagraph
12 (A), the licensed operator shall require the individual to submit
13 an age-verification kit consisting of a writing signed by the
14 individual attesting that he or she is 21 years of age or older and
15 a copy of a valid form of government identification. For the
16 purposes of this section, a valid form of government identification
17 includes a driver's license, state identification card, passport,
18 official naturalization or immigration document, such as an alien
19 registration receipt card or an immigrant visa, or United States
20 military identification. The licensed operator also shall verify that
21 the physical billing address on the check or credit card provided
22 by the person matches the address listed in the government
23 identification.

24 (C) The licensed poker room operator shall not permit
25 authorized players to make payments by money order or cash.

26 (3) If a licensed poker room operator complies with the
27 requirements of paragraph (2), and a person under 21 years of
28 age participates in an authorized game provided by the licensee,
29 the licensee is not in violation of this section.

30 (4) The department may assess civil penalties against a person
31 that violates this section, according to the following schedule:

32 (A) Not less than one thousand dollars (\$1,000) and not more
33 than two thousand dollars (\$2,000) for the first violation.

34 (B) Not less than two thousand five hundred dollars (\$2,500)
35 and not more than three thousand five hundred dollars (\$3,500)
36 for the second violation.

37 (C) Not less than four thousand dollars (\$4,000) and not more
38 than five thousand dollars (\$5,000) for the third violation.

1 (D) Not less than five thousand five hundred dollars (\$5,500)
2 and not more than six thousand five hundred dollars (\$6,500) for
3 the fourth violation.

4 (E) Ten thousand dollars (\$10,000) for a fifth or any subsequent
5 violation.

6 (j) The department shall, by regulation, provide a process for
7 a licensed operator to exclude from play a person who has filled
8 out a California Internet poker self-exclusion form.

9 (1) The department shall develop a self-exclusion form within
10 six months of the operative date of this chapter.

11 (2) The department shall deliver the form to each licensed poker
12 room operator.

13 (3) A licensed poker room operator shall prominently display
14 a link to the department's responsible poker Internet Web site and
15 the self-exclusion form on the poker room Web site that is displayed
16 when either of the following occurs:

17 (A) A person registered to be a player.

18 (B) Each time an authorized player accesses the poker room
19 prior to playing.

20 (4) A licensed operator shall retain the Internet self-exclusion
21 form to identify persons who want to be excluded from play.

22 (5) A licensed poker room operator that has made commercially
23 reasonable efforts to comply with this subdivision shall not be held
24 liable in any way if a person who has filled out an Internet
25 self-exclusion form plays despite that person's request to be
26 excluded.

27 19990.36. A licensed poker platform operator shall only offer
28 authorized games and process bets in accordance with the
29 applicable game and betting rules established by the licensed
30 operator and approved by the department pursuant to Sections
31 19990.14 and 19990.37, provided that neither this chapter nor
32 those rules prohibit a licensed operator from offering play-for-fun
33 or play-for-free poker games on an authorized Web site.

34 19990.37. (a) To propose an authorized game for play, a
35 licensed operator shall provide the department with both of the
36 following:

37 (1) Game rules and betting rules it proposes to offer to
38 registered players.

39 (2) Documentation relating to development and testing of the
40 game's software.

1 ***(b) The department shall approve the game rules and betting***
2 ***rules before a licensee may offer the game to authorized players.***

3 ***19990.38. (a) A licensed operator shall ensure that games are***
4 ***fair by utilizing a gaming system approved by the commission. The***
5 ***commission may promulgate regulations specifying requirements***
6 ***for the gaming system.***

7 ***(b) The licensed poker room operator and applicable service***
8 ***providers shall, prior to commencing the operation of the gaming***
9 ***system, certify through an independent gaming certification entity***
10 ***approved by the commission the reliability, accuracy, and integrity***
11 ***of the system and its parts, as well as its ability to be effectively***
12 ***tested, in accordance with certification regulations to be issued***
13 ***by the commission. All components of the gaming system shall***
14 ***comply with all requirements of this chapter.***

15 ***(c) The hardware used by a licensed poker room operator to***
16 ***offer authorized games shall not be the subject of any voluntary***
17 ***liens, encumbrances, hypothecations, or other third party interests,***
18 ***unless those interests are disclosed to and approved by the***
19 ***department. This subdivision does not prohibit the licensed***
20 ***operator from licensing software, intellectual property, or other***
21 ***goods, services, or information used by the player management,***
22 ***funds management, or games management system from a licensed***
23 ***service provider.***

24 ***(d) The gaming system shall display for each game the following***
25 ***information:***

26 ***(1) The name of the game.***

27 ***(2) Any restrictions on play.***

28 ***(3) The rules of the game.***

29 ***(4) All instructions on how to play.***

30 ***(5) The unit and total bets permitted.***

31 ***(6) The player's current account balance, which shall be***
32 ***updated in real time.***

33 ***(7) Any other information that a licensee determines is necessary***
34 ***for the authorized players to have in real time to compete fairly***
35 ***in the game.***

36 ***(e) Data used to create game results shall be unpredictable so***
37 ***that it is infeasible to predict the next occurrence in a game, given***
38 ***complete knowledge of the algorithm or hardware generating the***
39 ***sequence and all previously generated numbers.***

1 (f) A licensed poker room operator shall deploy controls and
2 technology to minimize fraud or cheating through collusion,
3 including external exchange of information between different
4 players, robotic play, or any other means.

5 (1) If a licensee poker room operator becomes aware that fraud
6 or cheating is taking place or has taken place, it shall take steps
7 to stop those activities immediately and inform the department of
8 all relevant facts.

9 (2) The department shall not impose liquidated damages against
10 a licensee to prevent fraud or cheating if the licensee can
11 demonstrate that it acted responsibly to prevent those activities
12 as soon as the licensee became aware of them.

13 (g) In a per hand game, if the gaming server or software does
14 not allow a game to be completed, the game shall be void and all
15 funds relating to the incomplete game shall be returned to the
16 registered player's account.

17 (h) In a tournament, if the gaming server or software does not
18 allow the tournament to be completed, all prize money shall be
19 distributed among players in accordance with the procedure
20 published by the licensee prior to the commencement of the
21 tournament.

22 19990.39. (a) A licensed operator shall register players and
23 establish player accounts prior to play.

24 (b) The player registration process must include submitting the
25 following minimum information:

26 (1) Full legal name.

27 (2) Mailing address.

28 (3) Telephone number.

29 (4) Social security number.

30 (5) Identification or certification to prove that the individual is
31 at least 21 years of age.

32 (6) Valid email address.

33 (7) A secure password to be used with the player's account,
34 unless the online service permits for an alternative method of
35 authentication of the player approved by the department.

36 (8) That he or she has read and agreed to the terms and
37 conditions of the service, including a reference where those terms
38 and conditions could be found.

39 (c) A licensed poker room operator shall employ an
40 authentication process before accepting a player, unless the

1 authentication process was previously carried out by a licensed
2 service provider.

3 (d) An individual under 21 years of age shall not be registered
4 as an authorized player, and funds deposited or money won by an
5 individual under 21 years of age shall be forfeited to the
6 commission. The commission may take further action towards the
7 licensed operator who registered an individual under 21 years of
8 age or permitted that individual to play a game.

9 (e) Only a licensed poker room operator may hold a deposit
10 account.

11 (f) A player may only have one online gaming account with any
12 given licensed poker room operator.

13 (g) A licensed poker room operator shall not permit an
14 individual to participate in a game conducted by the licensed poker
15 platform operator unless that individual has been verified and
16 holds a deposit account with the licensed poker room operator.

17 (h) Authorized players may only be permitted to play while
18 physically located in the State of California. The intermediate
19 routing of electronic data in connection with interactive gaming
20 shall not determine the location or locations in which a bet is
21 initiated, received, or otherwise made.

22 (i) The licensed poker room operator shall keep a list of all
23 players active at all times in the gaming system.

24 (j) If a licensed poker room operator becomes aware that an
25 individual has provided false information in respect of a
26 registration or authorization process, the licensed poker room
27 operator shall not register that individual and if he or she has
28 already been registered, the licensed poker room operator shall
29 immediately cancel his or her registration as a player with the
30 licensed operator.

31 (k) Subject to those rules that the commission may establish,
32 this section does not prevent a licensed poker room operator from
33 entering into a marketing agreement with a third party to recruit
34 individuals to become registered players, provided that the licensed
35 operator remains responsible for ensuring that the registration
36 process described in this section has been completed prior to
37 permitting game play.

38 19990.40. (a) A licensed poker room operator shall provide
39 a means for authorized players to deposit funds into the deposit

1 account and transfer funds out of that account, either for return
2 to the player or for use in game play.

3 (b) An authorized player shall identify the source of funds to be
4 used to put money into the account established once the registration
5 process is complete.

6 (c) At the time that a player establishes an online gaming
7 account, he or she shall designate the bank account into which
8 funds from his or her deposit account are to be withdrawn or
9 deposited, in accordance with the poker room rules.

10 (d) A player may establish only one online gaming account in
11 any authorized Internet poker room, and may not play more than
12 one hand position at any poker table, whether those tables are
13 operated by the poker room directly or through a skin or network
14 of rooms or skins operating from the same platform, and it shall
15 be the responsibility of the poker platform operator and the poker
16 room operator to ensure that the prohibition is not violated.
17 Players violating the rule may be barred or suspended from future
18 play in that or other authorized poker rooms, as the regulatory
19 agency shall determine.

20 (e) A licensed operator shall not permit a player to increase the
21 amount of money available for his or her player's online gaming
22 account after a hand has started.

23 (f) A licensed poker room operator shall maintain records on
24 the balance of each player's funds in the deposit account.

25 (g) A licensed operator shall not permit a player to place a bet
26 unless the player has sufficient funds in the deposit account to
27 cover the amount of all bets required for that hand.

28 (h) A licensed operator shall not provide credit to a player or
29 act as agent for a credit provider to facilitate the provision of
30 funds.

31 (i) Players shall not be paid interest by licensees on the funds
32 in the deposit accounts.

33 19990.41. (a) A licensed poker room operator shall hold all
34 player funds in a deposit account and shall segregate the deposit
35 account from all of its other assets.

36 (b) A licensed poker room operator shall not commingle funds
37 in the deposit account with any other funds held by the licensee,
38 including, but not limited to, operating funds. Both the accounts
39 of the licensed operator and its segregated authorized player
40 accounts shall be held in financial institutions located in the state.

1 (c) Funds held in an authorized player's account shall only be
2 used for the following purposes:

3 (1) To pay per hand or tournament charges owed by an
4 authorized player to the licensed operator for authorized game
5 play.

6 (2) To transfer funds from one authorized player's account to
7 the account of another registered player to reconcile the result of
8 a loss in the play of an authorized game.

9 (3) To transfer funds from an authorized player's account to
10 an account to be held by a licensed poker operator pending the
11 outcome of an authorized game. The poker platform operator shall
12 establish a suspense wagering account to temporarily hold those
13 funds pending the outcome of a game.

14 (4) To remit tax proceeds due and owing from a registered
15 player to the Franchise Tax Board.

16 (5) To transfer funds from an authorized player's account with
17 the licensed poker room operator to an account specified by an
18 authorized player upon that player's request.

19 19990.42. During the registration process, a licensed poker
20 room operator shall clearly and conspicuously explain to the
21 person who is registering the privacy policies of the intrastate
22 Internet poker room, and the person shall assent to the following
23 policies:

24 (a) Personally identifiable information shall not be shared with
25 a nongovernmental third party except as provided in subdivision
26 (k) of Section 19990.47.

27 (b) All personally identifiable information about registered
28 players shall be shared with state or federal agencies, including,
29 but not limited to the department, the commission, the Franchise
30 Tax Board, and the Department of Child Support Services as
31 necessary to assist them in fulfilling their obligations.

32 (c) Personally identifiable information may be shared with
33 government agencies only as provided in subdivision (b) or subject
34 to court order as provided in subdivision (j) of Section 19990.47.

35 19990.43. A licensed operator may require that an authorized
36 player, or a person registering as a player, agree to a Terms of
37 Use Registered Player's Agreement.

38 19990.44. A licensed operator may suspend or revoke the
39 account of an authorized player for any of the following reasons:

1 (a) A person or authorized player provided false information
2 to the licensed operator, including, but not limited to information
3 provided in the registration process.

4 (b) The authorized player has not updated registration
5 information as required to keep it current.

6 (c) The authorized player has violated the intrastate Internet
7 poker room's Terms of Use Registered Player's Agreement.

8 (d) The person has already been registered and authorized.

9 (e) The licensed poker room operator is directed by a state
10 agency to suspend or revoke the registered player's account.

11 19990.45. (a) Upon registration, and each time a registered
12 player logs into an intrastate Internet poker room, the licensed
13 operator shall permit a registered player to adjust his or her play
14 settings to:

15 (1) Set a limit on the deposits that can be made per day.

16 (2) Set a limit on the aggregate losses in a registered player's
17 account within a specified period of time.

18 (b) During play, in order to assist a registered player to decide
19 if to suspend play, the registered player's screen shall do all of
20 the following:

21 (1) Once an hour, indicate how long the player has been playing
22 and the current value and change in value of the registered player's
23 account total since the last time he or she logged in.

24 (2) At least once every six hours, require the registered player
25 to confirm that the player has read the messages required in
26 paragraph (1), and give an option to the player to end the session
27 or return to the game.

28 19990.46. A licensed poker room operator shall establish a
29 toll-free telephone customer service hotline that shall be available
30 to registered players 24 hours per day, 365 days a year. The
31 licensed operator shall give notice to the department when using
32 personnel who are out of state in supporting its customer service
33 hotline.

34 19990.47. (a) A licensed poker room operator shall protect
35 the privacy of registered players and their personally identifiable
36 information.

37 (b) A licensed operator shall comply with all state and federal
38 privacy and data protection laws.

39 (c) At the time of registration with a licensed poker room
40 operator as a registered player, and at least once a year thereafter,

1 *a licensee shall provide notice in the form of a separate, written*
2 *statement, delivered via United States Postal Service or electronic*
3 *mail, to the registered player that clearly and conspicuously*
4 *informs the registered player of all of the following:*

5 *(1) The nature of personally identifiable information collected*
6 *or to be collected with respect to the registered player and the*
7 *nature of the use of that information.*

8 *(2) The nature, frequency, and purpose of any disclosure that*
9 *may be made of personally identifiable information, including an*
10 *identification of the types of persons to whom the disclosure may*
11 *be made.*

12 *(3) The period during which personally identifiable information*
13 *will be maintained by the licensee.*

14 *(4) The times and place at which the registered player may have*
15 *access to personally identifiable information in accordance with*
16 *subdivision (h).*

17 *(5) The limitations provided by this section with respect to the*
18 *collection and disclosure of personally identifiable information*
19 *by a licensee and the right of the registered player under*
20 *subdivision (j) or (k) to enforce those limitations.*

21 *(d) A licensed poker room operator may collect personally*
22 *identifiable information in order to do either of the following:*

23 *(1) Obtain information necessary to operate the intrastate*
24 *Internet poker Web site and offer authorized games to authorized*
25 *players pursuant to this chapter.*

26 *(2) Detect unauthorized play, activities contrary to a licensed*
27 *operator's Terms of Use or Registered Player's Agreement, or*
28 *activities contrary to state or federal law.*

29 *(3) A licensed operator shall not collect any other personally*
30 *identifiable information concerning any registered player without*
31 *the prior written or electronic consent of the registered player*
32 *concerned and shall not permit its licensed service providers to*
33 *do so.*

34 *(e) Except as provided in subdivision (f), a licensed operator*
35 *shall not disclose personally identifiable information concerning*
36 *any registered player without the prior written or electronic*
37 *consent of the registered player concerned and shall take actions*
38 *necessary to prevent unauthorized access to that information by*
39 *a person other than the registered player or licensee.*

- 1 (f) A licensed operator may disclose personally identifiable
2 information if the disclosure is any of the following:
- 3 (1) Necessary to render, or conduct a legitimate business activity
4 related to, the provision of authorized games to the registered
5 player by the licensed operator.
- 6 (2) Subject to subdivision (k), made pursuant to a court order
7 authorizing the disclosure, if the registered player is notified of
8 the order by the person to whom the order is directed.
- 9 (3) A disclosure of the names and addresses of registered players
10 to any third party, if both of the following apply:
- 11 (A) The licensed poker room operator has provided the
12 registered player the opportunity to prohibit or limit the disclosure.
- 13 (B) The disclosure does not reveal, directly or indirectly, the
14 nature of any transaction made by the registered player over the
15 intrastate Internet poker Web site.
- 16 (4) To the department to fulfill its obligations under this chapter
17 or a state agency as authorized in this chapter.
- 18 (5) To persons found suitable under this chapter if the registered
19 player is notified and consents to the information being shared.
- 20 (g) A registered player shall be provided access to all personally
21 identifiable information regarding that registered player that is
22 collected and maintained by a licensed operator. The information
23 shall be made available to the registered player at reasonable
24 times and at a place designated by the licensed operator. A
25 registered player shall be provided a reasonable opportunity to
26 correct any error in the information.
- 27 (h) A licensed poker room operator may destroy personally
28 identifiable information if the information is no longer necessary
29 for the purpose for which it was collected, and there are no pending
30 requests or orders for access to the information under subdivision
31 (k).
- 32 19990.48. A licensed operator shall establish a book of
33 accounts and regularly audit all of its financial records and
34 reports, which shall, at a minimum, include all of the following:
- 35 (a) Monthly auditable and aggregate financial statements of
36 poker transactions.
- 37 (b) Monthly calculation of all amounts payable to the state.
- 38 (c) The identity of registered players.
- 39 (d) The balance on each registered player's account at the start
40 of a session of play, the amount won or lost by each registered

1 *player during a game, and the balance on the registered player's*
2 *account.*

3 *(e) The bets placed on each game, time stamped by the games*
4 *management system.*

5 *(f) The result of each game, time stamped by the games*
6 *management system.*

7 *(g) The amount, if any, as determined by the authorized player,*
8 *withheld from winnings for federal or state income tax purposes.*

9 *19990.49. (a) A licensed operator shall make all financial*
10 *records established and maintained pursuant to Section 19990.48,*
11 *including, but not limited to, all books, records, documents,*
12 *financial information, and financial reports, available as required*
13 *by the department or other state agencies so that those agencies*
14 *can fulfill their responsibilities under this chapter. The licensed*
15 *operator may provide records in electronic form to satisfy the*
16 *requirements of this section. A state agency may request specific*
17 *printed hard copies of records for good cause.*

18 *(b) The licensed operator's data shall be retained in a manner*
19 *so that it may be accessed by the state agencies.*

20 *(c) Notwithstanding subdivision (b), data covered by*
21 *subdivisions (d), (e), and (f) of Section 19990.48 shall be accessible*
22 *to the state agencies for 120 days, and, thereafter, archived and*
23 *retained for no less than one year.*

24 *19990.50. (a) A licensed operator shall implement technical*
25 *systems that materially aid the department in the protection of*
26 *authorized players. Software shall meet, at a minimum,*
27 *international industry standards as verified by a*
28 *department-approved certification entity.*

29 *(b) A licensed operator shall define and document its*
30 *methodology for developing software and applications and describe*
31 *the manner in which software protects authorized players from*
32 *fraud and other risks in the play of authorized games and in the*
33 *management of authorized player accounts.*

34 *(c) A poker room operator shall meet minimum game server*
35 *connectivity requirements and shall involve the licensed platform*
36 *operator to ensure that authorized players are protected from*
37 *losses due to connectivity problems.*

38 *(d) An authorized poker room operator shall ensure that all*
39 *transactions involving registered players' funds shall be*
40 *recoverable by the system in the event of a failure or malfunction.*

1 (e) All information required for reviewing a game interrupted
2 due to loss of connectivity shall be recoverable by the licensed
3 poker platform operator.

4 (f) The licensed operator shall document and implement
5 preventative and detective controls addressing money laundering
6 and fraud risks. If money laundering or corruption is detected by
7 the authorized platform operator, that platform operator shall
8 immediately inform the authorized poker room operators with
9 whom the authorized players are associated.

10 19990.51. (a) An authorized poker room operator may charge
11 authorized players to play authorized games.

12 (b) Per hand charges are permitted.

13 (1) A per hand charge shall be designated and conspicuously
14 posted on the intrastate Internet poker Web site.

15 (2) An authorized poker room operator may vary the per hand
16 charges to registered players based on betting limits or other
17 factors.

18 (c) Tournament charges shall be permitted.

19 (1) A tournament charge shall be designated and conspicuously
20 posted on the intrastate Internet poker Web site.

21 (2) A licensed operator may vary tournament charges based on
22 tournament prizes or other factors.

23 (d) A licensed operator shall provide notice to the department
24 of the charges to registered players prior to initiating play.

25 19990.52. A licensed operator may enter into an agreement
26 with a third party to sponsor or underwrite prizes for a tournament.

27 19990.53. An authorized poker room may enter into an
28 agreement to sell advertisement space on an Internet Web site that
29 it controls.

30 19990.535. (a) A licensee may enter into an agreement with
31 a third party for marketing, or any other purpose consistent with
32 this chapter, including, but not limited to, displaying the name of
33 a marketing partner on a screen viewed by a registered player.

34 (b) (1) A licensee shall not utilize any brand or business name,
35 trade or service mark, software, technology, operational system
36 or customer information for a core function that was used in
37 connection with the knowing and willful acceptance of any bet
38 from persons located in the United States on any form of Internet
39 gambling, including, but not limited to, poker, after October 16,
40 2006, that has not been affirmatively authorized by law of the

1 *United States or of each state in which persons making a bet were*
2 *located.*

3 *(2) The commission shall permit a licensee or the person or*
4 *entity with whom the licensee proposes to enter into an agreement*
5 *subject to this subdivision to seek a waiver of this paragraph. That*
6 *waiver shall be granted only if it is demonstrated by clear and*
7 *convincing evidence that the asset proposed to be used was not*
8 *used in a manner that was unlawful under federal law and the*
9 *laws of each state in which persons making bets were located.*

10 *19990.54. A licensed operator may enable a chat function*
11 *between registered players if it has in place effective controls*
12 *against collusion.*

13 *19990.55. A licensed operator may post Internet Web links on*
14 *the Internet Web sites it controls to permit registered players to*
15 *access remote Internet Web sites.*

16 *19990.56. A licensed operator may enter into contractual*
17 *agreements with one or more licensed operators for the purpose*
18 *of ensuring adequate player liquidity.*

19 *19990.57. A licensed platform operator may allow an*
20 *authorized player to participate simultaneously in multiple games*
21 *or tournaments, if the licensed operator has demonstrated to the*
22 *department that it has technical controls that prohibit a registered*
23 *player from playing multiple hands simultaneously in the same*
24 *game.*

25 *19990.58. (a) Before the collection of a registered player fee,*
26 *bet, or deposit on any authorized game in the licensed operator's*
27 *authorized poker room, the operator shall remit to the Treasurer*
28 *for deposit in the General Fund a one-time license fee in the*
29 *amount of ____ dollars (\$____). This amount shall be credited*
30 *against fees imposed pursuant to subdivision (b) on the licensed*
31 *poker room operator's gross revenues for the first years of*
32 *operation. Upon depletion of the license fee, the department shall*
33 *notify the licensee to commence monthly payments to the state in*
34 *accordance with subdivision (b).*

35 *(b) A licensed poker room operator shall remit to the Treasurer*
36 *on a monthly basis for deposit in the General Fund, a duty of 10*
37 *percent on its gross gaming revenues for the prior month.*

38 *(1) Each monthly payment shall be due on the 10th day of the*
39 *following month.*

1 (2) A licensed operator shall make all electronic and written
2 financial records available to the Treasurer, the commission, and
3 the department on an electronic basis.

4 (c) Each licensed operator shall pay a regulatory fee, to be
5 deposited in the Internet Poker Fund, in an amount to be
6 determined by the department for the actual reasonable costs of
7 license oversight, consumer protection, state regulation, problem
8 poker programs, and other purposes related to this chapter.

9 (d) This section does not prohibit a licensed operator from
10 contracting with one or more licensed operators, or service
11 providers, to allocate among themselves the total fees and deposits
12 to be paid under this section, provided that nothing in this
13 subdivision effects the amount due to the department from those
14 licensees.

15 19990.59. (a) The licensed poker room operator shall facilitate
16 the collection of personal income taxes from registered players by
17 the Franchise Tax Board.

18 (b) The licensed poker room operator shall withhold 5 percent
19 of tournament winnings for state income tax if the winnings less
20 the tournament charge are more than six hundred dollars (\$600)
21 and are at least 300 times the tournament charge.

22 (1) The licensed poker room operator shall transfer that
23 withheld income to the Franchise Tax Board.

24 (2) Winnings and losses of the authorized player from other
25 tournaments sponsored by the licensed poker room operator during
26 the year are not taken into account in arriving at the
27 six-hundred-dollar (\$600) amount. Required withholding is
28 determined on a tournament-by-tournament basis.

29 (c) Within six months of the effective date of this chapter, the
30 Franchise Tax Board shall publish a form to be used annually by
31 a licensed operator to report information concerning income tax
32 revenues from registered players. The Franchise Tax Board shall
33 provide a date by which the form is required to be filed. The form
34 shall include, but shall not be limited to, the following information:

35 (1) The registered player's first name and surname.

36 (2) The registered player's social security number.

37 (3) The total amount the authorized player deposited in his or
38 her account during the year.

39 (4) The authorized player's total winnings, if any, during the
40 year.

1 (5) *The authorized player's total losses, if any, during the year.*

2 (6) *The total amount withheld by the licensed poker room*
3 *operator, if any, during the year for purposes of federal or state*
4 *income taxes.*

5 (7) *Whether the registered player opened or closed his or her*
6 *account during the year.*

7 (d) *The licensed poker room operator shall electronically file*
8 *a copy of the form with the Franchise Tax Board for each*
9 *registered player who held an account with the licensed operator*
10 *for all, or any portion of, the taxable year. The licensed operator*
11 *shall electronically provide each registered player with a copy of*
12 *the form.*

13 19990.60. *A security interest in a licensee, other than a security*
14 *interest in financed or leased equipment, shall not be enforced*
15 *except in conformity with regulations adopted by the commission.*
16 *If a licensee contracts to acquire or transfer any assets or property*
17 *in circumstances where the transferor or transferee must be*
18 *licensed or found suitable, then the transaction shall not have a*
19 *closing date prior to the approval or licensing of the other party,*
20 *except as provided in regulations of the commission.*

21 19990.61. (a) *A licensee shall act expeditiously to cure any*
22 *violation of this chapter, or any regulation adopted pursuant to*
23 *this chapter, in the offer or administration of authorized games*
24 *that interferes with its obligations to the state or registered players*
25 *under this chapter.*

26 (b) *If a licensee becomes aware of any violation, it shall notify*
27 *the department immediately and work with the department to*
28 *develop a plan to rectify the violation.*

29 (c) *If the department becomes aware of any violation, or if it*
30 *becomes aware of any activities that might lead to a violation, the*
31 *department shall provide notice of that violation to the licensee*
32 *and a reasonable opportunity to cure the violation.*

33 (d) *All state agencies with responsibilities under this chapter*
34 *shall report any actual or suspected violation of this chapter, or*
35 *any regulation adopted pursuant to this chapter, or activities that*
36 *may lead to that violation, to the department immediately so that*
37 *the department can assess whether it needs to commence an*
38 *investigation or enforcement action.*

39 (e) *A licensee shall be afforded a reasonable time period to cure*
40 *any reported violation. The department may assess penalties for*

1 any violation of this chapter, or any regulation adopted pursuant
2 to this chapter.

3 (f) The department shall have the subpoena power in an
4 investigation of any violation of this chapter, or any regulation
5 adopted pursuant to this chapter.

6 (g) The department may revoke or suspend any license or work
7 permit under this chapter upon reaching a finding that the licensee
8 or employee is in violation of any provision of this chapter, or any
9 regulation adopted pursuant to this chapter.

10 (h) A licensee may appeal any decision of the department
11 pursuant to this section to the superior court. The superior court
12 shall hear any appeal de novo.

13 19990.62. The department shall protect the rights and assets
14 of registered players on an intrastate Internet poker Web site if
15 the licensed operator's license pursuant to this chapter is revoked
16 or the licensed operator becomes bankrupt.

17 19990.63. (a) A licensee shall at all times indemnify, defend,
18 and hold harmless the state and its agencies from and against any
19 claims, damages, liabilities, costs, and expenses, including, but
20 not limited to, reasonable attorney's fees and expenses arising out
21 of any third-party claim made against the state or any of its
22 agencies relating to actions of the licensee and this chapter.

23 However, the state shall not enter into a settlement agreement
24 related to any of those claims, damages, liabilities, costs, or
25 expenses without the prior written approval of the licensee.

26 (b) The state and its agencies shall promptly notify a licensee
27 of any claim or litigation to which the indemnity set forth in
28 subdivision (a) applies.

29 (c) At the option of a licensee, it may assume the defense of any
30 claim or litigation. If a licensee assumes the defense of any claim
31 or litigation, the licensee's obligation with respect thereto shall
32 be limited to the payment of any settlement approved by the
33 licensee, or any judgment in connection with that claim or
34 litigation.

35

36 Article 6. Authority of State Agencies

37

38 19990.70. (a) (1) Within 120 days after the effective date of
39 this chapter, the commission, and any other state agency with a
40 duty pursuant to this chapter, shall, in order to comply with time

1 *deadlines, in consultation with the department, adopt regulations*
2 *to implement this chapter, and to facilitate the operation of*
3 *intrastate Internet poker Web sites and expedite the state's receipt*
4 *of revenues in compliance with this chapter. The initial adoption,*
5 *amendment, or repeal of a regulation authorized by this section*
6 *is deemed to address an emergency, for purposes of Sections*
7 *11346.1 and 11349.6 of the Government Code, and the commission*
8 *and those other state agencies are hereby exempted for that*
9 *purpose from the requirements of subdivision (b) of Section*
10 *11346.1 of the Government Code. After the initial adoption,*
11 *amendment, or repeal of an emergency regulation pursuant to this*
12 *section, the commission and those other state agencies shall not*
13 *request approval from the Office of Administrative Law to readopt*
14 *the regulation as an emergency regulation pursuant to Section*
15 *11346.1 of the Government Code, but shall promulgate permanent*
16 *regulations in accordance with all applicable law. The commission*
17 *shall circulate its proposed permanent regulations to all tribes*
18 *and land-based gaming entities eligible for licensure pursuant to*
19 *this chapter along with information regarding how comments can*
20 *be submitted prior to adopting permanent regulations.*

21 (2) *The regulations adopted by the commission shall address*
22 *underage poker and problem poker.*

23 (3) *The regulations of the commission also shall provide for*
24 *temporary or provisional approvals, licenses, or certificates for*
25 *heirs, executors, receivers, trustees, conservators, key employees,*
26 *and other persons where an approval, license, or certificate is*
27 *required.*

28 (b) (1) *Each state agency with a duty pursuant to this chapter*
29 *shall identify a contact person at that agency and describe the*
30 *responsibility of the contact with respect to the state agency's duty.*

31 (2) *Any notice provided by a licensee to a state agency pursuant*
32 *to this chapter shall be addressed to the contact identified by the*
33 *state agency pursuant to paragraph (1).*

34 (3) *Unless otherwise provided by this chapter, notice by a*
35 *licensee to the state shall be deemed effectively given upon personal*
36 *delivery, three days after deposit in the United States mail by*
37 *certified or registered mail, return receipt requested, one business*
38 *day after its deposit with any return receipt express courier,*
39 *prepaid, or one business day after electronically confirmed*
40 *transmission by facsimile.*

1 19990.72. *The department may outsource its regulatory*
2 *functions under this chapter if optimal to provide efficient, effective,*
3 *and robust regulation with access to worldwide expertise tested*
4 *and proven in the poker industry. This may include, but is not*
5 *limited to, state and international regulatory agencies. The*
6 *department may also enter into agreements to share information*
7 *with other regulatory and law enforcement agencies to assist in*
8 *conducting background checks and suitability reviews. To expedite*
9 *the implementation of Internet poker, contracts pursuant to this*
10 *section shall not be subject to otherwise applicable provisions of*
11 *the Government Code or the Public Contract Code and, for those*
12 *purposes, the department shall not be considered a state agency*
13 *or public entity.*

14

15 *Article 7. Player Protection*

16

17 19990.75. *Subject to the approval of the department, and*
18 *consistent with uniform standards established by the department*
19 *by regulation, each licensee shall establish administrative*
20 *procedures to resolve registered player complaints.*

21 19990.76. *If a registered player has a complaint against a*
22 *licensee, the exclusive remedy shall be to register the complaint*
23 *with the department, unless an action is brought pursuant to*
24 *subdivision (j) of Section 19990.47.*

25 19990.77. (a) *The department, in consultation with the*
26 *commission, shall establish regulations with respect to registered*
27 *player complaints.*

28 (b) *Under the regulations, the department shall do all of the*
29 *following:*

30 (1) *Investigate registered player complaints to determine if a*
31 *licensee has failed to meet its obligations to a registered player.*

32 (2) *Attempt to resolve complaints by registered players if a*
33 *licensee fails to meet an obligation to a registered player.*

34 (3) *Initiate enforcement actions to require specific performance*
35 *of any obligation that a licensee has to a registered player and*
36 *payment by the licensee of restitution to a registered player for*
37 *actual losses and interest thereon.*

38 19990.78. *A licensee may appeal an action by the department*
39 *pursuant to this article to the superior court, which shall review*
40 *the appeal de novo.*

1 Article 8. *Disposition of State Regulatory Proceeds*

2
3 19990.86. (a) *The Treasurer shall transfer all amounts*
4 *received from a licensee pursuant to subdivision (c) of Section*
5 *19990.58 to the Controller for deposit into the Internet Poker*
6 *Fund, which is hereby created in the State Treasury, to be*
7 *administered by the Controller, subject to annual appropriation*
8 *by the Legislature.*

9 (b) *The state agencies shall submit revenue needs to fulfill their*
10 *obligations under this chapter for the upcoming fiscal year to the*
11 *Senate Committee on Budget and Fiscal Review and the Assembly*
12 *Committee on Budget, as well as the Senate and Assembly*
13 *Committees on Governmental Organization and the Department*
14 *of Finance on or before March 31 of the preceding fiscal year. A*
15 *justification of those costs shall be provided with each submission*
16 *of revenue needs.*

17 (c) *The State Department of Alcohol and Drug Programs, Office*
18 *of Problem Poker, shall submit revenue needs for programs to*
19 *alleviate problem poker that results from the offering of authorized*
20 *games for the upcoming fiscal year to the Senate Committee on*
21 *Budget and Fiscal Review and the Assembly Committee on Budget,*
22 *as well as the Senate and Assembly Committees on Governmental*
23 *Organization, the Senate and Assembly Committees on Human*
24 *Services, and the Department of Finance on or before March 31*
25 *of the preceding fiscal year. A justification of those costs shall be*
26 *provided with each submission of revenue needs.*

27 (d) *All remaining proceeds not allocated to subdivisions (b)*
28 *and (c) shall remain in the Internet Poker Fund subject to*
29 *appropriation by the Legislature.*

30
31 Article 9. *Preemption of Local Regulation*

32
33 19990.90. *A city, county, or city and county shall not regulate,*
34 *tax, or enter into a contract with respect to any matter related to*
35 *this chapter. This section does not prohibit or limit the investigation*
36 *and prosecution of any violation of this chapter.*

1 *Article 10. Reports to the Legislature*

2
3 *19990.95. Notwithstanding Section 10231.5 of the Government*
4 *Code, within one year of the effective date of this chapter and,*
5 *annually thereafter, the department, in consultation with the*
6 *commission, the Treasurer, and the Franchise Tax Board, shall*
7 *issue a report to the Legislature describing the state's efforts to*
8 *meet the policy goals articulated in this chapter. The report shall*
9 *be submitted in compliance with Section 9795 of the Government*
10 *Code.*

11 *19990.96. (a) At least four years after the issue date of any*
12 *license pursuant to this chapter, but no later than five years after*
13 *that date, the Bureau of State Audits shall issue a report to the*
14 *Legislature detailing the implementation of this chapter. The State*
15 *Auditor may advise the Legislature on any recommendations*
16 *regarding the terms of licensure, including the consideration paid*
17 *to the state, the economic and operational impacts upon the*
18 *licensee and the state, and any other issues that may be relevant*
19 *to the state's decision whether to impose modifications on existing*
20 *licensees' fees or terms of licensure. The report may also advise*
21 *the Legislature as to any proposed changes to Article 5*
22 *(commencing with Section 19990.30) of this chapter.*

23 *(b) A report submitted pursuant to subdivision (a) shall be*
24 *submitted in compliance with Section 9795 of the Government*
25 *Code.*

26 *(c) Pursuant to Section 10231.5 of the Government Code, this*
27 *section is repealed on January 1, 2020.*

28 *SEC. 2. The provisions of this act are severable. If any*
29 *provision of this act or its application is held invalid, that invalidity*
30 *shall not affect other provisions or applications that can be given*
31 *effect without the invalid provision or application.*

32 *SEC. 3. The Legislature finds and declares that Section 1 of*
33 *this act, which adds Chapter 5.2 (commencing with Section*
34 *19990.01) to Division 8 of the Business and Professions Code,*
35 *imposes a limitation on the public's right of access to the meetings*
36 *of public bodies or the writings of public officials and agencies*
37 *within the meaning of Section 3 of Article I of the California*
38 *Constitution. Pursuant to that constitutional provision, the*
39 *Legislature makes the following findings to demonstrate the interest*

1 *protected by this limitation and the need for protecting that*
2 *interest:*

3 *The limitations on the people’s rights of access set forth in this*
4 *chapter are necessary to protect the privacy and integrity of*
5 *information submitted by the registered players as well as the*
6 *proprietary information of the license applicants and licensees.*

7 *SEC. 4. No reimbursement is required by this act pursuant to*
8 *Section 6 of Article XIII B of the California Constitution because*
9 *the only costs that may be incurred by a local agency or school*
10 *district will be incurred because this act creates a new crime or*
11 *infraction, eliminates a crime or infraction, or changes the penalty*
12 *for a crime or infraction, within the meaning of Section 17556 of*
13 *the Government Code, or changes the definition of a crime within*
14 *the meaning of Section 6 of Article XIII B of the California*
15 *Constitution.*

16 *SEC. 5. This act is an urgency statute necessary for the*
17 *immediate preservation of the public peace, health, or safety within*
18 *the meaning of Article IV of the Constitution and shall go into*
19 *immediate effect. The facts constituting the necessity are:*

20 *In order to protect the interests of Californians who play Internet*
21 *poker games and to ensure that people play fair games, that the*
22 *state realizes the revenues, and that suitable persons operate*
23 *intrastate Internet poker games, it is necessary that this act take*
24 *effect immediately.*

25 ~~SECTION 1. Chapter 5.2 (commencing with Section 19990)~~
26 ~~is added to Division 8 of the Business and Professions Code, to~~
27 ~~read:~~

28
29 ~~CHAPTER 5.2. AUTHORIZATION AND REGULATION OF INTERNET~~
30 ~~POKER AND CONSUMER PROTECTION ACT OF 2013~~
31

32 ~~19990. Internet poker Web sites may be operated within the~~
33 ~~borders of this state in accordance with this chapter and all other~~
34 ~~applicable laws and regulations.~~

35 ~~19991. The California Gambling Control Commission shall~~
36 ~~establish a regulatory framework for both of the following:~~

37 ~~(a) The licensure of eligible entities to operate Internet poker~~
38 ~~Web sites.~~

39 ~~(b) The operation of Internet poker Web sites within the borders~~
40 ~~of the state.~~

- 1 19992. ~~Eligible entities may apply to the commission for~~
- 2 licensure pursuant to this chapter.

O