



STAFF AGENDA MEMORANDUM

DATE OF MEETING: August 29, 2024

AGENDA ITEM: **Proposed Amendments to Regulations:**
Gaming Provisions
Video Lottery Terminals
Sports Wagering
Skill-Based Amusement Devices
Online Fantasy Competitions

PRESENTER: James Nielsen, Deputy Director / COO

ISSUE SUMMARY: We are presenting proposed amendments to regulations in the following subtitles: Gaming Provisions, Video Lottery Terminals, Sports Wagering, Skill-Based Amusement Devices and Online Fantasy Competition. These amendments address industry recommendations received during our annual review process and staff recommendations.

Proposed Amendments To COMAR Title 36 Maryland State Lottery and Gaming Control Agency

Subtitle 03 Gaming Provisions

Chapter 10 Video Lottery Facility Minimum Internal Control Standards

Proposed amendments to Regulation .07 of this chapter would require Maryland specific audited financial statements if the Maryland operations represent less than 75% of the licensees' parent's total revenue.

Proposed amendments to Regulation .12 of this chapter would allow a facility operator to utilize an electronic surveillance incident log that documents changes made by a user. This would allow an operator to implement newer surveillance technology. These amendments were in response to the gaming industry's recommendation.

Proposed amendments to Regulation .14 of this chapter correct an erroneous cross reference, and fix grammar.

The proposed amendment to Regulation .20 of this chapter increases the value of a check or multiple checks a facility operator may accept from an individual in a single day from \$250,000 to \$500,000. It is important to note that these checks must be from licensed casinos and represent payouts for gaming activity. This amendment was in response to a gaming industry recommendation.

The proposed amendment to Regulation .28 of this chapter corrects an error in the regulation to be consistent. The personal check limit was previously raised to \$50,000, but this regulation, that also referenced the amount, was not updated at that time.

Proposed amendments to Regulation .38 of this chapter allow operators to use an approved electronic jackpot or credit meter payout system. This allows the use of newer technology. These amendments were in response to a gaming industry recommendation.

Proposed Regulation .52 of this chapter is entirely new. It clarifies that a facility operator must advise the Agency of offers and tournaments it plans to conduct 14 days before the planned start date of the offer or tournament.

Subtitle 04 Video Lottery Terminals

Chapter 02 Video Lottery Terminal Machines

Proposed amendments to Regulation .02 of this chapter would correct the basis for calculating VLT assessments for responsible gaming. The assessment is based on the highest number of VLTs operating during the prior calendar year.

Subtitle 08 Skill-Based Amusement Devices

Chapter 01 General

The proposed amendment to Regulation .02 of this chapter is a recommendation that the minimal value increase from \$30 to \$40.

Chapter 02 Registration

Proposed amendments to Regulation .01 of this chapter clarify that the Agency does not assign a registration number to each device, but instead, provides stickers that must be affixed to each device.

Chapter 03 Amusement Gaming License

Proposed amendments to Regulations .01 .02, .03, .04, and .06 of this chapter are changes to comport with the Style Manual for Maryland Regulations, correct references, clarify the discretionary aspect of requesting a corrective action plan, and use accurate definitions from the regulations.

Chapter 04 General Standards

Proposed amendments to Regulation .01 of this chapter clarify the value of prizes that may be awarded consistent with statute. A family entertainment center in Worcester County may award a single prize valued at up to \$599. However, other skills-based amusement device prizes may not be accumulated and exchanged for prizes of more than the defined minimal value.

Regulation .03 of this chapter is entirely new. It describes enforcement actions available if a skill-based amusement device owner does not comply with the subtitle.

Subtitle 09 Online Fantasy Competitions

Chapter 01 General

Proposed amendments to Regulation .02 of this chapter reorganize the definitions, and included new definitions, consistent with statute, that clarify what a fantasy competition is and what it is not. These proposed amendments would make it easier for operators to determine which types of competitions are permitted in Maryland.

Chapter 02 Registration and Enforcement

Regulation .01 is completely re-written and broken into two separate regulations – Regulation .01 for the application process for operator registration, and Regulation .02 for Agency approval of a fantasy competition.

Proposed amendments renumbered Regulation .03 of this chapter clarify that Agency approval of a new competition is required before an operator can offer it. Minor modifications to a previously offered contest are permitted.

Proposed amendments to Regulation .04 of this chapter increase the annual registration fee from \$100 to \$1,000 to better reflect the efforts of Agency Staff to process fantasy competition operator registrations, and review contest rules for statutory compliance.

Proposed amendments to Regulation .05 of this chapter simplify the renewal process in that a fantasy competition operator remains registered if its registration invoice is paid.

Proposed amendments to Regulation .06 of this chapter is entirely new and specifies possible enforcement actions for non-compliance with statute or regulations.

Chapter 03 General Standards and Prohibitions

Proposed amendments to Regulation .01 of this chapter clarify the language used so that it is consistent with definitions used in the regulations and current with existing law.

Proposed amendments remove Regulation .02 from this chapter since the use of betting kiosks is already prohibited by statute and restating it here in regulation did not serve a useful purpose.

Proposed amendments to renumbered Regulation .02 of this chapter simplify the language used to prohibit affiliates of an operator from participating in a contest, and removes redundancies based on defined terms.

Proposed amendments to renumbered Regulation .03 of this chapter simplify the language used to prohibit athletes and their affiliates from participating in a contest based on the definitions in this subtitle. The proposed amendments also add “handler” to the list of individuals prohibited from fantasy competition play, which is consistent with the sports wagering regulations.

Proposed amendments to Regulation .04 of this chapter simplify and clarify the language used to describe the player protections including scripts and highly experienced players.

Proposed amendments to Regulations .05 and .06 of this chapter are clarifications and adjustments to comport with the Style Manual for Maryland Regulations.

Chapter 04 Financial Standards

Proposed amendments to Regulations .01 through .04 of this chapter simplify, and clarify the language used for consistency with definitions and to comport with the Style Manual for Maryland Regulations.

Proposed amendments to Regulation .05 of this chapter clarify and specify the dates by which tax returns and tax payments must be submitted to the Commission.

Proposed amendments to Regulation .06 of this chapter simplify and clarify the language used regarding tax reporting and the value of prizes to be reported.

Proposed amendments to Regulation .07 of this chapter simplify, and clarify the language used to identify tax information that must be provided to players, and adjustments were made to comport with the Style Manual for Maryland Regulations.

Chapter 05 Responsible Gambling

Proposed amendments to Regulation .01 of this chapter clarify the language used regarding voluntary direct exclusion by players, in which the player is only prohibited from entering competitions offered by the operator.

Proposed amendments to Regulation .02 of this chapter clarify language and adjustments were made to comport with the Style Manual for Maryland Regulations.

Proposed amendments to Regulation .03 of this chapter clarify and simplify the language used for consistency with the definitions and to comport with the Style Manual for Maryland Regulations. Additionally, they clarify that that if a player uses direct exclusion, the operator is prohibited from sending the individual any marketing materials.

Subtitle 10 Sports Wagering

Chapter 12 Collection of Taxes, Fees and Penalties

Proposed amendments to Regulation .03 of this chapter delays the date tax payments are due to the State to allow Agency Staff time to review tax returns before payments are made.

Chapter 13 Sports Wagering Licensee Minimum Internal Control Standards

Similar to the video lottery practice, proposed amendments to Regulation .06 of this chapter would make the regulations consistent with current Agency practice. This regulation will require Maryland specific audited financial statements if the Maryland operations represent less than 75% of the licensee's parent's revenue.

Proposed amendments to Regulation .37 of this chapter allow additional time for licensees to investigate and resolve bettor complaints. The amendments also require licensees to maintain records of complaints in a retrievable format. These amendments were in response to the gaming industry's recommendation.

Proposed amendments to Regulation .40 of this chapter allow licensees to share information about a bettor with a third party if the bettor agrees. These amendments were in response to the gaming industry's recommendation.

Proposed Regulation .45 of this chapter is new and deals with the cessation of sports wagering operations. The regulation addresses notice to bettors, and identifies what information must be provided to the Agency and to bettors if a licensee intends to wind down its business in the State.

Chapter 14 Sports Wagering Requirements and Limitations

Proposed amendments to Regulation .06 of this chapter clarify when a licensee is required to increase the balance in their reserves. This recognizes that funds can't be transferred on bank holidays. These amendments were in response to the gaming industry's recommendation.

Chapter 18 Sports Wagering Technical Standards

Proposed amendments to Regulation .04 of this chapter update and strengthen the requirements for geolocation systems and their testing.

Proposed amendments to Regulation .05 of this chapter require multi-factor authentication at certain times, such as account creation and when a new device is used. It also requires that multi-factor authentication be repeated at least every 14 days to help protect user accounts. These amendments were in response to the gaming industry's recommendation.

COMMISSION ACTION REQUESTED:

- 1) After review and any discussion, motion to approve the proposed amendments to the regulations in the Gaming Provisions subtitle;
- 2) After review and any discussion, motion to approve the proposed amendments to the regulations in the Video Lottery Terminals subtitle;
- 3) After review and any discussion, approve the proposed amendments to the regulations in the Skill-Based Amusement Devices subtitle;
- 4) After review and any discussion, motion to approve the proposed amendments to the regulations in the Online Fantasy Competitions subtitle;
- 5) After review and any discussion, motion to approve the proposed amendments to the regulations in the Sports Wagering subtitle; and
- 6) Motion to delegate to Staff the authority to make any non-substantive changes to the approved regulation amendments that may be necessary to prepare them for publication in the *Maryland Register*.

STAFF RECOMMENDATIONS: Staff recommends approval of all 6 motions.