

**Introduced by Senator Correa**February 21, 2014

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

## LEGISLATIVE COUNSEL'S DIGEST

SB 1366, as introduced, Correa. Internet gambling.

(1) The Gambling Control Act provides for the licensure and regulation of various legalized gambling activities and establishments by the California Gambling Control Commission and the investigation and enforcement of those activities and establishments by the Department of Justice. A willful violation of those 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 recognized 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 of \$10,000,000 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, in consultation with 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.

Vote: 2/3. Appropriation: yes. Fiscal committee: yes.  
State-mandated local program: 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 2014

7  
8 Article 1. General Provisions  
9

10 19990.01. This chapter shall be known and may be cited as the  
11 Internet Poker Consumer Protection Act of 2014.

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 cardrooms  
19 and authorized tribal government casinos, yet the state provides  
20 no licensing requirements, regulatory structure, or law enforcement  
21 efforts to protect Californians who play the same games online on  
22 an illegal and unregulated basis for money. The Legislature finds  
23 that protection of the interests of both the state and persons within  
24 its jurisdiction that play real-money games online requires the  
25 authorization and establishment of a system for regulating Internet  
26 poker gambling within California.

27 (b) In October 2006, Congress passed the SAFE Port Act (Public  
28 Law 109-347), to increase the security of United States ports. That  
29 act included a section entitled the Unlawful Internet Gambling  
30 Enforcement Act of 2006 (UIGEA), which prohibits the use of  
31 banking instruments, including credit cards, checks, or fund  
32 transfers, for interstate Internet gambling, essentially prohibiting  
33 poker and other gambling games played online by United States

1 citizens. UIGEA includes exceptions, however, that permit  
2 individual states to create a regulatory framework to enable  
3 intrastate Internet gambling, in which wagers are made exclusively  
4 within a single state whose laws or regulations comply with all of  
5 the following:

6 (1) Contain certain safeguards regarding those transactions,  
7 including both of the following:

8 (A) Age and location verification requirements.

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

11 (2) Expressly authorize the betting or wagering process.

12 (3) Do not violate any federal gaming statutes, including all of  
13 the following:

14 (A) The Interstate Horseracing Act of 1978.

15 (B) The Professional and Amateur Sports Protection Act.

16 (C) The Gambling Devices Transportation Act.

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

18 (c) Despite the absence of enabling legislation in conformity  
19 with UIGEA, Californians participate in Internet poker and other  
20 forms of Internet gambling operated by offshore operators that are  
21 not regulated by California or United States authorities. Neither  
22 federal nor California laws provide any protections for California  
23 participants in those sites, nor do the citizens of California directly  
24 benefit from these activities. This significant rise in Internet gaming  
25 within California, together with efforts by other states to begin  
26 authorizing and regulating Internet gambling and recent federal  
27 claims of illegal activities by certain offshore Internet gambling  
28 operators, has increased the need for California to enact on an  
29 urgent basis a statutory framework for authorizing and regulating  
30 Internet gaming within the state. The Legislature finds that Internet  
31 poker is a reality that must be addressed by California in order to  
32 protect consumers from compulsive gambling, underage play and  
33 exploitation from illegal operators, as well as to meet the needs of  
34 its citizens and economy. California also wants to limit the scope  
35 of Internet gambling to the game of poker, with which it has  
36 extensive regulatory experience.

37 (d) By regulating Internet poker, the state will achieve the  
38 following:

39 (1) Protect and promote its economy.

- 1 (2) Provide California players with a safe and secure  
2 environment to play online.
- 3 (3) Ensure fair and transparent Internet gambling.
- 4 (4) Protect player funds and their winnings.
- 5 (5) Protect against underage gambling.
- 6 (6) Combat crime, racketeering, corruption, money laundering,  
7 and terrorism financing.
- 8 (7) Enable the poker industry in California, which employs  
9 thousands of Californians, to compete fairly in intrastate Internet  
10 poker.
- 11 (8) Generate millions of dollars of additional revenues to meet  
12 California and tribal governmental needs.
- 13 (e) California, thus, has a state interest in authorizing and  
14 regulating legitimate Internet poker and in ensuring that those  
15 activities are consistent with existing public policy regarding the  
16 playing of poker games within the state. The public interest will  
17 be best served by requiring that those entities who desire to own  
18 or operate Internet poker web sites within the state continue to  
19 comply with the existing standards and rigorous scrutiny that must  
20 be met in order to qualify to offer poker games within the state.
- 21 (f) The Legislature has determined, from experience gained by  
22 observing the development of Internet poker throughout the world,  
23 and in agreement with the federal requirements for authorizing  
24 Internet gambling under UIGEA, that California's regulatory  
25 requirements must include all of the following:
- 26 (1) A system that is implemented and administered in a fair and  
27 transparent manner that ensures that players can participate in an  
28 environment that safeguards and secures their personal data in  
29 accordance with the latest industry data security standards.
- 30 (2) The maintenance of player deposits and winnings in a secure  
31 system that enables players to access and withdraw their funds at  
32 any time in accordance with published terms and conditions.
- 33 (3) The subjection of all authorized Internet gaming software  
34 to rigorous testing by independent testing facilities to ensure that  
35 the game outcomes are unbiased and unpredictable.
- 36 (4) The exclusion of minors and the protection of vulnerable  
37 players from compulsive and excessive gambling by installing  
38 player verification systems and enforcing measures to detect these  
39 individuals and behavior in order to prevent them from accessing  
40 and playing on Internet Web sites.

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

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

8 (g) It is in the interest of the state to recapture, to the maximum  
9 extent, the hundreds of millions of dollars of public service funding  
10 that has been repeatedly cut during the state's budget crisis. It is  
11 the intent of the Legislature in enacting this chapter to ensure that  
12 the state realizes a minimum of \_\_\_\_\_ dollars (\$\_\_\_\_\_) of General  
13 Fund revenue from operator and license fees and payments during  
14 the 2015–16 fiscal year.

15 (h) The Legislature has considered and finds that authorization  
16 of intrastate Internet poker pursuant to this chapter does not violate  
17 the California Constitution or interfere with any right or exclusivity  
18 provision under any compact between the state and any federally  
19 recognized Indian tribe. Neither the equipment, including the  
20 computers required to access authorized intrastate Internet poker  
21 games under this chapter, any component thereof, nor any building  
22 or room, other than where poker is currently authorized, may be  
23 used in the operation or play of Internet poker. This chapter also  
24 prohibits the offering or use of any slot machine or other gaming  
25 device as defined in any of those compacts, or any other device  
26 which permits the playing of a gambling game against a computer  
27 or device in connection with any Internet poker game authorized  
28 under this chapter. Only nonbanking poker games in which  
29 authorized live players play against each other in real time is to  
30 be permitted. The Legislature finds that the application of UIGEA  
31 in California would not be prohibited by the activities contemplated  
32 by this chapter and that the chapter does not violate federal law  
33 by infringing upon tribal sovereignty.

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

38 19990.03. It is the intent of the Legislature to create a licensing  
39 and regulatory framework that will achieve all of the following:

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

3 (b) Authorize the California Gambling Control Commission to  
4 issue licenses, with the recommendation of the Department of  
5 Justice, to applicants that meet the qualifications and background  
6 requirements consistent with this chapter, and to authorize those  
7 agencies to conduct the investigations necessary to carry out those  
8 duties.

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

13 (d) Include all of the provisions in this chapter as terms of the  
14 license between the state and each licensee, subject to the  
15 enforcement provisions delineated in this chapter.

16 (e) Grant power to the state agencies authorized in this chapter  
17 to oversee the operations of each licensee and to enforce the  
18 provisions of this chapter to ensure that the interests of the state  
19 and registered players are protected.

20 (f) Establish a process that includes the ability to conduct  
21 background investigations as necessary to determine an applicant's  
22 suitability to participate in the gaming industry, and financial ability  
23 to obtain a license and the required software from the applicant's  
24 own resources, in order to prevent a person from using a false  
25 identity to acquire a license, and requires that each employee of a  
26 licensee receive all necessary licenses and work permits from the  
27 state prior to engaging in any activities for which that license or  
28 permit is required.

29 (g) Ensure that the state is able to collect income tax revenues  
30 from authorized players in California.

31 (h) Distribute regulatory fees that have been deposited into the  
32 Internet Poker Fund, as established in Section 19990.86, which  
33 shall be administered by the Controller, subject to annual  
34 appropriation by the Legislature, and which shall not be subject  
35 to the formulas established by law directing expenditures from the  
36 General Fund, for the following:

37 (1) The actual costs of license oversight, consumer protection,  
38 state regulation, and problem gambling programs.

39 (2) Other purposes related to this chapter as the Legislature may  
40 decide.

- 1 (i) Create systems to protect each player's private information  
2 and prevent fraud and identity theft.
- 3 (j) Ensure that authorized players are able to have their financial  
4 transactions processed in a secure, safe, and transparent fashion,  
5 including the segregation of player deposits from other operator  
6 funds, the right to terminate accounts and obtain the return of  
7 deposits, the payment of winnings on a timely basis, and full  
8 accountability of all bets made, moneys collected, and prizes and  
9 pots paid out, including the basis therefor under game rules.
- 10 (k) Ensure that all authorized Internet gambling games offered  
11 by a licensee are fair and honest, including, but not limited to,  
12 verifiable protections against cheating, collusion, nonrandom card  
13 shuffles or dealing, and advance knowledge of cards dealt.
- 14 (l) Ensure that all applicable gaming regulatory agencies have  
15 unrestricted access to the premises and records of each licensee  
16 that relate to the operation, maintenance, control, money handling,  
17 or other material aspect of any authorized game and that these  
18 premises and accounts be in strict compliance with state and tribal  
19 gaming laws and regulations concerning credit authorization,  
20 account access, and other security provisions and that all of the  
21 operator's computers, servers, and other components of the gaming  
22 system, and any bank or other repository where player's or  
23 operator's funds in connection with the poker room operation are  
24 deposited, are physically located within California.
- 25 (m) Require that each licensee provide players with easily  
26 accessible customer service.
- 27 (n) Require that each licensee's Internet Web site contain  
28 information relating to problem gambling, including a telephone  
29 number that an individual may call to seek information and  
30 assistance for a potential gambling addiction, provided that  
31 operators shall not be required to disrupt game play with that  
32 information.
- 33 (o) Require that each licensee and all of its service providers,  
34 including tribal governments, meet the requirements applicable to  
35 it in connection with authorized games.
- 36 (p) Ensure that there are no artificial business constraints on the  
37 licensee, such as limits on the percentage of revenues that may be  
38 paid to service providers or limits on the number of intrastate  
39 Internet poker rooms a licensee may operate or that the state may  
40 issue overall.

1 (q) Ensure that all employees of the licensee are located, and  
2 all gaming activities operated by it are conducted, physically within  
3 the state and that the activities of licensees relating to gaming  
4 activities remain within the state’s regulatory jurisdiction, either  
5 because they are conducted within state boundaries or by entities  
6 that have agreed to subject themselves to the state’s regulatory and  
7 enforcement jurisdiction, provided that this chapter does not  
8 prohibit the use of servers or other equipment located outside  
9 California where that equipment is maintained solely for backup  
10 purposes.

11 (r) Create an express exemption from disclosure, pursuant to  
12 the California Public Records Act under subdivision (b) of Section  
13 6253 of the Government Code, that exempts from public disclosure  
14 proprietary information of a license applicant or a licensee in order  
15 to permit disclosure of confidential information to state agencies  
16 while achieving the public policy goals of deploying secure systems  
17 that protect the interests of the state and players.

18 (s) Preserve the authority of the state to opt out of or into any  
19 federal framework for Internet poker, or to enter into an agreement  
20 with other states to provide Internet poker, provided these schemes  
21 or frameworks meet the criteria and address the issues concerning  
22 the matters set forth herein and are in compliance with applicable  
23 law.

24 (t) As a matter of public policy requiring statewide consistency,  
25 preempt any city, county, or city and county from enacting any  
26 law or ordinance regulating or taxing Internet poker activities  
27 covered in this chapter.

28

29

## Article 2. Definitions

30

31 19990.05. For the purposes of this chapter the following words  
32 have the following meanings:

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

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

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

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

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

24 (f) “Background investigation” means a process of reviewing  
25 and compiling personal and criminal history and financial  
26 information through inquiries of various law enforcement and  
27 public sources to establish a person’s qualifications and suitability  
28 for a license to participate in the gambling industry.

29 (g) “Bet” means the placement of money or something of  
30 monetary value at risk of being lost depending of the outcome of  
31 a game.

32 (h) “Commission” means the California Gambling Control  
33 Commission, except that where the described function also involves  
34 a function to be served by the department, the term “commission”  
35 shall also mean the department to the extent of those functions.

36 (i) “Compact” means a tribal-state gaming compact entered into  
37 between a federally recognized tribe and the State of California  
38 pursuant to the IGRA, or procedures issued in lieu thereof by the  
39 Secretary of Interior that are in effect (“Secretarial Procedures”).

1 ( j) “Core functions” and “core functioning” mean the  
2 management, administration, or control of the following:

3 (1) Bets or wagers on authorized games.

4 (2) The processing, qualifying, or participation of authorized  
5 players.

6 (3) Payments to and from authorized players.

7 (4) The offering, conduct, presentation, or operation of  
8 authorized games.

9 (5) Intellectual property related to authorized games and poker  
10 rooms, including the trademarks, trade names, service marks, or  
11 similar intellectual property under which a licensee identifies its  
12 games to its customers.

13 (6) The systems internal to the authorized platform or poker  
14 rooms that account for, or govern, the payments to or from  
15 authorized players or the deposit accounts, or in connection with  
16 the authorized games or other transactions related thereto, including  
17 the maintenance of accounting records of moneys owed to, or paid  
18 to or from, players by the operator. “Core functions” and “core  
19 functioning” do not include the financial services or transactions  
20 provided by banks, credit card companies, or other financial  
21 services providers that supply funds or credit to authorized players  
22 to enable them to participate in authorized games. Those services  
23 or transactions shall be independent from, and not controlled by,  
24 the licensed platform or poker room operator and shall be operated  
25 in accordance with applicable law governing those financial  
26 services and transactions.

27 (k) “Department” means the Department of Justice, except that  
28 where the described function also involves a function to be served  
29 by the commission, the term “department” shall also mean the  
30 commission to the extent of those functions.

31 (l) “Deposit account” is a fund maintained by an authorized  
32 poker room on behalf of authorized players into which the players  
33 may deposit cash for use for betting in games or for deposit of  
34 player winnings from games.

35 (m) “Employee work permit” means a permit issued to an  
36 employee of a licensee by the commission after a background  
37 investigation and finding of suitability.

38 (n) “Finding of suitability” means a finding by the regulatory  
39 agency that a person meets the qualification criteria described in  
40 Article 4 (commencing with Section 19990.20), and that the person

1 would not be disqualified on any of the grounds specified in that  
2 article.

3 (o) “Funds management system” means an authorized software  
4 system that is dedicated to managing player funds in authorized  
5 games, including, but not limited to, tracking player accounts, bets,  
6 pot collections and awards, player credits, financial reporting  
7 requirements, and other financial transactions associated with the  
8 operation of authorized games. Funds management systems may  
9 only be operated by a licensed poker room operator and only in  
10 connection with an authorized poker room under its management  
11 and control.

12 (p) “Gamble” or “gambling” means the placing of a bet or  
13 something of value at risk on the chance that the outcome of a  
14 game or event over which the player does not have total control  
15 will occur and that will result in the winning of a prize for correctly  
16 predicting the outcome.

17 (q) “Game” means a contest in which players may win or lose  
18 depending on skill, chance, or a combination thereof, depending  
19 on the rules of play.

20 (r) “Gaming system” means the combination of hardware,  
21 software, and data networks specifically described in Section  
22 19990.35.

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

34 (t) “Gross revenues” means the total amount of moneys paid  
35 by players to the operator to participate in authorized games before  
36 deducting the cost of operating those activities except for fees to  
37 intermediate and payment processing fees. Gross revenues do not  
38 include player account deposits, amounts bet, except to the extent  
39 that those bets are used for generating fees to the operator as  
40 permitted under this chapter, and only to the extent those bet

1 portions are retained by the operator, discounts on goods or  
2 services, rebates or promotional discounts or stakes provided to  
3 players, or revenues from nongaming sources, such as from food,  
4 beverages, souvenirs, advertising, clothing, and other nongaming  
5 sources.

6 (u) “Initial license” means a license issued under this chapter  
7 on or before a date set in the regulations adopted by the commission  
8 pursuant to paragraph (1) of subdivision (a) of Section 19990.70  
9 for the issuance of the first licenses that will be issued under this  
10 chapter and that shall be issued simultaneously.

11 (v) “Intermediary” means a party that enters into an agreement  
12 with a licensee to recruit players to the licensee’s authorized poker  
13 room.

14 (w) “Internal control system” means the system utilized by the  
15 authorized operator to ensure that all procedures involving the play  
16 of the game, the payment, receipt, rewarding, deposit, or other  
17 handling of moneys, the integrity of the game equipment, the player  
18 actions to be scrutinized, enforcement of the age and geographic  
19 restrictions on players, and all other aspects of the game and the  
20 poker room are being carried out in a way that will comply with  
21 game rules and laws, uphold the integrity of the game, and prevent  
22 fraud or cheating from occurring.

23 (x) “Internet poker” means an authorized game.

24 (y) “Internet Poker Fund” means the fund established pursuant  
25 to Section 19990.86.

26 (z) “Internet Poker Licensing Fund” means the fund established  
27 pursuant to Section 19990.20.

28 (aa) “Internet self-exclusion form” means a form on which an  
29 authorized player notifies an authorized poker room operator that  
30 he or she must be excluded from participation in authorized games  
31 for a stated period of time.

32 (ab) “Intrastate” means within the borders of California.

33 (ac) “Key employee” means any natural person employed by a  
34 licensed operator or service provider licensee who is an officer or  
35 director of the licensee, or who, in the judgment of the commission,  
36 has the authority to exercise significant influence over decisions  
37 concerning the operation of the licensee, over the operation of an  
38 authorized platform or poker room, or over any core function  
39 associated therewith.

- 1 (ad) “Land-based gaming entity” means a licensee that is a card  
2 club operated pursuant to Chapter 5 (commencing with Section  
3 19800).
- 4 (ae) “Licensee” means a licensed operator, a service provider,  
5 or any other person holding a license under this chapter.
- 6 (af) “Licensed operator” means an authorized poker room  
7 operator, an authorized poker platform operator, or both.
- 8 (ag) “Operator” means a person that operates an authorized  
9 platform or poker room.
- 10 (ah) “Owner” means a person that has a financial interest in or  
11 control of a licensee, service provider, or other entity required to  
12 be found suitable under this chapter.
- 13 (ai) “Per hand charge” means the amount charged to an  
14 authorized player to enable him or her to play a hand in an  
15 authorized game. Notwithstanding any other provision of state  
16 law, per hand charges may be collected on behalf of all participants  
17 in an individual game through the collection by the operator of a  
18 percentage of the pot or each bet made into the pot.
- 19 (aj) “Per hand game” means a game for which the operator  
20 charges the player for each hand played.
- 21 (ak) “Person” means a natural person, corporation, business  
22 trust, estate, trust, partnership, limited liability company,  
23 association, joint venture, government, including a tribal  
24 government, governmental subdivision, agency, or instrumentality,  
25 public corporation, or any other legal or commercial entity.
- 26 (al) “Play-for-fun game” means a version of a lawfully played  
27 gambling game in which there is no requirement to pay to play or  
28 any possibility of winning any prize or other consideration of value.  
29 Play-for-fun games are typically offered for training, educational,  
30 marketing, or amusement purposes only.
- 31 (am) “Play-for-free game” means a version of a lawfully played  
32 gambling game that may include prizes or pots, without requiring  
33 a fee or other consideration for the right to play.
- 34 (an) “Player management system” means an authorized software  
35 system dedicated to managing the activities of players in authorized  
36 games. Player management systems may only be operated by  
37 licensed poker room operators, and only in connection with poker  
38 rooms under their management and control.
- 39 (ao) “Play settings” means the options and default parameters  
40 made available by an operator to a player in the play of games.

1 (ap) “Player account” means a record kept by a poker room  
2 operator on the gaming system, storing the player’s personal  
3 details, in which player gaming deposits and winnings are kept  
4 separate from an operator’s assets.

5 (aq) “Player session” means a temporary connection established  
6 between a player’s interface and a gaming system for the exchange  
7 of information, for the duration of the time that an authorized  
8 player is logged into his or her account.

9 (ar) “Poker” means any of several nonbanked card games  
10 commonly referred to as “poker” that meet all of the following  
11 criteria:

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

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

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

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

39 (5) All bets are placed in a common pot. At one or more  
40 predetermined point during the game a player may resign, challenge

1 other players to make additional bets into the pot, or demand that  
2 players reveal their hand so a winner can be determined.

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

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

22 (as) Other characteristics defining “poker” under this chapter  
23 include the following:

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

27 (2) Success over time may be influenced by the skill of the  
28 player.

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

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

36 (at) “Poker enterprise” means a person or entity meeting the  
37 definition of a “gambling enterprise” under subdivision (m) of  
38 Section 19805 that conducts poker, and any other requirements  
39 under law for operating a land-based gaming entity.

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

17 (av) “Registered player” means a player who has submitted the  
18 required registration information to an authorized poker room  
19 operator in order to be eligible to become an authorized player in  
20 an authorized game in that poker room.

21 (aw) “Regulatory agency” means the commission, a tribal  
22 gaming commission with jurisdiction over the tribal license  
23 applicant and licensee, or both, and the department, as provided  
24 in this chapter.

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

33 (ay) “Registration information” means the information provided  
34 by a person to a poker room operator in order to record the person’s  
35 interest in becoming an authorized player in that poker room.

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

39 (ba) “Service provider” means a person that, under a service  
40 provider license, does any of the following:

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

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

10 (3) The term “service provider” does not include a provider of  
11 goods or services to a licensed platform or poker room operator,  
12 or to an authorized player, that are not principally used in  
13 connection with the operation of an authorized game, including,  
14 but not limited to, the financial services or transactions provided  
15 by banks, credit card companies, or other financial service  
16 providers that supply funds or credit to authorized players to enable  
17 them to participate in authorized games. Those services or  
18 transactions shall be independent from, and not controlled by, the  
19 licensed platform or poker room operator, and shall be operated  
20 in accordance with applicable law governing those financial  
21 services and transactions.

22 (bb) “State” means the State of California.

23 (bc) “Tournament” means a competition in which players play  
24 a series of games to decide the winner.

25 (bd) “Tournament charge” means the amount charged by the  
26 operator for an authorized player to play in a tournament.

27 (be) “Tournament winnings” means the amount of a prize  
28 awarded to an authorized player in a tournament.

29 (bf) “Tribe” means a federally recognized Indian tribal  
30 government located within California.

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

34 (bh) “Tribal regulatory agency” means the person, agency,  
35 board, committee, commission, or council designated under tribal  
36 law or the rules of the tribal enterprise to carry out the primary  
37 gaming regulatory responsibilities for a tribe or tribal enterprise,  
38 provided that tribal enterprises that are combinations of tribes or  
39 tribal enterprises shall include within their rules a designation of  
40 a specific tribal regulatory agency to register with the commission

1 and function as the primary tribal regulatory agency with regulatory  
2 jurisdiction over the combination. That designation may not be  
3 changed except upon 20 days' written notice to the commission.

4 (bi) "Wagering suspense account" means a segregated account  
5 that temporarily holds the bets in a game pending the outcome of  
6 the game.

7  
8 Article 3. Authorized Games  
9

10 19990.10. To the extent permitted by federal law, the operation  
11 of gambling games on the Internet shall be authorized as long as  
12 all players and their betting activities are located within the state  
13 and the games are not played by minors.

14 19990.11. Notwithstanding any other law, a person in  
15 California shall be 21 years of age or older to participate as a  
16 registered player in an authorized game.

17 19990.12. (a) A person in the state shall not offer the  
18 opportunity to play an Internet gambling game, and a person shall  
19 not offer the opportunity to play an authorized game to anyone  
20 located within this state without holding a valid operator's license  
21 issued by the state to offer the play of authorized games.

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

24 (c) Except as stated in this chapter, this chapter does not impose  
25 a limitation, restriction, or requirement on the offering of  
26 "play-for-fun" or "play-for-free" games on the Internet.

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

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

37 19990.13. Any money, other representative of value, or real  
38 or personal property used in, or derived from, the play of a  
39 gambling game provided on the Internet that is not authorized by  
40 the state pursuant to this chapter is subject to seizure by the

1 commission or by a peace officer. Upon a finding by a court that  
 2 the money, other representative of value, or real or personal  
 3 property was used in, or derived from, the play of a gambling game  
 4 provided on the Internet that is not authorized by the state pursuant  
 5 to this chapter, that money or property shall be forfeited to the  
 6 Internet Poker Fund established in Section 19990.86. This chapter  
 7 does not apply to play-for-fun or play-for-free games.

8 19990.14. Only poker games that are offered for play or played  
 9 in an authorized poker room are authorized games.

10

11 Article 4. Licensing Internet Poker Gambling

12

13 19990.20. (a) There shall be the following three categories of  
 14 licenses:

15 (1) Platform operator licenses. Platform operator licenses shall  
 16 be required of a person operating an authorized platform.

17 (2) Poker room operator licenses. Poker room operator licenses  
 18 shall be required of a person operating an authorized cardroom.

19 (3) Service provider licenses. A service provider license shall  
 20 be required of a person providing goods or services to, or in  
 21 connection with, the operation of an authorized poker platform or  
 22 an authorized poker room.

23 (b) Entities eligible to apply for, receive, and maintain a platform  
 24 operator license or a poker room operator license pursuant to this  
 25 chapter are the following:

26 (1) A poker enterprise, as defined in Section 19990.05, that  
 27 holds an owner license to operate a land-based gaming entity issued  
 28 pursuant to subdivision (a) of Section 19851, subject to oversight  
 29 by, and in good standing with, the commission.

30 (2) A federally recognized California Indian tribe with a valid  
 31 gaming ordinance or resolution and a valid compact authorizing  
 32 it to offer gaming under the federal Indian Gaming Regulatory Act  
 33 of 1988, or a tribal enterprise controlled by, and subject to, the  
 34 powers and immunities of one or more members, partners, or  
 35 shareholder tribes that have that authorization. A tribal enterprise  
 36 may have as its members, partners, or shareholders any  
 37 combination of federally recognized tribes or tribal enterprises.

38 (3) A legal entity whose members, partners, or shareholders or  
 39 any combination of poker enterprises, Indian tribes, and tribal

1 entities, each of which is eligible to hold the same kind of license  
2 as or to be held by the combination.

3 (4) In the case of a platform operator license, the applicant, or,  
4 if a combination, each of its members, partners, or shareholders,  
5 shall have been lawfully offering and operating live on-premises  
6 poker gambling games for in-person players within California.

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

10 (d) For the purposes of this section, an incorporation or other  
11 change in legal form of ownership during the three years  
12 immediately preceding application for licensure that did not alter  
13 the ownership qualifications of the entity, does not disqualify an  
14 entity otherwise eligible for licensure.

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

25 (f) Platform operator licenses issued under this chapter shall be  
26 for a term of up to 10 years, and shall require payment of a license  
27 fee payment of \_\_\_\_ dollars (\$\_\_\_\_).

28 (g) Poker room operator licenses issued under this chapter shall  
29 be for a term of 10 years and shall require a license fee payment  
30 of \_\_\_\_ dollars (\$\_\_\_\_).

31 (h) Service provider licenses issued under this chapter shall be  
32 for a term of 10 years and shall require a license fee pay of \_\_\_\_  
33 dollars (\$\_\_\_\_).

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

1 (j) All moneys collected pursuant to this section shall be  
2 deposited into the Internet Poker Licensing Fund, which is hereby  
3 created, to be administered by the department. Notwithstanding  
4 Section 13340 of the Government Code, all moneys in the fund  
5 are continuously appropriated to the department and the  
6 commission, without regard to fiscal years, in the amounts  
7 necessary for the department and the commission to perform their  
8 duties under this section.

9 (k) An operator and service provider license applicant who  
10 intends to function as an operator licensee or service provider to  
11 a tribal poker room or platform, including a tribe or tribal enterprise  
12 providing those services under this chapter, and any others required  
13 to be licensed in connection therewith under this chapter, tribal  
14 license applicants, shall, if required by the tribal gaming agency,  
15 obtain a license from the tribal regulatory agency exercising  
16 jurisdiction over that platform or poker room, under the procedures  
17 set forth in this section. However, if no tribal gaming agency  
18 process is required, this subdivision does not apply. The parties  
19 intend that the licensing process provided for pursuant to this  
20 chapter shall involve joint cooperation among tribal regulatory  
21 agencies, the commission, and the department. The licensing  
22 process shall be as follows:

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

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

28 (3) Tribal gaming agencies receiving those applications shall  
29 notify the commission of those applications within five days  
30 following receipt thereof.

31 (4) In reviewing an application for a license, the tribal regulatory  
32 agency shall determine whether issuance of the license would meet  
33 the licensing standards set forth in this chapter. A license may not  
34 be issued unless, based on all information and documents  
35 submitted, the tribal regulatory agency is satisfied that the applicant  
36 meets all of the criteria set forth in Sections 19990.22 and  
37 19990.23, including those which must be met to find that an  
38 applicant is suitable for licensing.

39 (5) Each applicant for a tribal regulatory agency license shall  
40 submit the completed application along with the required

1 information and a tribal regulatory agency application fee, if  
2 required, to the tribal regulatory agency in accordance with the  
3 rules and regulations of that agency. At a minimum, the tribal  
4 regulatory agency shall require submission and consideration of  
5 all information required under Sections 19990.22 and 19990.23.  
6 For applicants who are business entities, the licensing provisions  
7 shall apply to the entity as well as to each of the following:

8 (A) Its officers and directors.

9 (B) Its principal management employees, including any chief  
10 executive officer, chief financial officer, chief operating officer,  
11 and general manager.

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

13 (D) Its shareholders who own more than 10 percent of the shares  
14 of the corporation, if a corporation.

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

28 (6) The tribal regulatory agency shall conduct, or cause to be  
29 conducted, all necessary background investigations reasonably  
30 required to determine that the applicant is qualified for a gaming  
31 license under the standards set forth in Sections 19990.22 and  
32 19990.23.

33 (7) In lieu of completing its own background investigation, and  
34 to the extent that doing so does not conflict with or violate this  
35 chapter, the tribal regulatory agency may contract with the  
36 commission and the department for the conduct of background  
37 investigations, may rely on a state certification of nonobjection  
38 previously issued under a gaming compact involving another tribe,  
39 or may rely on a state gaming license previously issued to the  
40 applicant, to fulfill some or all of the tribal regulatory agency's

1 background investigation obligation. An applicant for a tribal  
2 license shall be required to provide releases to the commission to  
3 make available to the tribal agency background information  
4 regarding the applicant. The commission shall cooperate in  
5 furnishing to the tribal regulatory agency that information, unless  
6 doing so would violate any agreement the commission has with a  
7 source of the information other than the applicant, or would impair  
8 or impede a criminal investigation, or unless the tribal regulatory  
9 agency cannot provide sufficient safeguards to ensure the state  
10 gaming agency that the information will remain confidential or  
11 that a provision of the information would violate state or federal  
12 law.

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

29 (9) Upon completion of the necessary background investigation,  
30 the tribal regulatory agency may issue a license on a conditional  
31 or unconditional basis. Nothing herein shall create a property or  
32 other right of an applicant in an opportunity to be licensed, or in  
33 a license itself, both of which shall be considered to be privileges  
34 granted to the applicant in the sole discretion of the tribal regulatory  
35 agency.

36 (10) Any tribal license application under this chapter may be  
37 denied, and any license issued may be revoked, if the tribal  
38 regulatory agency determines that the application is incomplete  
39 or deficient, or if the applicant is determined to be unsuitable or  
40 otherwise unqualified for a gaming license. Pending consideration

1 of revocation, the tribal regulatory agency may suspend a license.  
2 All rights to notice and hearing shall be governed by the rules of  
3 the tribal regulatory agency, which shall meet minimum  
4 requirements to be developed among the tribes, the commission,  
5 and the department, and as to which the applicant will be notified  
6 in writing, along with notice of an intent to suspend or revoke the  
7 license.

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

20 (12) The tribal regulatory agency may summarily suspend the  
21 license of any employee if the tribal regulatory agency determines  
22 that the continued licensing of the person or entity could constitute  
23 a threat to the public health or safety or may violate this chapter.

24 (13) Upon receipt of a completed license application and a  
25 determination by the tribal regulatory agency that it intends to  
26 issue the license, the tribal regulatory agency shall transmit to the  
27 commission a notice of intent to license the applicant, together  
28 with all of the following:

29 (A) A copy of all tribal license application materials and  
30 information received by the tribal regulatory agency from the  
31 applicant.

32 (B) An original set of fingerprint cards.

33 (C) A current photograph.

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

37 (14) As a part of any application process required by a tribal  
38 regulatory agency under this subdivision, the tribal regulatory  
39 agency shall also require the applicant to file an application with  
40 the state gaming agency, prior to issuance of any license, for a

1 determination of suitability for licensure under this chapter. Upon  
2 receipt of completed license application information from the tribal  
3 regulatory agency, the state gaming agency may conduct a  
4 background investigation pursuant to state law to determine  
5 whether the applicant would be suitable to be licensed for  
6 association with a poker room or platform subject to the jurisdiction  
7 of the gaming agency. If further investigation is required to  
8 supplement the investigation conducted by the tribal regulatory  
9 agency, the applicant will be required to pay the statutory  
10 application fee charged by the state regulatory agency pursuant to  
11 this chapter, but any deposit requested by the state regulatory  
12 agency shall take into account the initial deposit already provided  
13 by the applicant, reports of the background investigation already  
14 conducted by the tribal regulatory agency, and any other burdens  
15 on the applicant.

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

18 (16) The state regulatory agency and tribal regulatory agency  
19 shall cooperate in sharing as much background information as  
20 possible, both to maximize investigative efficiency and  
21 thoroughness, and to minimize investigative costs. The state  
22 regulatory agency shall not impose a greater burden or cost upon  
23 an application originating from a tribal applicant or regulatory  
24 agency than if the application originated in connection with a  
25 nontribal operator.

26 (17) Upon completion of the necessary background investigation  
27 or other verification of suitability, the state regulatory agency shall  
28 issue a notice to the tribal regulatory agency certifying that the  
29 state has determined that the applicant would be suitable, or that  
30 the applicant would be unsuitable, for licensure in connection with  
31 a poker room or platform under this chapter and, if unsuitable,  
32 stating the reasons therefor. Prior to denying an application for a  
33 determination of suitability, the state regulatory agency shall notify  
34 the tribal regulatory agency and afford the tribe an opportunity to  
35 be heard. If the state regulatory agency denies an application for  
36 a determination of suitability, that agency shall provide the  
37 applicant with written notice of all appeal rights available under  
38 state law.

1 (18) The tribal regulatory agency shall require a licensee to  
2 apply for renewal of a determination of suitability at the time the  
3 licensee applies for renewal of a tribal license under this chapter.

4 (19) The state regulatory agencies and the tribal gaming agencies  
5 under gaming compacts then in effect shall cooperate in developing  
6 standard licensing forms for tribal gaming license applicants, on  
7 a statewide basis, that reduce or eliminate duplicative or excessive  
8 paperwork, which forms and procedures shall take into account  
9 the requirements under this chapter and the expense thereof.

10 (l) An application deposit amount from a license applicant that  
11 remains after completion of a background investigation and the  
12 finding of suitability shall be refunded to the applicant. If additional  
13 moneys are needed to complete the investigation of the license  
14 applicant, the applicant shall pay the funds necessary to complete  
15 the investigation.

16 (m) There is no limit on the number of Internet poker rooms an  
17 authorized poker room licensed operator may operate, or on the  
18 number of skins that can be offered through an authorized poker  
19 room, but each room shall require a separate license and license  
20 fee.

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

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

27 (1) Skins are intended to serve as an alternative means by which  
28 those who meet gaming suitability requirements may participate  
29 in intrastate Internet poker on a nonoperational basis by permitting,  
30 through contractual arrangements with authorized poker room  
31 operators and compliance with applicable regulations, the  
32 opportunity to offer players authorized games in an authorized  
33 poker room, but under the skin sponsor's brand or other identity  
34 rather than that of the authorized poker room operator. Skins are  
35 typically represented on an Internet Web site through graphics and  
36 words distinguishing it from those employed directly by the  
37 authorized poker room.

38 (2) Other than the approval of designs, logos, graphics, and  
39 other advertising considerations, skin sponsors shall have no

1 operation or control over the skin or authorized poker room, or  
2 any access to the platform or games played thereon.

3 (3) All games played through a skin shall be treated the same  
4 as other authorized games played in the host poker room and shall  
5 be offered only to authorized players.

6 (4) Players entering games from skins or directly through the  
7 poker room may be mixed among the tables in the poker room and  
8 need not be informed as to the source from which other players  
9 entered the room.

10 (5) An unlimited number of skins for an authorized poker room  
11 may be issued to one or more skin sponsors by the poker room  
12 licensee. A fee to the commission for a skin sponsorship shall be  
13 collected and paid to the commission in the amount of \_\_\_\_% of  
14 the fee to be paid to the licensed poker room operator for operating  
15 the skin on the sponsor's behalf, but the fee to the commission  
16 shall be equal to or greater than \_\_\_\_ dollars (\$\_\_\_\_) annually.

17 (6) Players accessing the authorized poker room through a skin  
18 shall be authorized and, in all other respects, treated and subject  
19 to the same rules as any other player in the room.

20 (7) Additional rules governing advertisements, identifications,  
21 and notifications to players regarding skins shall be issued by the  
22 regulatory agency.

23 19990.21. An entity described in subdivision (b) of Section  
24 19990.20 is eligible for a platform operator license or a poker room  
25 operator license. There is no limit on the total number of operating  
26 licenses the state may issue. An eligible entity may jointly apply  
27 for a license, either as a partnership or some other combination of  
28 eligible entities, as long as that combination is comprised entirely  
29 of eligible entities. An eligible entity that is a partnership,  
30 consortium, or other combination of eligible entities may itself  
31 have an interest in only a single license.

32 19990.22. (a) Factors to be considered in evaluating the  
33 application for a license shall include, but are not limited to,  
34 quality, efficiency, reliability, financial viability, durability,  
35 adaptability, timely performance, integrity, and security.

36 (b) (1) A nontribal license applicant shall be a resident of  
37 California or an entity organized in California, domiciled in  
38 California, and in good standing with the Secretary of State and  
39 Franchise Tax Board, and subject to auditing, enforcement of the  
40 terms of the license, and state taxation.

1 (2) The following applies to tribal license applicants:

2 (A) The commission shall consult with California tribal  
3 governments and regulatory agencies to develop a registration and  
4 application process that takes into account, and avoids duplication  
5 of, efforts by the commission and tribal governmental gaming  
6 agencies to perform background and other suitability tests  
7 applicable to tribes under their tribal-state compacts.

8 (B) A tribal license applicant shall be federally recognized as  
9 a tribe, perform a substantial portion of its governmental functions  
10 within the borders of California, and be subject to a tribal-state  
11 gaming compact.

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

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

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

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

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

31 (6) In addition to other confidentiality protections afforded to  
32 license applicants, the state and its regulatory agencies and the  
33 tribe and their regulatory agencies shall treat the proprietary  
34 information of a license applicant as confidential to protect the  
35 license applicant and to protect the security of a prospective  
36 intrastate Internet poker platform or poker room. This chapter does  
37 not prohibit the exchange of confidential information among state  
38 agencies, tribal gaming agencies, or both, considering a license  
39 application, nor does it prohibit the state or its agencies from

1 entering into agreements to share applicant background information  
2 with other gaming licensing agencies in other jurisdictions.

3 19990.23. (a) The commission or, if application for licensing  
4 in connection with a tribal platform or poker room, the appropriate  
5 tribal regulatory agency, if required under subdivision (k) of  
6 Section 19990.20, shall review the suitability and capability of a  
7 license applicant in conformity with the rules set forth in this  
8 chapter.

9 (b) With respect to nontribal licenses, the commission may  
10 establish a process to conduct a preliminary determination of  
11 suitability based on a partial investigation of license applicants  
12 that are seeking licensure along with a determination of which  
13 license applicants may be subject to a partial investigation. A  
14 partial investigation is intended to screen out applicants that do  
15 not meet the prima facie evidential showing that it meets the  
16 suitability requirements of this chapter. A partial investigation  
17 shall include fingerprint-based state and federal criminal history  
18 checks and clearances, and inquiries into various public databases  
19 regarding credit history and civil litigation. A partial investigation  
20 shall also include a review of the applicant's financial status, which  
21 shall include the required submission of a report prepared on behalf  
22 of the applicant by a department-approved forensic accounting,  
23 audit, or investigative firm, in a format developed by the  
24 department, and at the applicant's expense. The report shall include  
25 the financial information necessary for the department to make a  
26 preliminary determination of suitability. The department may  
27 specify additional requirements regarding the contents of the report  
28 and any other financial information or documentation required to  
29 be submitted with the application. A full investigation shall be  
30 conducted of only those persons that pass the partial investigation  
31 and that will undergo a full investigation pursuant to subdivision  
32 (c). Those applicants that do not pass the partial investigation may  
33 appeal the decision to the commission.

34 (c) The commission shall conduct a full investigation into the  
35 suitability of a license applicant that initially applies to the  
36 commission for a license, and in the case of tribal license  
37 applicants, if required under subdivision (k) of Section 19990.20,  
38 following approval of the license by the tribal regulatory agency.

39 (d) Notwithstanding any provision of this chapter to the contrary,  
40 an applicant that is a tribe and that is subject to a tribal-state

1 compact, secretarial procedures for class III gaming under IGRA,  
2 or a gaming ordinance or resolution approved under IGRA that is  
3 in effect, shall be presumed suitable and shall not be required to  
4 pay the application fee. However, tribal officials and other agents  
5 or representatives of the tribe are exempt from the suitability  
6 determinations pursuant to this section only when, as set forth in  
7 subparagraph (C) of paragraph (3), the tribe holds the license  
8 through a separate and independent tribal entity. In all other  
9 instances the investigation shall include all of the following  
10 persons:

- 11 (1) The license applicant.
- 12 (2) All officers, directors, partners, and members of the license  
13 applicant.
- 14 (3) The owner or owners of the following:
  - 15 (A) The license applicant.
  - 16 (B) An affiliate of the license applicant.
  - 17 (C) A person deemed by the department to have significant  
18 influence over the license applicant or its service providers or their  
19 respective operations. Notwithstanding any provision of this section  
20 to the contrary, in the event the tribal applicant is a separate and  
21 independent entity of the tribe, such as a tribally and wholly owned  
22 corporation or limited liability company, with control vested in a  
23 board or committee that is separate from the tribe's governing  
24 body, except for the basic tribal eligibility requirements set forth  
25 in Section 19990.20, that may be met by the tribe, those tribal  
26 entities shall meet any other requirements for licensure pursuant  
27 to this chapter. Only the officers, directors, and key employees of  
28 those entities, and not the elected officials of the tribal owner, shall  
29 be required to meet the suitability requirements of this section,  
30 except when those tribal officials have authority to exercise direct  
31 control over the operations of the entity.
  - 32 (D) A person that directly or indirectly holds a beneficial interest  
33 or ownership interest of 10 percent or more of a service provider  
34 or player recruiter of the licensee. The commission may require a  
35 person with a smaller interest to be found suitable in the exercise  
36 of its discretion where it deems appropriate. If the person is not a  
37 natural person, the department may determine which officers,  
38 directors, and owners of the person are significantly involved in  
39 the management or control of the person as it relates to core  
40 functions so as to require an investigation into suitability.

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

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

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

24 (2) Holdings of those securities were purchased for investment  
25 purposes only.

26 (3) The institutional investor annually files a certified statement  
27 with the department to the effect that it has no intention of  
28 influencing or affecting the affairs of the issuer, the licensee, or  
29 service provider, as applicable, or its holding or intermediary  
30 companies.

31 (4) Notwithstanding paragraph (3), the institutional investor  
32 may vote on matters submitted to the vote of the outstanding  
33 security holders.

34 (5) The certification described in paragraph (3) shall include a  
35 statement that the institutional investor beneficially owns the equity  
36 securities of the corporation for investment purposes only, and in  
37 the ordinary course of business as an institutional investor, and  
38 not for the purpose of causing, directly or indirectly, the election  
39 of members of the board of directors, or effecting a change in the  
40 corporate charter, bylaws, management, policies, or operations of

1 the corporation or any of its affiliates. The certification also shall  
2 indicate any changes to the structure or operations of the  
3 institutional investor that could affect its classification as an  
4 institutional investor, as listed in paragraph (7). Additionally, the  
5 certification shall state that the institutional investor and  
6 corporation shall maintain gaming compliance policies and  
7 procedures to implement and ensure compliance with this chapter  
8 and regulations promulgated thereunder.

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

29 (7) If at any time the regulatory agency finds that an institutional  
30 investor holding a security of a licensee under this chapter has  
31 failed to comply with the terms of this chapter, or if at any time  
32 the department finds that, by reason of the extent or nature of its  
33 holdings, whether of debt or equity securities, an institutional  
34 investor is in a position to exercise such a substantial impact upon  
35 the controlling interests of a licensee that investigation and  
36 determination of suitability of the institutional investor are  
37 necessary to protect the public interest, the department may take  
38 any necessary action otherwise authorized under this chapter to  
39 protect the public interest.

- 1 (8) For purposes of this subdivision, an “institutional investor”  
2 includes all of the following:
- 3 (A) A retirement fund administered by a public agency for the  
4 exclusive benefit of federal, state, or local public employees.
- 5 (B) An investment company registered under the federal  
6 Investment Company Act of 1940 (15 U.S.C. Sec, 80a-1 et seq.).
- 7 (C) A collective investment trust organized by banks under Part  
8 Nine of the Rules of the Office of the Comptroller of the Currency.
- 9 (D) A closed-end investment trust.
- 10 (E) A chartered or licensed life insurance company or property  
11 and casualty insurance company.
- 12 (F) A federally regulated or state-regulated bank, savings and  
13 loan, or other federally or state-regulated lending institution.
- 14 (G) An investment adviser registered under the federal  
15 Investment Advisers Act of 1940 (15 U.S.C. Sec. 80b-1 et seq.).
- 16 (H) Other persons as the department may determine for reasons  
17 consistent with the public interest.
- 18 (g) The tribe or tribes that own a tribal enterprise, and the  
19 officers, directors, and employees of that tribe or tribes, are not  
20 subject to suitability review as a condition of the tribal enterprise  
21 obtaining a license pursuant to this chapter, provided that the tribal  
22 enterprise is controlled by an independent board of directors. The  
23 officers, directors, and employees of the tribal enterprise are not  
24 hereby exempted from suitability review.
- 25 (h) Except as otherwise provided by statute or regulation, every  
26 person, that, by statute or regulation, is required to hold a license  
27 shall obtain a license prior to engaging in the activity, or occupying  
28 the position, with respect to which the license is required. An  
29 applicant for licensing, or for any approval or consent, shall make  
30 a full and true disclosure of all information to the appropriate  
31 regulatory agencies as necessary to carry out the policies of the  
32 state relating to the licensing and control of poker. The burden of  
33 proving a person’s qualifications to receive a license is on the  
34 applicant.
- 35 (i) The regulatory agencies may issue a finding of suitability  
36 for a license applicant to obtain a license only if, based on all of  
37 the information and documents submitted, the commission is  
38 satisfied that each of the persons subject to investigation pursuant  
39 to this section is both of the following:

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

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

12 (j) The commission shall issue a finding that a license applicant  
13 is not suitable to obtain a license if it finds that a person subject  
14 to investigation pursuant to this section is described by any of the  
15 following:

16 (1) Failed to clearly establish eligibility and qualifications in  
17 accordance with this chapter.

18 (2) Failed to timely provide information, documentation, and  
19 assurances required by this chapter or requested by the department,  
20 or, with respect to a license applicant, failed to reveal any fact  
21 material to qualification, or supplied information that is untrue or  
22 misleading as to a material fact pertaining to the suitability criteria.

23 (3) Been convicted of a felony, including a conviction by a  
24 federal court or a court in another state or foreign jurisdiction for  
25 a crime that would constitute a felony if committed in California,  
26 except that a conviction of a felony involving the hunting or fishing  
27 rights of a tribal member while on his or her reservation shall not  
28 be included among the class of disqualifying felonies.

29 (4) Been convicted of a misdemeanor in a jurisdiction involving  
30 dishonesty or moral turpitude within the 10-year period  
31 immediately preceding the submission of the application, unless  
32 the applicant has been granted relief pursuant to Section 1203.4,  
33 1203.4a, or 1203.45 of the Penal Code. However, the granting of  
34 relief pursuant to Section 1203.4, 1203.4a, or 1203.45 of the Penal  
35 Code shall not constitute a limitation on the discretion of the  
36 department or affect the applicant's burden.

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

39 (6) Has contemptuously defied a legislative investigative body,  
40 or other official investigative body of a state or of the United States

1 or a foreign jurisdiction, when that body is engaged in the  
2 investigation of crimes relating to poker, official corruption related  
3 to poker activities, or criminal profiteering activity or organized  
4 crime, as defined in Section 186.2 of the Penal Code.

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

6 (8) Has knowingly and willfully accepted a bet after December  
7 31, 2006, from a person located in the United States on any form  
8 of Internet gambling, including, but not limited to, poker, that has  
9 not been affirmatively authorized by law of the United States or  
10 of each state in which a person making that bet were located, or  
11 has been the holder of a direct or indirect financial interest in a  
12 person or entity that has accepted that bet.

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

18 (k) Actions on license applications will be treated as follows:

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

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

30 (3) This section neither requires the department to divulge to  
31 the applicant confidential information received from a law  
32 enforcement agency or information received from a person with  
33 assurances that the information would be maintained confidential,  
34 nor to divulge any information that might reveal the identity of an  
35 informant or jeopardize the safety of a person.

36 (4) Denial of an application shall be without prejudice to a new  
37 and different application filed in accordance with any regulations  
38 adopted by the department with respect to the submission of  
39 applications.

1 (5) A request to withdraw an application for a license may be  
2 made by the license applicant at any time prior to final action on  
3 the application by the department by filing a written request with  
4 the commission to withdraw the application, absent knowledge of  
5 a specific reason to suspect that the person or entity may be found  
6 unsuitable.

7 (6) The commission shall waive the application of the provisions  
8 of paragraph (8) or (9) of subdivision (j) for an applicant who can  
9 demonstrate by clear and convincing evidence that its conduct in  
10 connection with bets and gambling games involving persons  
11 located in the United States was not unlawful under federal law  
12 and the laws of each state in which persons making the bets were  
13 located. In making this determination, the commission may  
14 consider evidence that the applicant was prosecuted under the laws  
15 of any state, the United States, or another jurisdiction. However,  
16 the termination of a prosecution in a manner other than a conviction  
17 does not constitute evidence that the applicant's conduct was  
18 lawful. This section does not waive the need to comply with all  
19 otherwise applicable license and suitability requirements.

20 (l) This section shall not be construed to prohibit a tribal  
21 regulatory agency from conducting its own analysis of suitability  
22 for a person or entity applying for licensure in connection with a  
23 tribal platform or poker room, or from providing the results of its  
24 suitability analysis to the commission, as provided under  
25 subdivision (k) of Section 19990.20.

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 financially  
36 qualified to become a licensee, the department shall request that  
37 a license applicant name, describe, or provide all of the following:

38 (a) The license applicant's experience and qualifications to  
39 provide the services anticipated of a licensee as set forth in Article  
40 5 (commencing with Section 19990.30).

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

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

12 (d) The fingerprints of the owners, directors, managers,  
13 executives, and employees of the licensee and its affiliates, using  
14 live scan technology.

15 (e) Documentation and information relating to the license  
16 applicant and its direct and indirect owners, including, but not  
17 limited to, all of the following:

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

26 (2) Current and historical audited financial and accounting  
27 records performed in accordance with Generally Accepted  
28 Accounting Principles (GAAP) or International Financial Reporting  
29 Standards (IFRS).

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

32 (4) Documents relating to the license applicant's business history  
33 and structure.

34 (5) Documents relating to the nature and sources of the license  
35 applicant's financing, including, but not limited to, operating  
36 agreements, partnership agreements, stock purchase agreements,  
37 loan capital agreements, pro forma cap tables, pro forma statements  
38 of profits and loss, investor rights agreements, voting agreements,  
39 and shareholder agreements. These materials may be submitted  
40 subject to a request for confidentiality.

1 (6) Documentation that demonstrates that the license applicant  
2 is financially qualified to perform the obligations of a licensee as  
3 described in this article. An applicant for licensure as an operator  
4 shall provide documentation establishing that, if the license is  
5 granted, the license applicant is qualified to pay the license fee  
6 required by subdivision (a) of Section 19990.58 from its own  
7 assets, or its owners' assets, or through credit extended to the entity  
8 in an amount not to exceed the entity's own assets, or its owners'  
9 assets.

10 (7) An independent financial audit report by a certified public  
11 accountant.

12 (f) A description of the functions, goods, or services that the  
13 license applicant intends to provide through licensed service  
14 providers, rather than conducting directly.

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

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

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

24 (2) The licensee's security systems.

25 (3) The license applicant's proposal for the manner in which it  
26 will facilitate compliance with all of the standards set forth in this  
27 chapter and federal law, including, but not limited to, Section  
28 5362(10)(B) of Title 31 of the United States Code.

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

33 (1) Connectivity and level of service.

34 (2) The system architecture of the gaming equipment.

35 (3) The software architecture of the gaming system.

36 (4) The network architecture of the gaming system.

37 (5) The security employed for the protection of the gaming  
38 system.

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

40 (7) Connectivity with systems belonging to service providers.

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

1 certification entity to ensure that it complies with the requirements  
2 of this chapter.

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

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

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

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

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

24

#### 25 Article 5. Rights and Obligations of Licensees

26

27 19990.30. (a) A licensee shall comply with the terms of this  
28 chapter.

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

38 (c) If a dispute arises between the state and the licensee, the  
39 department or a licensee may file an action in the superior court  
40 of a county in which the department has an office for an

1 interpretation of the rights and responsibilities of the state and the  
2 licensee pursuant to this chapter.

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

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

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

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

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

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

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

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

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

35 (4) Conviction of the applicant for a misdemeanor 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 under subdivision (b).

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

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

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

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

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

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

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

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

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

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

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

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

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

36 (j) A licensee shall not pay to a person whose employment has  
37 been terminated or suspended pursuant to subdivision (i)  
38 remuneration for a service performed in a capacity in which the  
39 person is required to hold an employee work permit, except for

1 amounts due for services rendered before the date of receipt of  
2 notice of the department's action of suspension or termination.

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

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

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

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

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

1 19990.33. (a) Changes in ownership of the licensee shall be  
2 approved by the department prior to the closing of a proposed  
3 transaction.

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

12 (c) A change in the elected officers of a tribal government  
13 licensee shall not be considered to be a change in interest or  
14 ownership of the licensee.

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

20 19990.35. The gaming system is divided into three parts:

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

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

30 (c) A games management system that shall include all the  
31 technology, functions, and internal control system mechanisms  
32 required to set up, manage and monitor authorized games, including  
33 games content and game logic, but does not receive, process, or  
34 store personal information about players, such as their names,  
35 addresses, and other contact information, or their funds, except to  
36 the extent necessary for the system to function, and in accordance  
37 with any limitations from the cardroom operator and any applicable  
38 regulations.

39 (d) This section does not prohibit a licensed operator from  
40 licensing software, intellectual property, or other goods, services,

1 or information used by the gaming system from a licensed service  
2 provider.

3 (1) The player management system and the fund management  
4 system shall belong to, and be the responsibility of, an authorized  
5 poker room operator. A licensed poker platform operator shall not  
6 have access to the player management system and fund  
7 management system, except to the extent expressly authorized in  
8 writing by the poker room operator and in conformity with  
9 applicable regulations.

10 (2) The game management system shall belong to, and be the  
11 responsibility of, an authorized poker platform operator. Authorized  
12 poker room operators shall not have access to the games  
13 management system, except to the extent expressly authorized in  
14 writing by the poker room operator and in conformity with  
15 applicable regulations.

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

18 (1) Player registration.

19 (2) Player settings.

20 (3) Player account management.

21 (4) Responsible gaming.

22 (5) Player authentication.

23 (6) Player authorization.

24 (7) Geolocation.

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

26 (9) Age verification.

27 (f) The licensed poker room operator is responsible to control  
28 and manage the player identity, and funds and data related to  
29 authorized players in that poker room, to ensure the privacy and  
30 funds security of authorized players. This section does not prohibit  
31 the licensed operator from licensing software, intellectual property,  
32 or other goods, services, or information used by the player  
33 management or funds management system from a licensed service  
34 provider.

35 (g) The licensed poker platform operator shall ensure that  
36 players are eligible to play the games operated by the poker room  
37 licensee and implement appropriate security standards to prevent  
38 collusion and cheating during games and that all gaming is fair.  
39 This provision does not prohibit the licensed operator from  
40 licensing software, intellectual property, or other goods, services,

1 or information used by the game management system from a  
2 licensed service provider.

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

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

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

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

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

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

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

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

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

- 1 (A) Not less than one thousand dollars (\$1,000) and not more  
2 than two thousand dollars (\$2,000) for the first violation.
- 3 (B) Not less than two thousand five hundred dollars (\$2,500)  
4 and not more than three thousand five hundred dollars (\$3,500)  
5 for the second violation.
- 6 (C) Not less than four thousand dollars (\$4,000) and not more  
7 than five thousand dollars (\$5,000) for the third violation.
- 8 (D) Not less than five thousand five hundred dollars (\$5,500)  
9 and not more than six thousand five hundred dollars (\$6,500) for  
10 the fourth violation.
- 11 (E) Ten thousand dollars (\$10,000) for a fifth or any subsequent  
12 violation.
- 13 (j) The department shall, by regulation, provide a process for a  
14 licensed operator to exclude from play a person who has filled out  
15 a California Internet poker self-exclusion form.
- 16 (1) The department shall develop a self-exclusion form within  
17 six months of the operative date of this chapter.
- 18 (2) The department shall deliver the form to each licensed poker  
19 room operator.
- 20 (3) A licensed poker room operator shall, prior to any play,  
21 prominently display a link to the department's Responsible  
22 Gambling Internet Web page and display the self-exclusion form  
23 when either of the following occurs:
- 24 (A) A person registers to be a player.
- 25 (B) An authorized player accesses the authorized poker room.
- 26 (4) A licensed operator shall retain the Internet self-exclusion  
27 form to identify persons who want to be excluded from play.
- 28 (5) A licensed poker room operator that has made commercially  
29 reasonable efforts to comply with this subdivision shall not be held  
30 liable in any way if a person who has filled out an Internet  
31 self-exclusion form plays despite that person's request to be  
32 excluded.
- 33 19990.36. A licensed poker platform operator shall only offer  
34 authorized games and process bets in accordance with the  
35 applicable game and betting rules established by the licensed  
36 operator and approved by the department pursuant to Sections  
37 19990.14 and 19990.37, provided that neither this chapter nor  
38 those rules prohibit a licensed operator from offering play-for-fun  
39 or play-for-free poker games on an Internet poker Web site.

1 19990.37. (a) To propose an authorized game for play, a  
2 licensed operator shall provide the department with both of the  
3 following:

4 (1) Game rules and betting rules it proposes to offer to registered  
5 players.

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

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

10 19990.38. (a) A licensed operator shall ensure that games are  
11 fair by utilizing a gaming system approved by the commission.  
12 The commission may promulgate regulations specifying  
13 requirements for the gaming system.

14 (b) The licensed poker room operator and applicable service  
15 providers shall, prior to commencing the operation of the gaming  
16 system, certify through an independent gaming certification entity  
17 approved by the commission the reliability, accuracy, and integrity  
18 of the system and its parts, as well as its ability to be effectively  
19 tested, in accordance with certification regulations to be issued by  
20 the commission. All components of the gaming system shall  
21 comply with all requirements of this chapter.

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

31 (d) The gaming system shall display for each game the following  
32 information:

33 (1) The name of the game.

34 (2) Any restrictions on play.

35 (3) The rules of the game.

36 (4) All instructions on how to play.

37 (5) The unit and total bets permitted.

38 (6) The player's current account balance, which shall be updated  
39 in real time.

1 (7) Any other information that a licensee determines is necessary  
2 for the authorized players to have in real time to compete fairly in  
3 the game.

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

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

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

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

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

24 (h) In a tournament, if the gaming server or software does not  
25 allow the tournament to be completed, all prize money shall be  
26 distributed among players in accordance with the procedure  
27 published by the licensee prior to the commencement of the  
28 tournament.

29 19990.39. (a) A licensed operator shall register players and  
30 establish player accounts prior to play.

31 (b) The player registration process must include submitting the  
32 following minimum information:

33 (1) Full legal name.

34 (2) Mailing address.

35 (3) Telephone number.

36 (4) Social security number or taxpayer identification number.

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

39 (6) Valid email address.

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

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

7 (c) A licensed poker room operator shall employ an  
8 authentication process before accepting a player, unless the  
9 authentication process was previously carried out by a licensed  
10 service provider.

11 (d) An individual under 21 years of age shall not be registered  
12 as an authorized player, and funds deposited or money won by an  
13 individual under 21 years of age shall be forfeited to the  
14 commission. The commission may take further action towards the  
15 licensed operator who registered an individual under 21 years of  
16 age or permitted that individual to play a game.

17 (e) Only a licensed poker room operator may hold a deposit  
18 account.

19 (f) A player may have multiple gaming accounts with any given  
20 licensed poker room operator for any room and skin in which the  
21 player participates, but shall not be permitted to play more than  
22 one position at the same table at the same time.

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

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

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

34 (j) If a licensed poker room operator becomes aware that an  
35 individual has provided false information in respect of a registration  
36 or authorization process, the licensed poker room operator shall  
37 not register that individual and if he or she has already been  
38 registered, the licensed poker room operator shall immediately  
39 cancel his or her registration as a player with the licensed operator.

1 (k) Subject to those rules that the commission may establish,  
2 this section does not prevent a licensed poker room operator from  
3 entering into a marketing agreement with a third party to recruit  
4 individuals to become registered players, provided that the licensed  
5 operator remains responsible for ensuring that the registration  
6 process described in this section has been completed prior to  
7 permitting game play.

8 19990.40. (a) A licensed poker room operator shall provide a  
9 means for authorized players to deposit funds into the deposit  
10 account and transfer funds out of that account, either for return to  
11 the player or for use in game play.

12 (b) An authorized player shall identify the source of funds to  
13 be used to put money into the account established once the  
14 registration process is complete. The player shall identify the  
15 specific account to be used for any given game prior to play and  
16 in accordance with the poker room rules.

17 (c) At the time that a player establishes an online gaming  
18 account, he or she shall designate the bank account or credit card  
19 into which funds associated with his or her play are to be  
20 withdrawn or deposited, in accordance with the poker room rules.

21 (d) A licensed operator shall not permit a player to increase the  
22 amount of money available in the account designated for use in a  
23 game after a hand in that game has started.

24 (e) A licensed poker room operator shall maintain records on  
25 the balance of funds in each of the player's deposit accounts.

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

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

31 (h) 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 an  
10 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 player  
15 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 person  
21 who is registering the privacy policies of the intrastate Internet  
22 poker room, and the person shall assent to the following policies:

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

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

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

34 19990.43. A licensed operator may require that an authorized  
35 player, or a person registering as a player, agree to a Terms of Use  
36 Registered Player's Agreement.

37 19990.44. A licensed operator may suspend or revoke the  
38 account of an authorized player for any of the following reasons:

1 (a) A person or authorized player provided false information to  
2 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 authorized poker  
7 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 authorized poker room, the licensed operator  
13 shall permit a registered player to adjust his or her play settings  
14 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 the  
20 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 informs  
4 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 by  
19 a licensee and the right of the registered player under subdivision  
20 (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 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 do  
33 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 consent  
37 of the registered player concerned and shall take actions necessary  
38 to prevent unauthorized access to that information by a person  
39 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 times  
24 and at a place designated by the licensed operator. A registered  
25 player shall be provided a reasonable opportunity to correct any  
26 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 accounts  
33 and regularly audit all of its financial records and reports, which  
34 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 losses  
37 due to connectivity problems.

38 (d) An authorized poker room operator shall ensure that all  
39 transactions involving registered players’ funds shall be recoverable  
40 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 December 31,  
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 laws  
9 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 amount  
29 of ten million dollars (\$10,000,000). 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 determined  
6 by the department for the actual reasonable costs of license  
7 oversight, consumer protection, state regulation, problem poker  
8 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 affects 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 withheld  
23 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 a  
8 copy of the form with the Franchise Tax Board for each registered  
9 player who held an account with the licensed operator for all, or  
10 any portion of, the taxable year. The licensed operator shall  
11 electronically provide each registered player with a copy of the  
12 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 licensed  
18 or found suitable, then the transaction shall not have a closing date  
19 prior to the approval or licensing of the other party, except as  
20 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 this  
23 chapter, in the offer or administration of authorized games that  
24 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 the  
15 licensed operator's license pursuant to this chapter is revoked or  
16 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  
30 any claim or litigation. If a licensee assumes the defense of any  
31 claim or litigation, the licensee's obligation with respect thereto  
32 shall 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 is  
6 deemed to address an emergency, for purposes of Sections 11346.1  
7 and 11349.6 of the Government Code, and the commission and  
8 those other state agencies are hereby exempted for that purpose  
9 from the requirements of subdivision (b) of Section 11346.1 of  
10 the Government Code. After the initial adoption, amendment, or  
11 repeal of an emergency regulation pursuant to this section, the  
12 commission and those other state agencies shall not request  
13 approval from the Office of Administrative Law to readopt the  
14 regulation as an emergency regulation pursuant to Section 11346.1  
15 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 and  
18 land-based gaming entities eligible for licensure pursuant to this  
19 chapter along with information regarding how comments can be  
20 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  
36 personal delivery, three days after deposit in the United States mail  
37 by certified or registered mail, return receipt requested, one  
38 business day after its deposit with any return receipt express  
39 courier, 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,  
3 effective, and robust regulation with access to worldwide expertise  
4 tested and proven in the poker industry. This may include, but is  
5 not limited to, state, tribal, and international regulatory agencies.  
6 The department may also enter into agreements to share  
7 information with other regulatory and law enforcement agencies  
8 to assist in conducting background checks and suitability reviews.  
9 To expedite the implementation of Internet poker, contracts  
10 pursuant to this section shall not be subject to otherwise applicable  
11 provisions of the Government Code or the Public Contract Code  
12 and, for those purposes, the department shall not be considered a  
13 state agency 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 received  
4 from a licensee pursuant to subdivision (c) of Section 19990.58  
5 to the Controller for deposit into the Internet Poker Fund, which  
6 is hereby created in the State Treasury, to be administered by the  
7 Controller, subject to annual appropriation by the Legislature.

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

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

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

29  
30 Article 9. Preemption of Local Regulation

31  
32 19990.90. A city, county, or city and county shall not regulate,  
33 tax, or enter into a contract with respect to any matter related to  
34 this chapter. This section does not prohibit or limit the investigation  
35 and prosecution of any violation of this chapter.

36  
37 Article 10. Reports to the Legislature

38  
39 19990.95. Notwithstanding Section 10231.5 of the Government  
40 Code, within one year of the effective date of this chapter and,

1 annually thereafter, the department, in consultation with the  
2 commission, the Treasurer, and the Franchise Tax Board, shall  
3 issue a report to the Legislature describing the state’s efforts to  
4 meet the policy goals articulated in this chapter. The report shall  
5 be submitted in compliance with Section 9795 of the Government  
6 Code.

7 19990.96. (a) At least four years after the issue date of any  
8 license pursuant to this chapter, but no later than five years after  
9 that date, the Bureau of State Audits shall issue a report to the  
10 Legislature detailing the implementation of this chapter. The State  
11 Auditor may advise the Legislature on any recommendations  
12 regarding the terms of licensure, including the consideration paid  
13 to the state, the economic and operational impacts upon the licensee  
14 and the state, and any other issues that may be relevant to the state’s  
15 decision whether to impose modifications on existing licensees’  
16 fees or terms of licensure. The report may also advise the  
17 Legislature as to any proposed changes to Article 5 (commencing  
18 with Section 19990.30) of this chapter.

19 (b) A report submitted pursuant to subdivision (a) shall be  
20 submitted in compliance with Section 9795 of the Government  
21 Code.

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

24 SEC. 2. The provisions of this act are severable. If any  
25 provision of this act or its application is held invalid, that invalidity  
26 shall not affect other provisions or applications that can be given  
27 effect without the invalid provision or application.

28 SEC. 3. The Legislature finds and declares that Section 1 of  
29 this act, which adds Chapter 5.2 (commencing with Section  
30 19990.01) to Division 8 of the Business and Professions Code,  
31 imposes a limitation on the public’s right of access to the meetings  
32 of public bodies or the writings of public officials and agencies  
33 within the meaning of Section 3 of Article I of the California  
34 Constitution. Pursuant to that constitutional provision, the  
35 Legislature makes the following findings to demonstrate the interest  
36 protected by this limitation and the need for protecting that interest:

37 The limitations on the people’s rights of access set forth in this  
38 chapter are necessary to protect the privacy and integrity of  
39 information submitted by the registered players as well as the  
40 proprietary information of the license applicants and licensees.

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

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

14 In order to protect the interests of Californians who play Internet  
15 poker games and to ensure that people play fair games, that the  
16 state realizes the revenues, and that suitable persons operate  
17 intrastate Internet poker games, it is necessary that this act take  
18 effect immediately.