



## **SOUTH DAKOTA COMMISSION ON GAMING**

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### **UNAPPROVED MINUTES**

#### **South Dakota Commission on Gaming Special Meeting Proposed Rules Hearing The Lodge at Deadwood, Deadwood, South Dakota**

#### **MINUTES**

July 14, 2021

At 9:00 a.m. the meeting was called to order. Commissioner Karen Wagner, Commissioner Karl Fischer, Commissioner Bob Goetz, and Commissioner Spencer Hawley were present. Commissioner Mike Wordeman was unable to participate in the meeting. Staff members present for the meeting were Mike Shaw, Commission Attorney; Susan Christian, Executive Secretary; Craig Sparrow, Deputy Executive Secretary; Mark Hetzel, Enforcement Agent; Kelly Hanson, Operations Manager; and Phil Schlieff, IT Specialist. Gaming Laboratories International staff members present were Mike Robbins and Kevin Mullally.

The meeting was called to order by Commissioner Wagner at 9:00 a.m. and a quorum was present.

#### **Conflicts of Interest Disclosure**

On a roll call no conflicts of interest were disclosed.

Commissioner Goetz	Nay
Commissioner Fischer	Nay
Commissioner Hawley	Nay
Commissioner Wagner	Nay

#### **Adoption of Rules Hearing Agenda**

Commissioner Fischer made a motion to adopt the agenda. Commissioner Goetz seconded the motion which carried unanimously.

#### **June 16, 2021 Quarterly Meeting**

Commissioner Goetz made a motion to adopt the minutes as drafted for the June 16, 2021 quarterly meeting. Commissioner Hawley seconded the motion which carried unanimously.

#### **Old Business**

There was no old business to be discussed.

## **Rules Hearing**

### **Proposed new and amended rules Slot Machine and System Requirements**

**20:18:17:18.03. Slot Machine Specification--Player identification components**

**20:18:17:18.04. Slot machine specifications--Wireless devices**

**20:18:17:19. Slot machine specifications--Communication protocol**

**20:18:17:39. Cashless wagering systems--Defined**

**20:18:17:39.01. Phases of certification**

**20:18:17:40. Devices in a cashless environment**

**20:18:17:40.01. Configuring cashless transactions**

**20:18:17:40.02. Audit trails for cashless transactions**

**20:18:17:40.03. Cashless meter requirements**

**20:18:17:40.04. Transaction confirmation**

**20:18:17:40.05. Player authentication**

**20:18:17:40.06. Smart card/device technology**

**20:18:17:40.07. Identifying a cashless device**

**20:18:17:41. System in a cashless environment**

**20:18:17:41.01. Cashless wagering system protection**

**20:18:17:41.02. Logical access controls**

**20:18:17:41.03. Security levels**

**20:18:17:41.04. Prevention of unauthorized access or transactions**

**20:18:17:41.05. Diagnostic tests on a cashless wagering system**

**20:18:17:41.06. Cashless device identification**

**20:18:17:41.07. Loss of communication**

**20:18:17:41.08. Encryption**

**20:18:17:41.09. Cashless wagering system logs**

**20:18:17:41.10. Cashless wagering system reports**

**20:18:17:41.11. Transferring of credits to/from the wagering account**

**20:18:17:41.12. Direct wagering from the wagering account**

**20:18:17:41.13. Comingling of player funds**

**20:18:17:41.14. Movement of money**

**20:18:17:41.15. Personal identification number**

**20:18:17:41.16. Player account balance**

**Proposed amendment 20:18:18:26. External bonusing**

A brief recess was taken at 10:07 a.m.

The meeting resumed at 10:17 a.m.

### **Proposed new rules Requirements of Sports Wagering Operations**

**20:18:35:01. Definitions**

**20:18:35:02. Internal control procedures**

**20:18:35:03. Authorized and prohibited events and wager types**

**20:18:35:04. Prohibiting wagers for good cause**

**20:18:35:05. Patron protection information**

**20:18:35:06. Wagering rules**

**20:18:35:07. Acceptance of wagers**

**20:18:35:08. Prohibited persons**

**20:18:35:09. Layoff wagers**

20:18:35:10. Tournaments/contests/pools  
20:18:35:11. Bonus or promotional wagering  
20:18:35:12. Taxation requirements  
20:18:35:13. Bank secrecy act compliance  
20:18:35:14. Integrity monitoring/suspicious behavior  
20:18:35:15. Commission access to information  
20:18:35:16. Anti-money laundering (AML) monitoring  
20:18:35:17. Reserve requirement  
20:18:35:18. Reports of sports wagering operations  
20:18:35:19. Retention of records  
20:18:35:20. Internal control procedures audit  
20:18:35:21. Annual financial audit  
20:18:35:22. Self-exclusion plan  
20:18:35:23. Provider error-Reimbursement

A recess was taken at 11:58 a.m.

The meeting resumed at 1:02 p.m.

**Proposed new rules Sports Wagering, Testing, Approval, and Changes**

20:18:35.01:01. Technical standards  
20:18:35.01:02. Certification testing  
20:18:35.01:03. Location of servers  
20:18:35.01:04. Internet or cloud-based hosting  
20:18:35.01:05. Integrity and security assessment  
20:18:35.01:06. Network security in gaming establishments  
20:18:35.01:07. Technical security controls  
20:18:35.01:08. Information security management system (ISMS)  
20:18:35.01:09. Test accounts

**Proposed new rules Sports Wagering Area**

20:18:35.02:01. Designated sports wagering area  
20:18:35.02:02. Sports wagering transactions  
20:18:35.02:03. Sports wagering kiosks  
20:18:35.02:04. Wrong ticket claims  
20:18:35.02:05. Winning wagers and vouchers  
20:18:35.02:06. Surrender of tickets and vouchers required

**Proposed new rules Advanced Deposit Wagering (ADW)**

20:18:36:01. Definitions  
20:18:36:02. Authorization to conduct advance deposit wagering  
20:18:36:03. Location detection requirements  
20:18:36:04. Account requirements  
20:18:36:05. Establishing an account  
20:18:36:06. Account application verification  
20:18:36:07. Account eligibility  
20:18:36:08. ADW licensee may close or refuse to open accounts  
20:18:36:09. Terms and conditions and privacy policies for accounts  
20:18:36:10. Account information  
20:18:36:11. Authentication credentials  
20:18:36:12. Account balance  
20:18:36:13. Accounts nontransferable  
20:18:36:14. Financial transactions

**20:18:36:15. ADW licensee may refuse financial transactions**  
**20:18:36:16. Account credits and deposits**  
**20:18:36:17. Failed EFT transactions**  
**20:18:36:18. Withdrawals from an account**  
**20:18:36:19. Modification of account information**  
**20:18:36:20. Balance adjustments**  
**20:18:36:21. Responsible gaming limits**  
**20:18:36:22. ADW license may suspend or close accounts**  
**20:18:36:23. Suspension and restoration of accounts**  
**20:18:36:24. Account closure**  
**20:18:36:25. Inactive accounts**  
**20:18:36:26. Deceased account holder**  
**20:18:36:27. Account security--Account holder responsibility**  
**20:18:36:28. Account statements**  
**20:18:36:29. Account holder's principle residence address**  
**20:18:36:30. Wager information confidential--Disciplinary action for violations**  
**20:18:36:31. Securing payment methods**  
**Appendix A, Gaming Internal Control and Revenue Reporting Manual.**  
**Definitions of Selected Gaming Technology**  
**Section 1300-Internal Audits.**

Commissioner Hawley made a motion to adopt the rules with all the changes and with Legislative Rules Committee style and form changes. Commissioner Goetz seconded the motion which carried unanimously.

#### **Date of next meeting**

Commissioner Hawley made a motion to change the quarterly meeting date to September 8, 2021. Commissioner Fischer seconded the motion which carried unanimously.

#### **Public Comment**

There was no participation for the comment period of the meeting.

Commissioner Fischer made a motion to adjourn the meeting. Commissioner Goetz seconded the motion which carried unanimously.

The meeting was adjourned at 2:33 p.m.

Respectfully Submitted,

Kathy Beringer

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Karen Wagner, Madam Chairman

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Susan Christian, Executive Secretary

## CHAPTER 20:18:17

### SLOT MACHINE AND SYSTEM REQUIREMENTS

**20:18:17:18.03. Slot machine specifications -- Player identification components.** A player identification component is software and/or hardware used with a slot machine which supports a means for players to provide identification information and/or the source of funds. ~~This includes components which are controlled by a slot machine's control program and SMIB-based or non-integrated form of these components that operate outside the control of the slot machine.~~

(1) Card readers ~~must shall~~ be electronically based and be able to detect the use of a valid card. ~~as applicable.~~

(2) Barcode readers ~~must shall~~ be able to associate the barcode visible on a card, wagering voucher, or an allowed software application on a player's device, as applicable, with data stored in an external database ~~as a means to identify an account association, or for the purpose of redemption.~~

(3) Biometric scanners ~~must shall~~ be able to associate a person's physical characteristics with those recorded within an external database ~~as means to authenticate the identity of a player and for the purpose of account association or for the purpose of redemption.~~

(4) Player identification components ~~must shall~~ be constructed in a manner that ensures proper handling of inputs and ~~that protects against vandalism, abuse, or fraudulent activity. In addition, Player identification components~~ ~~must shall~~ be designed to prevent manipulation that may impact integrity and shall provide a method to enable the software to interpret and act appropriately upon a valid or invalid input. A method for detection of counterfeiting ~~must shall~~ be implemented.

(5) Player identification component hardware ~~must shall~~ be secured in a locked enclosure or sealed casing or located within a locked area of the slot machine outside of any logic areas ~~(i.e., an area that requires opening of the main door for access).~~ Only the areas of the component that require physical interaction ~~shall may~~ be accessible to the player.

(6) The slot machine ~~must shall~~ have mechanisms to interpret and act upon an error condition related to ~~any communication failures or other~~ a malfunctions of any player

identification component, ~~including communication failures~~. If a player identification component error condition is identified, the slot machine ~~must shall~~ display an appropriate error message and disable the player identification component.

**Source:**

**General Authority:** SDCL 42-7B-7.

**Law Implemented:** SDCL 42-7B-11(13).

**20:18:17:18.04. Slot machine specifications – Wireless devices. Communication** between a slot machine and any wireless devices that are conducted using transmission technologies such as Near Field Communications (NFC), Bluetooth (BT), Wi-Fi, optical, etc., ~~mustshall~~:

- (1) Utilize secure communication methods to prevent unauthorized access to sensitive information by unintended recipients:
- (2) ~~Employ a method to~~ Detect data corruption, ~~and; upon detection of corruption,~~ either correct the error, or terminate the communication while providing a suitable error message:
- (3) Employ a method to prevent unauthorized modification of sensitive information that impacts device integrity or that represents secure player data; and
- (4) Only be possible with authorized wireless devices.

**Source:**

**General Authority:** SDCL 42-7B-7.

**Law Implemented:** SDCL 42-7B-11(13).

**20:18:17:19. Slot machine specifications – Communication protocol.** A slot machine ~~which that~~ is capable of bi-directional communication with internal or external associated equipment must use a communication protocol ~~that which~~ ensures ~~that~~ erroneous data or signals will not adversely affect the operation of the slot machine.

The slot machine ~~must shall~~ not allow any information contained in communication to or from the system that is intended by the communication protocol to be protected, or which is of a sensitive nature, to be viewable through any display mechanism supported by the device. This includes, but is not limited to, validation numbers, secure personal identification codes/PINs, player authentication credentials, or secure seeds and keys.

**Source:** 16 SDR 57, effective October 1, 1989.

**Commented [MR1]:**

20:18:17:18.03. Slot machine specifications (6) states that a slot machine shall include a mechanism to interpret and act upon an error condition related to a malfunction of any player identification component, including communication failures. While possible when player identification components are directly integrated with the slot machine, this is not possible for player identification components that function externally (i.e., direct connection to a back of house system). As such, we suggest broadening the language to cover both implementations:

*20:18:17:18.03. Slot machine specifications  
(6) The slot-machine ~~player identification component~~ shall have mechanisms to interpret and act upon an error condition related to a malfunction of any player identification component, including communication failures. If a player identification component error condition is identified, the slot machine ~~or player identification display component~~ shall display an appropriate error message and disable the player identification component.*

**Commented [MR2R1]:** I don't think the update is necessary. If the player identification component is installed on the slot, it is effectively a part of the slot.

**General Authority:** SDCL 42-7B-7.

**Law Implemented:** SDCL 42-7B-1, 42-7B-2, 42-7B-3, 42-7B-4, 42-7B-7, 42-7B-11(13)

42-7B-14, 42-7B-17, 42-7B-43.

**20:18:17:39. Cashless wagering systems -- Defined.** A cashless wagering system allows players to ~~play slot machines through the use of a player card, which accesses a player's account at the host system. Funds may be added to this player cashless account via a cashier station or any supporting gaming machine through the insertion of coins, tickets, vouchers, bills, and coupons. The account value can be reduced either through debit transactions at a slot machine or by cashing out at a cashier's cage. A cashless system is characterized as a host system whereby a player maintains an electronic account on the casino's host database. A casino issues a patron a unique magnetic card and Personal Identification Number (PIN) in conjunction with a cashless account on the system's database, although any approved method of uniquely identifying patrons may be implemented. All monetary transactions between a supporting gaming machine and the host must be secured either by card insertion into a magnetic card reader attached to the host and PIN entry or by other approved protected means. After the player's identity is confirmed, the device must present transfer options to the patron on the LCD/VFD display of the card reader, which requires selection using a keypad/touch screen before occurring. Such options shall include how many credits the player wishes to withdraw and place on the machine the player is playing. A system may move either a predefined amount or the player's entire balance to the machine for play. Once play is complete the player may move some of the credits back to the player's account or cash out some credits. A system may require that the entire credit value be transferred back to the system participate in cashless~~ wagering gaming using an approved, securely protected authentication method, which that accesses a wagering account at the cashless wagering system of the operator or another account of the player provided that it allows for the identification of the player and the source of funds and that is linked in a secure manner to the cashless wagering system of the operator and the wagering account on that the cashless wagering system.

A cashless wagering system may also support the functionality to communicate promotional awards to participating wagering accounts based upon predefined player activity criteria established by the parameters of the system. Promotional awards are additional features that entitle players to special promotional awards based on patrons play activity or awards gifted

by the casino to guests. In this chapter, unless otherwise specified the term “cashless” shall be used to refer to both promotional and non-promotional functionality.

A cashless wagering system may be entirely integrated into an existing system, such as an on-line monitoring and control system, or exist as an entirely separate entity. If the cashless wagering system is comprised of multiple computer systems at various sites, the system as a whole and all communication between its components shall conform to the applicable technical requirements within this chapter.

**Source:** 36 SDR 22, effective August 18, 2009.

**General Authority:** SDCL 42-7B-7.

**Law Implemented:** SDCL ~~42-7B-4(21)~~, 42-7B-11(13).

~~20:18:17:39.01. Phases of Certification testing. Prior to conducting cashless wagering, all equipment and systems integral to the conduct of cashless wagering shall be submitted by the system’s vendor to a commission-designated independent testing laboratory. The approval of a cashless wagering system shall be certified in two phases:~~

(1) ~~Initial laboratory testing where~~ The laboratory shall test the integrity of the system in conjunction with ~~slot machines~~ cashless devices in a laboratory setting with the equipment assembled ~~;~~ and

(2) ~~With The commission may require additional~~ on-site evaluation certification where the communications and set-up are tested on the casino floor prior to implementation and periodically as required by the commission.

**Source:** 36 SDR 22, effective August 18, 2009.

**General Authority:** SDCL 42-7B-7.

**Law Implemented:** SDCL 42-7B-4(21), 42-7B-11(13).

~~20:18:17:40. Slot machines~~ Devices in a cashless environment. The requirements of §§ 20:18:17:40.01 to 20:18:17:40.07, inclusive, apply to any slot ~~machine~~ machines, kiosks, and any other equipment using a cashless environment, also known as cashless devices.

**Source:** 36 SDR 22, effective August 18, 2009.

**General Authority:** SDCL 42-7B-7.

**Law Implemented:** SDCL 42-7B-4(21), 42-7B-11(13).

**20:18:17:40.01. Configuring cashless transactions on a slot machine.** Since a

**Commented [MR3]:** •GMA Memo – 6/25/21  
Certification (20:18:17:39.01 – Page 5) should not be limited specifically to one certification system. Additionally, it could be duplicative that would add an extra burden to the supplier or the operator. Since this is an emerging technology, regular testing should occur but not be limited in its scope

**Commented [MR4R3]:** Proposed the update

**Commented [MR5]:** •GMA Memo – 6/25/21  
Table games are not specifically mentioned in the regulations and should be considered for a complete customer and operator experience. Slot machines are spelled out specifically while other gaming devices and technologies are left out, other than “kiosks, and other equipment.” Table Games and sports betting should also be added appropriately into the regulations.

**Commented [MR6R5]:** The mention of cashless devices in 20:18:17:40 include kiosks, and other equipment” which may be used for placement on sports wagers or table game wagering.

cashless feature impacts the electronic accounting meters, any ~~slot machine that allows cashless gaming as a selectable feature~~ cashless device may not allow the configuration of such features unless performed via a secure means ~~including access to the locked logic area~~.

**Source:** 36 SDR 22, effective August 18, 2009.

**General Authority:** SDCL 42-7B-7.

**Law Implemented:** SDCL 42-7B-4(21), 42-7B-11(13).

**20:18:17:40.02. Audit trails for cashless transactions.** A cashless ~~device~~ slot machine must have the ability to recall the last ~~25 monetary~~ 35 cashless transactions that incremented any of the meters listed in ARSD 20:18:17:40.03. It is also acceptable to have cashless transactions recorded in a larger log which also contains records of other types of transactions received from the host system and the last 25 monetary transactions transmitted to the host system. However, ~~if a slot machine has promotional or host bonusing features, or both, enabled simultaneously with cashless features, a single 100 event log is sufficient.~~ The following information must be displayed:

- (1) The type of transaction (upload/download) including restrictions (cashable, non-cashable, etc.);
- (2) ~~The nature of the transaction (promotion, bonus, cash);~~
- (3) The transaction value in numerical form;
- (4) The time and date; and
- (5) The player's account number or a unique transaction number, either of which can be used to authenticate the source of the funds (i.e. source of where funds came from/went to). If a wagering account number is displayed in the log, the cashless device shall mask all but the last four digits of the number.

**Source:** 36 SDR 22, effective August 18, 2009.

**General Authority:** SDCL 42-7B-7.

**Law Implemented:** SDCL 42-7B-4(21), 42-7B-11(13).

**20:18:17:40.03. Cashless meter requirements for cashless slot machines and systems.** Each cashless ~~slot machine and cashless host system device~~ must incorporate an electronic accounting meter ~~meters that conforms~~ conform to the following electronic metering requirements:

- (1) ~~Specific cashless electronic accounting meter shall indicate the number of~~

~~existing electronic credits. The operation of other mandatory electronic accounting meters for cashless devices identified in this chapter shall not be impacted directly by cashless transactions.~~

(a) ~~Received from the central system—downloaded to the cashless slot machine from the host system; and~~

(b) ~~Transmitted to the central system—uploaded from the cashless slot machine to the cashless host system;~~

(2) Each meter shall be labeled in a manner that clearly explains the function of the meter. ~~Any accounting meter that is not supported by the functionality of the cashless device, is not required to be implemented. The required electronic accounting meters are as follows:~~

(3) ~~The cashless meter information shall be stored in units equal to the denomination of the machine or in dollars and cents as follows:~~

(a) ~~EFT In—Electronic Funds Transfer In (EFT In). The machine-cashless device must have a meter that accumulates the total value of cashable credits electronically transferred from the host system to the machine when using Electronic Funds Transfer (EFT) commands in the function of cashless wagering; a financial institution or other approved source of funds to the cashless device through a cashless wagering system or through a secure interface that uses a defined protocol.;~~

(b) ~~Cashless Account Transfer In (AFT In). (A.K.A. WAT In; Wagering Account Transfer In (WAT In). The machine-cashless device must have a meter that accumulates the total value of cashable credits electronically transferred to the machine-cashless device from a wagering account by means of an external connection between the machine-device and a cashless wagering system or through a secure interface that uses a defined protocol;~~  
and

(c) ~~Cashless Account Transfer Out (AFT Out). (A.K.A. WAT Out; Wagering Account Transfer Out (WAT Out). The machine-cashless device must have a meter that accumulates the total value of cashable credits electronically transferred from the machine-cashless device to a wagering account by means of an external connection between the machine-device and a cashless wagering system or through a secure interface that uses a defined protocol.;~~

(d) ~~Cashable Electronic Promotion In (CEP In). The cashless device must have a meter that accumulates the total value of cashable promotional credits electronically transferred to the cashless device from a wagering account by means of an external connection between the device and a cashless wagering system or through the secure interface that uses a~~

defined protocol:-

(e) Cashable Electronic Promotion Out (CEP Out). The cashless device must have a meter that accumulates the total value of cashable promotional credits electronically transferred from the cashless device to a wagering account by means of an external connection between the device and a cashless wagering system or through the secure interface that uses a defined protocol:-

(f) Non-Cashable Electronic Promotion In (NCEP In). The cashless device must have a meter that accumulates the total value of non-cashable promotional credits electronically transferred to the cashless device from a wagering account by means of an external connection between the device and a cashless wagering system or through the secure interface that uses a defined protocol; and-

(g) Non-Cashable Electronic Promotion Out (NCEP Out). The cashless device must have a meter that accumulates the total value of non-cashable promotional credits electronically transferred from the cashless device to a wagering account by means of an external connection between the device and a cashless wagering system or through the secure interface that uses a defined protocol.

**Source:** 36 SDR 22, effective August 18, 2009.

**General Authority:** SDCL 42-7B-7.

**Law Implemented:** SDCL 42-7B-4(21), 42-7B-11(13).

**20:18:17:40.04. Transaction confirmation.** Cashless wagering systems shall must cause a relevant, informative message to be displayed to the player whenever any cashless transaction is being processed.

(1) The slot machine or host card reader display. The cashless device, player identification component display, or the player's device with a secure interface that uses a defined protocol must be capable of providing confirmation or denial of every cashless transaction initiated. This confirmation or denial must include:

(1a) The type of transaction (upload or download);

(2b) The transaction value; and

(3) The time and date (if printed confirmation);

(4) The player's account number or a unique transaction number, either of which can be used to authenticate the source of the funds; and

(5c) A For denied transactions, a descriptive message as to why the transaction

was not completed as initiated. ~~This applies only to the denied transactions.~~

(2) ~~If a player initiates a cashless transaction and that transaction exceeds cashless device configured limits including the credit limit or transaction limit, the transaction may only be processed provided that the player is clearly notified that the player has received or deposited less than the amount requested to avoid player disputes.~~

**Source:** 36 SDR 22, effective August 18, 2009.

**General Authority:** SDCL 42-7B-7.

**Law Implemented:** SDCL ~~42-7B-4(21)~~, 42-7B-11(13).

**20:18:17:40.05. ~~Error conditions~~ Player authentication.** The following subdivisions outline the error conditions that apply to the ~~Each cashless transactions between a supporting cashless device and the cashless wagering system must be secured using a method of authentication, such as debit instrument or card insertion or “tap” (contactless) capacity on the player identification component and secure personal identification code/PIN entry, a similar approved process that allows for the identification of the player and the source of funds when an approved third-party secure interface that uses a defined protocol, or similar software application on a player’s device (such as a smartphone or tablet) is used, or a secure alternative means (e.g. finger-print recognition).~~

(1) ~~Host system. The following conditions must be monitored and a message must be displayed to the player at the host card reader for the following:~~

(a) ~~Invalid PIN or Player ID (prompts for reentry up to a certain number of times);~~  
and

(b) ~~Account unknown; and~~

(2) ~~Slot machine. Any credits on the slot machine that are attempted to be transferred to the host system that result in a communication failure for which this is the only available payout medium for the player to cash out must result in an error condition on the slot machine.~~

**Source:** 36 SDR 22, effective August 18, 2009.

**General Authority:** SDCL 42-7B-7.

**Law Implemented:** SDCL ~~42-7B-4(21)~~, 42-7B-11(13).

**20:18:17:40.06. ~~Transfer of transactions~~ Smart card/device technology.** If a player initiates a cashless transaction and that transaction exceeds game configured limits including the credit limit, the transaction may only be processed provided that the player is clearly notified

~~that the player has received or deposited less than requested to avoid player disputes. The~~  
~~cashless wagering system may allow a player to access the player's wagering account using~~  
~~smart card/device technology, including smartphone and tablet technology where the account~~  
~~information, including the current account balance is maintained in the cashless wagering~~  
~~system's database. If the smart card/device also has the ability to maintain a wagering account~~  
~~balance, the cashless wagering system shall-must be able to validate that the amount on the~~  
~~card/device is in agreement with the amount stored within~~ ~~host-the cashless wagering system's~~  
~~database. (i.e., Smart cards/devices may cannot maintain the only source of account data).~~

Before a licensee implements smart card/device technology the commission and the  
designated independent testing laboratory shall evaluate the technology and either approve or  
disapprove its use.

**Source:** 36 SDR 22, effective August 18, 2009.

**General Authority:** SDCL 42-7B-7.

**Law Implemented:** SDCL 42-7B-4(21), 42-7B-11(13).

**20:18:17:40.07. Identifying a cashless device.** A player shall be able to identify each  
cashless ~~compatible machine device~~ by a means left to the discretion of the Commission. With  
the Commission's approval the licensee may remove display menu items that pertain to cashless  
operation for ~~gaming machines devices~~ not participating; provide a host message indicating  
cashless capability; or affix a specific sticker on ~~gaming machines devices~~ to indicate  
participation or non-participation.

**Source:** 36 SDR 22, effective August 18, 2009.

**General Authority:** SDCL 42-7B-7.

**Law Implemented:** SDCL 42-7B-4(21), 42-7B-11(13).

**20:18:17:41. Host-System in a cashless environment.** The requirements of  
§§ 20:18:17:41 to 20:18:17:41.1<sup>32</sup>, inclusive, shall be implemented by the ~~host-cashless~~  
~~wagering system~~ to allow for changing of any of the associated parameters or accessing any  
~~player-wagering~~ account. Additionally, the communication process used by the ~~slot machine-~~  
~~cashless device~~ and the ~~host-cashless wagering~~ system must be robust and stable enough to  
secure each cashless transaction such that any failure event may be identified and logged for  
subsequent audit and reconciliation.

**Source:** 36 SDR 22, effective August 18, 2009.

**Commented [MR7]:** •GMA Memo – 6/25/21  
Additionally, cashless systems should be based on  
verifiable technology beyond the “designated independent  
testing lab” including but not limited to PCI Compliance,  
banking standards, technology standards, geofencing, and  
other financial measures not outlined in the regulations.

**Commented [MR8R7]:** These requirements are mainly  
covered in chapter 20:18:36 which is intended to work hand  
and hand with Cashless Wagering Systems and Sports  
Wagering Systems

**General Authority:** SDCL 42-7B-7.

**Law Implemented:** SDCL 42-7B-4(21), 42-7B-11(13).

**20:18:17:41.01. ~~Modification of player information~~ Cashless wagering system protection.** ~~An authorized, logged employee may only change all player information. Security of this information, including a player PIN code or equivalent player identification must be guaranteed at all times.~~

~~The cashless wagering system components shall~~ must be housed in a secure environment which shall:

- (1) ~~Have~~ Has sufficient protection against alteration, tampering or unauthorized access; and
- (2) ~~Be~~ Is equipped with a surveillance system that shall meets the procedures put in place by the commission.

**Source:** 36 SDR 22, effective August 18, 2009.

**General Authority:** SDCL 42-7B-7.

**Law Implemented:** SDCL 42-7B-4(21), 42-7B-11(13).

**20:18:17:41.02. ~~Balance adjustments~~ Logical access controls.** Any adjustment to an account balance requires a supervisor's approval with each adjustment being logged or reported, or both, indicating who, what, when, and the item value before the adjustment, including the reason for the adjustment. ~~The cashless wagering system must~~ shall be logically secured against unauthorized access by authentication credentials allowed by the Commission, such as passwords, multi-factor authentication, digital certificates, secure personal identification codes/PINs, biometrics, and other access methods (e.g., magnetic swipe, proximity cards, embedded chip cards).

**Source:** 36 SDR 22, effective August 18, 2009.

**General Authority:** SDCL 42-7B-7.

**Law Implemented:** SDCL 42-7B-4(21), 42-7B-11(13).

**20:18:17:41.03. Security levels.** The ~~host~~ cashless wagering system must have the ability to structure permission levels and logins so that user roles may be separated.

**Source:** 36 SDR 22, effective August 18, 2009.

**General Authority:** SDCL 42-7B-7.

**Law Implemented:** SDCL 42-7B-4(21), 42-7B-11(13).

**20:18:17:41.04. Prevention of unauthorized access or transactions.** The following minimal internal controls must ~~shall~~ be implemented ~~by the host system~~ to ensure that each game is prevented from responding to any command for crediting outside of a properly authorized cashless transaction, including:

(1) The network ~~hub is~~ hubs, services, and connection ports are secured either in a locked and monitored room or area to prevent unauthorized access to the network and no access is allowed on any node without valid login and password;

(2) The number of stations where critical cashless applications or associated databases may be accessed is limited; ~~and~~

(3) The number of users that have the requisite permissions to adjust critical parameters is limited; ~~and~~

(4) ~~The Procedures are in place on the system to identify and flag suspect player and employee wagering accounts to prevent unauthorized use including:~~

(a) Establishing a maximum number of three successive incorrect secure personal identification code/PIN entries before account lockout;

(b) Flagging of hot accounts where cards or authentication credentials have been stolen;

(c) Invalidating accounts and transferring balances into a new account; ~~and~~

(d) Establishing limits for maximum cashless activity or overall gaming activities in and out as a global or individual variable to preclude money laundering;

(e) Monitoring cashless devices for funds transferred into the cashless device from one wagering account then transferred out to another wagering account; and

(f) Monitoring wagering accounts for opening and closing in short time frames and for deposits and withdrawal without associated game play transactions.

**Source:** 36 SDR 22, effective August 18, 2009.

**General Authority:** SDCL 42-7B-7.

**Law Implemented:** SDCL 42-7B-4(21), 42-7B-11(13).

**20:18:17:41.05. Diagnostic tests on a cashless slot-machine-wagering system.** Any testing or test account must be logged by the ~~host cashless wagering~~ system. No person may perform ~~any~~ cashless activity without being logged by the system.

**Source:** 36 SDR 22, effective August 18, 2009.

**General Authority:** SDCL 42-7B-7.

**Law Implemented:** SDCL 42-7B-4(21), 42-7B-11(13).

**20:18:17:41.06. ~~Smart card technology~~ Cashless device identification.** ~~The host system may allow a player to access the player's account using smart card technology, if the current balance is maintained in the host system's database. If the smart card also has the ability to maintain a player account balance, the host system shall be able to validate that the amount on the card is in agreement with the amount stored within the host system's database.~~

~~Before a licensee implements smart card technology the Commission and the designated independent testing laboratory shall evaluate the technology and either approve or disapprove its use. The cashless wagering system must uniquely identify each cashless device connected to the system. This includes kiosks and any other equipment that are connected to the cashless wagering system through a back-office platform or external system.~~

**Source:** 36 SDR 22, effective August 18, 2009.

**General Authority:** SDCL 42-7B-7.

**Law Implemented:** SDCL 42-7B-4(21), 42-7B-11(13).

**20:18:17:41.07. Loss of communication.** ~~If communication between the cashless accounting wagering system and the slot machine cashless device is lost, the game or interface element must display a message must be displayed to the player that cashless transfers transactions cannot currently be processed.~~

~~Any cashless device that holds information relating to cashless transactions in its memory may shall not have means to compromise the information and may shall not allow the removal or alteration of its information until that information has been successfully transferred and acknowledged by the system.~~

**Source:** 36 SDR 22, effective August 18, 2009.

**General Authority:** SDCL 42-7B-7.

**Law Implemented:** SDCL 42-7B-4(21), 42-7B-11(13).

**20:18:17:41.08. Encryption.** All communication relating to cashless operation must employ encryption technology, which technology must be reviewed and approved by the Commission. This section does not apply to any communication between the slot machine

cashless device and the interface element.

**Source:** 36 SDR 22, effective August 18, 2009.

**General Authority:** SDCL 42-7B-7.

**Law Implemented:** SDCL 42-7B-4(21), 42-7B-11(13).

**20:18:17:41.09. ~~Host~~ Cashless wagering system logs.** The ~~host~~ cashless wagering system ~~must shall~~ be able to produce logs for all pending and completed cashless transactions. These logs shall be capable of being filtered by including:

- (1) ~~Machine~~ Cashless device number;
- (2) ~~Player~~ Wagering account ID; and
- (3) Time and date of the transaction;
- (4) Type of transaction (e.g., deposit, withdrawal, adjustment, transfer to/from cashless device);
- (5) Unique transaction ID;
- (6) Amount of transaction;
- (7) Method of deposit/withdrawal (e.g., cash, personal check, cashier's check, wire transfer, money order, debit instrument, credit card, electronic funds transfer, etc.); and
- (8) Transaction status (pending, complete, etc.).

**Source:** 36 SDR 22, effective August 18, 2009.

**General Authority:** SDCL 42-7B-7.

**Law Implemented:** SDCL 42-7B-4(21), 42-7B-11(13).

**Commented [MR9]:** •GMA Memo – 6/25/21  
Credit Cards (Page 19 and mentioned multiple times throughout the document) are not allowed for gaming in South Dakota. These provisions need to be removed accordingly.

**Commented [MR10R9]:** Credit Cards were deemed acceptable for funding of a wagering account, but not for placement of wager. Therefore 20:18:35:07(c) will be removed.

**20:18:17:41.10. ~~Host~~ Cashless wagering system reports.** The ~~host~~ cashless wagering system ~~must shall~~ be able to provide the information needed to produce the following financial and player reports:

- (1) ~~Player~~ Wagering account summary and detail report. This report ~~must shall~~ be immediately available to a player upon request. The report ~~must shall~~ include beginning and ending account balance, transaction information depicting ~~gaming machine~~ cashless device number, dollar or credit amount, and date and time;
- (2) Liability report. This report ~~must is to~~ include the previous days ending value or today's starting value of outstanding cashless liability, total cashless-in and total cashless-out, expired promotional value (where supported), and the current day's ending cashless liability, if

applicable. Separate reports may be generated for promotional and non-promotional cashless liability;

(3) Cashless meter reconciliation summary and detail report. This report must shall reconcile each ~~participating slot machine cashless device's~~ cashless meters against the host system's cashless activity. Separate reports may be generated for promotional and non-promotional cashless activity; and

(4) Cashier summary and detail report. This report must shall include ~~player~~ wagering account, buy-ins and cash-out, amount of transaction, and the date and time of transaction.

**Source:** 36 SDR 22, effective August 18, 2009.

**General Authority:** SDCL 42-7B-7.

**Law Implemented:** SDCL 42-7B-4(21), 42-7B-11(13).

**20:18:17:41.11. ~~Monetary transactions~~ Transferring of credits to/from the wagering account.** ~~Any monetary transaction between a supporting gaming machine and the host system must be secured either by card insertion into a magnetic card reader attached to the host and PIN entry or by other approved protected means.~~ Where credits are transferred between the wagering account and the cashless device:

(1) After the player's identity is confirmed, the cashless device must present transfer options to the ~~patron on the LCD or VFD display of the card reader which requires selection using a keypad or touch screen before occurring player.~~ Such options may include how many credits the player wishes to withdraw and be placed on the ~~machine cashless device.~~ A host system may move either a predefined amount or the entire player's entire balance to the ~~machine cashless device~~ for play:-

(2) A transfer shall may not be accepted that if the transfer will would cause the player to have a negative balance;

(3) The account balance is to be debited when the transfer is accepted by the system;

(4) Once play is complete the player may have the option to move some of the credits back to the account or cash out some or all of the credits. A ~~host~~ system may require that the entire currency value of the credit balance be transferred back to the ~~host~~ system; and-

(5) Any credits on the cashless device that are attempted to be transferred to the cashless wagering system that result in a communication failure for which this is the only available payout medium (the player cannot cash-out via hopper or printer), must result in a

hand-pay lockup or tilt on the cashless device.

**Source:** 36 SDR 22, effective August 18, 2009.

**General Authority:** SDCL 42-7B-7.

**Law Implemented:** SDCL 42-7B-4(21), 42-7B-11(13).

**20:18:17:41.12. Adding money to a player's account ~~Direct wagering from the~~ wagering account.** Money may be added to the player's account via a cashier station or any system-controlled kiosk. ~~The system-controlled kiosk must be approved by the Commission.~~ Money may also be added by any supporting slot machine through credits won, the insertion of coins, vouchers, dollar currency, or coupons. Where credits are not transferred between the wagering account and the cashless device:

(1) A wager ~~shall~~ may not be accepted that would ~~could~~ cause the player to have a negative balance; and

(2) The account balance is to be debited when the wager is accepted by the system.

**Source:** 36 SDR 22, effective August 18, 2009.

**General Authority:** SDCL 42-7B-7.

**Law Implemented:** SDCL 42-7B-4(21), 42-7B-11(13).

**20:18:17:41.13. Removing money from a player's account ~~Comingling of player~~ player funds.** Money may be removed from a player's account either through downloading of credits to the slot machine or by cashing out at a cashier's cage. If non-cashable credits and cashable player funds are comingled on one credit meter, non-cashable credits shall be wagered first, as allowed by the rules of the game, before any cashable player funds are wagered.

**Source:** 36 SDR 22, effective August 18, 2009.

**General Authority:** SDCL 42-7B-7.

**Law Implemented:** SDCL 42-7B-4(21), 42-7B-11(13).

**20:18:17:41.14. Movement of money.** A player may be provided the option of moving the player's system credit to the slot machine the player is playing through withdrawal from the player's account, which is maintain by the host system. When the player is finished playing, the player may deposit the balance from the machine onto the player's account Repealed.

**Source:** 36 SDR 22, effective August 18, 2009.

**General Authority:** SDCL 42-7B-7.

**~~Law Implemented:~~** SDCL 42-7B-4(21), 42-7B-11(13).

**~~20:18:17:41.15. Personal identification number.~~** A licensee may issue a player a unique magnetic card and personal identification number (PIN) in conjunction with an account on the host system's database Repealed.

**~~Source:~~** 36 SDR 22, effective August 18, 2009.

**~~General Authority:~~** SDCL 42-7B-7.

**~~Law Implemented:~~** SDCL 42-7B-4(21), 42-7B-11(13).

**~~20:18:17:41.16. Player account balance.~~** Current player account balance information shall be available on demand from any participating slot machine via the associated card reader or its equivalent after confirmation of player identity. The player account balance shall be presented in terms of currency to the player Repealed.

**~~Source:~~** 36 SDR 22, effective August 18, 2009.

**~~General Authority:~~** SDCL 42-7B-7.

**~~Law Implemented:~~** SDCL 42-7B-4(21), 42-7B-11(13).

## CHAPTER 20:18:18

### SLOT MACHINE AND SYSTEM TESTING, APPROVAL, AND MODIFICATIONS

#### 20:18:18:26. ~~Slot machine promotional and bonus~~ External bonusing systems.

~~Promotional and bonus~~ External bonusing systems are comprised of ~~gaming devices slot machines~~ that are configured to participate in electronically communicated ~~promotional and bonus bonusing~~ award payments from an approved host system, ~~and the host system that controls award issuance parameters.~~ Bonus Bonusing awards are based on a specific wager or specific event and are available to all patrons playing bonused slot machines. Payouts as a result of a ~~bonus-bonusing~~ event are a deductible event in the adjusted gross revenue calculation. ~~Promotional awards are additional features that entitle players to special promotional awards based on patrons play activity or awards gifted by the casino to guests. Promotional awards are not a deductible event in the adjusted gross revenue calculation.~~ The following procedures shall ~~must~~ be adhered to in any slot machine ~~promotional or bonus~~ external bonusing system:

(1) Slot machine credit meters ~~should~~ must record the value of any patron ~~bonus-bonusing~~ wins ~~which aren't paid directly to the player.~~ If the bonusing amount won exceeds the machine jackpot limit, the slot machine must lock up as if it were a hand pay and display the amount owed to the patron. Electronic accounting meters affected as the result of the ~~bonus-bonusing~~ event, must increment as if any other win had occurred. In addition to the mandatory meters ~~identified in this chapter required by § 20:18:17:03,~~ an additional "total bonus in" machine paid external bonus payout and "total bonus handpaid" meter attendant paid external bonus payout meters must be added;

(2) ~~Bonus-Bonusing~~ functionality must be configured using an approved security method such as key chip or other form approved by the Commission. Access to the secured area requires prior approval of the Commission;

(3) Slot machines configured to participate in the ~~bonus-bonusing~~ system must have the ability to recall the last ~~thirty-five (35)~~ monetary transactions received from the host system. If a ~~gaming device slot machine~~ has cashless or ~~host~~ promotional features enabled simultaneously with bonus bonusing features, a single 100-event log shall suffice. The following transaction information must be displayed:

- (a) Transaction values; and
- (b) Time and date;

~~(4) The mandatory electronic accounting meters identified in this chapter must not be impacted directly by promotional transactions. In addition to the meters previously identified in this chapter, the following specific promotional meters will be added:~~

- ~~(a) Total promotional awards in (received by the game) meter, which include:~~
  - ~~(i) Total non-restricted (cashable) "promotional in" meter; and~~
  - ~~(ii) Total restricted (non-cashable) "promotional in" meter; and~~
- ~~(b) Total promotional awards out (removed from the game and transferred back to player account) meter, which include:~~
  - ~~(i) Total non-restricted (cashable) "promotional out" meter; and~~
  - ~~(ii) Total restricted (non-cashable) "promotional out" meter; and~~

~~(5) Slot machines configured to participate in the promotional system must have the ability to recall the last thirty-five monetary transactions received from the host system and the last thirty-five promotional transactions transmitted to the host system. However, if a gaming device has a bonusing or host cashless feature enabled simultaneously with promotional features, a single 100-event log shall suffice. The following transaction information must be displayed:~~

- ~~(a) Transaction values;~~
- ~~(b) The nature of the transaction;~~
- ~~(c) Time and date; and~~
- ~~(d) If utilizing a single 100-event log, the type of transaction (upload/download).~~

**Source:**

**General Authority:** SDCL 42-7B-7.

**Law Implemented:** SDCL 42-7B-4(21), 42-7B-7, 42-7B-11(13) 42-7B-14, 42-7B-17.

## CHAPTER 20:18:35

### REQUIREMENTS OF SPORTS WAGERING OPERATIONS

**20:18:35:01. Definitions.** Terms used in this chapter mean:

- (1) “Card”, is the list of sporting events from which a patron can make selections for a given pool;
- (2) “Collegiate sporting event” an athletic competition or event between two or more colleges or universities;
- (3) “Event category”, a specific type of ~~athletic sporting event~~ ~~or other event~~ governed by specific sports governing body or other oversight body;
- (4) “Event integrity monitoring”, ~~means~~ the monitoring of sports wagering to identify unusual or suspicious wagering activities from a match-fixing and sporting corruption standpoint to then report such activities to required parties;
- (5) “Exchange wagering”, ~~means~~ a form of wagering in which two or more persons place identically opposing wagers in a given market, allowing patrons to wager on both winning and non-winning outcomes in the same event;
- (6) “In-game wagering”, placing a sports bet after a sporting event has started;
- (7) “Independent integrity monitoring provider”, an independent person who is registered with the commission and who receives reports of unusual wagering activity from the commission, a licensee, or a sports wagering services provider for the purpose of assisting in identifying suspicious wagering activity;
- (8) “International sporting event”, an international team or individual sporting event governed by an international sports federation or sport’s governing body, including sporting events governed by the International Olympic Committee and the International Federation of Association Football;
- (9) “Internet”, the international computer network of interoperable packet-switched data networks, inclusive of additional technological platforms, such as mobile, satellite, and other electronic distribution channels;
- (10) “Involuntarily-excluded person”, any individual who has been involuntarily excluded by the executive secretary or the commission and who is prohibited

**Commented [MR11]:** •GMA Memo – 6/25/21  
Collegiate Sporting Event – The definition for collegiate sporting event should match the language from SB44 to include the exclusion for local teams.

**Commented [MR12R11]:** Definition matches 42-7B-4(10). Exclusion for local teams 42-7B-82(4) referenced in 20:18:35:03(6)

**Commented [MR13]:** •GMA Memo – 6/25/21  
Event Category – This definition offers a broad array of events that can be wagered on because it includes both sports and other events governed by an oversight or governing board. The remainder of the definitions are sports specific. All of these definitions should be either broadened to cover sports and other events or limited specifically to sports.

**Commented [MR14R13]:** Recommend adjusting definitions and terms throughout to reference “sporting event” as specified within the statutes.

**Commented [MR15]:** •GMA Memo – 6/25/21  
Exchange Wagering – This is a relatively new area for wagering and may need some more context in its definition within the statute and within internal controls.

**Commented [MR16R15]:** Definition and usage based on Colorado.

**Commented [MR17]:** •GMA Memo – 6/25/21  
Involuntarily-Excluded Person – Updates to this list will need to be distributed to operators in a timely fashion.

**Commented [MR18R17]:** Covered under 20:18:08.01:03

from establishing a wagering account or participating in gambling, gaming or wagering activities under the jurisdiction of the commission;

- (11) “Layoff wager,” a wager placed by a sports wagering operation with another sports operation for the purpose of offsetting patron wagers;
- (12) “Minor league sporting event,” a sporting event conducted by a sports league that has not been classified by the commission as a premier league in the sport;
- (13) “Mobile application,” an application on a mobile phone or other devices through which an individual is able to place a sports bet;
- (14) “Parlay bet,” is a single sports bet that involves-incorporates two or more individual bets for purposes of earning a higher payout if each bet incorporated within the wager wins: on different sporting events which are combined into one bet. Each bet that is combined must be made on a different sporting event;
- (15) “Patron,” a person who places a sports bet;
- (16) “Person,” an individual, partnership, corporation, association, limited liability company, or other legal entity;
- (17) “Personal identifying information (PII),” any sensitive information that could potentially be used to identify a particular patron. Examples include a legal name, date of birth, place of birth, social security number (or equivalent government identification number), driver’s license number, passport number, residential address, phone number, email address, debit instrument number, credit card number, bank account number, or other personal information if defined by the commission;
- (18) “Pool”, means an offering where patrons may make selections of outcomes on a set number of sporting events on a card in order to enter for a chance to win all or a portion of the prize pool;
- (19) “Prize pool”, means the prize available for an individual tournament, contest, or pool;
- (20) “Professional sporting event,” a sporting event, other than a minor league sporting event, in which two or more persons participate and receive remuneration in excess of their out-of-pocket expenses for participating in the event;
- (21) “Prohibited person,” all of the following any person who:
- (a) Any person who Has been placed on the list of excluded persons pursuant to SDCL 42-7B-61;

**Commented [MR19]:** •FSB Question – 6/30/21  
Does this have to be on different sporting events? Parlays often contain selections from the same game/event

**Commented [MR20R19]:** Recommending update to definition.

**Commented [MR21]: Prohibited Person** – This should potentially be combined with the definition of “Restricted Patron” under this section.

**Commented [MR22R21]:** Restrictions are defined in SDCL 42-7B-83, so this has been modified to reflect that

- (b) ~~Any person who~~ Is under the age of 21;
  - (c) ~~Any Is an~~ employee of, or appointee to, the South Dakota Gaming Commission;
  - (d) ~~Any person~~Is wagering while not in the permitted boundary pursuant to SDCL 42-7B-79;
  - (e) ~~Any person~~Is wagering on behalf of another;
  - (f) ~~Any restricted patron~~Is wagering in violation of SDCL 42-7B-83~~their~~ ~~restrictions~~;
  - (g) ~~Any person~~Is wagering in violation of state, local, or federal law;
  - (h) ~~Any person~~Is employing a wagering account in a suspended ~~mode~~;
  - (i) ~~Other prohibited persons as~~Is otherwise determined by the commission ~~to be prohibited from wagering~~;
- (22) “Rake”, ~~means~~the fee that is deducted by a licensee or sports wagering services provider from a wager made for exchange wagering, or entry fees paid by patrons who participate in a tournament, contest, or pool;
- (23) “Rake adjustment”, ~~means~~an adjustment made by the licensee or sports wagering services provider to account for any shortfall in connection with a tournament, contest, or pool;
- (24) ~~“Restricted patron,” any patron with the following restrictions in place:~~
- (a) ~~Employees of a licensee or sports wagering services provider may not wager with the licensee or sports wagering services provider for which he or she is employed unless using a test account under these rules;~~
  - (b) ~~Professional or collegiate athletes, team employees and owners, coaches, managers, handlers, athletic trainers, referees, umpires, judges, sporting event officials, league officials and employees, sports agents, and employees of an athletic or referee union, and anyone with access to non-public/exclusive information or sufficient authority to influence the outcome of an event, as well as those within the same household, may not wager on events in the sport in which they participate, or in which the athlete(s) they represent participates;~~
  - (c) ~~At the commission’s discretion, individuals on a list provided by a team or sports governing body may not wager on any event overseen by the relevant sports governing body;~~

**Commented [MR23]:** Fanduel

Section 20:18:35:01(21)(h) of the Proposed Rules includes persons who are “employing a wagering account in a suspended mode” within the definition of “prohibited person.” While we agree that persons who have their accounts suspended should not be utilizing them for wagering, the term “employing” is vague and may be read to prevent all activity in relation to a suspended account. For example, the term “employing” may be read to prohibit individuals who have a suspended account due to a negative account balance from depositing funds to their account, however Section 20:18:36:23(2)(b) of the Proposed Rules expressly authorizes such activity to bring an account balance back to zero. To address this concern, we suggest the following edit: Section 20:18:35:01(21)(h): “(21) “Prohibited person,” all of the following: ... (h) Any person employing a wagering account in a suspended mode to place a wager;

**Commented [MR24R23]:** We can add bolded text

**Commented [MR25]:** •GMA Memo – 6/25/21  
Restricted Persons – A registration process should be imposed on local collegiate programs or other listed parties so that the burden falls on the individual and not the gaming operator to distinguish who these patrons may be. Similar provisions are allowed in other states.

**Commented [MR26R25]:** Agreed on allowing such provisions. However, I’ve not seen any “self-registration” requirements in other markets so no regulation update is needed.

(25)(24) “Sensitive information,” information such as PII, transactional wagering data, authentication credentials (including PINs and passwords), secure seeds and keys, and other data that shall be handled in a secure manner;

(26)(25) “Shared liquidity pool”, ~~means~~ a tournament, contest, or pool conducted in South Dakota and at least one other jurisdiction;

(27)(26) “Sporting event,” a contest or competition between individuals or teams, the results of which are determined at least in part by the skill or ability of an individual athlete or competitor or a team that is competing in the event. “Sporting event” includes, but is not limited to, any professional sporting event and any international sporting event;

(28)(27) “Sporting event official,” any official as recognized by the respective sports governing body;

(29)(28) “Sports bet,” an amount placed as a wager on the results of a sporting event or a contingency during a sporting event or the performance or nonperformance of an athlete or competitor during a sporting event. Sports bets include single-game bets, teaser bets, parlay bets, over-under, moneyline, pools, exchange wagering, in-game wagering, in-play bets, proposition bets, and straight bets;

(30)(29) “Sports governing body,” an organization that prescribes final rules and enforces codes of conduct for an ~~athletic-sporting~~ event and the ~~athletes or competitors participants~~ in the ~~athletic-sporting~~ event;

(31)(30) “Sports wagering” or “wagering on sporting events,” the acceptance of a wager on an authorized sporting event by any system of wagering authorized by the commission;

(32)(31) “Sports wagering area,” the designated location in a gaming establishment approved by the commission, in which sports wagering may be conducted;

(33)(32) “Sports wagering kiosk,” an automated device used by patrons to make wagers on sporting events, ~~The kiosk may also be used to~~ obtain wagering information, process sports wagering tickets and ~~sports~~ wagering ~~sports~~ vouchers, manage wagering accounts, and any other automated functions approved by the commission;

(34)(33) “Sports wagering operation,” a licensed operator in conjunction with a licensed sports wagering services provider who offers sports wagering to the public;

(35)(34) “Sports wagering revenue,” the total of all wagers placed by patrons with a

**Commented [MR27]:** •GMA Memo – 6/25/21  
**Shared Liquidity Pool** – This section would specifically allow a provision to share pools between states. This would be a violation of the Wire Act that explicitly addresses sports betting per the First Circuit ruling from January 20, 2021. This language may have been lifted from fantasy sports but not sports betting. Subsequent language should be modified throughout the document to take this into consideration.

**Commented [MR28R27]:** The Wire Act is not about how the prizes are funded but more so on the physical location of the bet (player and system accepting wager).

licensee, excluding free wagers and promotional play, minus all payments to patrons ~~and minus any applicable federal excise taxes~~. Payments to patrons include all payments of cash, cash equivalents, merchandise, and any other thing of value;

~~(36)~~(35) “Sports wagering services provider,” a person who maintains or operates the software or hardware of a sports wagering system or facilitates wagering on a sporting event by providing a service, including data aggregation, risk management, computer service, furnishing information, and setting of odds;

~~(37)~~(36) “Sports wagering system,” the hardware, software, firmware, communications technology, other equipment, as well as operator procedures implemented in order to allow patron participation in sports wagering, and, if supported, the corresponding equipment related to the display of the wager outcomes, and other similar information necessary to facilitate patron participation. The system provides the patron with the means to place and manage sports bets. The system provides the licensee with the means to review wagering accounts, suspend events, generate various wagering/financial transaction and account reports, input outcomes for events, and set any configurable parameters;

~~(38)~~(37) “Sports wagering ticket,” a printed document or other electronic record which contains information pertaining to a sports bet;

~~(39)~~(38) “Sports wagering voucher,” a printed record, or digital representation thereof, issued by a sports wagering system that may be used to fund a sports bet or may be redeemable for cash;

~~(40)~~(39) “Suspicious wagering activity,” unusual wagering activity that cannot be explained and is indicative of match fixing, the manipulation of an event, misuse of inside information, or other prohibited activity;

~~(41)~~(40) “Unusual wagering activity,” abnormal wagering activity exhibited by patrons and deemed by the sports wagering operation as a potential indicator of suspicious activity. Abnormal wagering activity may include the size of a patron's wager or increased wagering volume on a particular event or wager type;

~~(42)~~(41) “Voluntarily-excluded person,” any individual whose name is included, at his or her own request, on a self-exclusion list

~~(43)~~(42) “Winnings,” the total cash value of all property or sums, including currency or instruments of monetary value paid to a patron by a licensee as a direct result of a

winning sports bet.

**Source:**

**General Authority:** SDCL 42-7B-7.

**Law Implemented:** SDCL 42-7B-4, 42-7B-11(13).

Example (2) "Event Category": Professional Hockey governed by the National Hockey League

**20:18:35:02. Internal control procedures.** Either the licensee or sports wagering services provider or both shall submit a description of internal controls to the commission. The submission shall be made at least ~~30~~ thirty days before sports wagering operations are to commence. All internal controls must be approved by the executive secretary prior to commencement of sports wagering operations. The licensee and/or sports wagering services provider shall submit to the commission any changes to the internal controls previously approved at least ~~15~~ fifteen days before the changes are to become effective unless otherwise directed by the executive secretary. It shall be the responsibility and continuing duty of each licensee and sports wagering services provider and their employees to follow and comply with all approved internal controls.

(1) The submission shall include controls and reasonable methods that provide for the following:

- (a) Automated and manual risk management procedures;
- (b) Employee management, including user access controls for all sports wagering personnel and segregation of duties;
- (c) Procedures for identifying and reporting fraud and suspicious conduct, including identifying unusual wagering activity and reporting such activity to an independent integrity monitoring provider;
- (d) Controls ensuring regulatory compliance;
- (e) Description of Anti-Money Laundering (AML) compliance standards;
- (f) Description of process for accepting wagers and issuing pay outs, plus any additional controls for issuing pay outs in excess of \$10,000;
- (g) Description of a process for accepting multiple wagers from one patron in a 24-hour cycle, including a process to identify patron structuring of

**Commented [MR29]:** •GMA Memo – 6/25/21  
The biggest concern is the timeline as it relates to the desired September 1<sup>st</sup> start date for sports betting and approval of plans.

wagers to circumvent recording and reporting requirements:

- (h) Description of all software applications that comprise the sports wagering system;
- (i) Process for submitting and receiving approval of all types of wagers available to be offered by the system;
- (j) Description of all integrated third-party systems;
- (k) Procedures for reconciliation of assets and documents contained in a sports wagering area cashier's drawer and sports wagering kiosks, which shall include the drop and count procedures for sports wagering kiosks;
- (l) Procedures for cashing winning tickets at the cage after the sports wagering area has closed, if applicable;
- (m) Procedures for accepting value game chips for sports bets, if applicable;
- (n) Procedures for issuance and acceptance of promotional funds and free bets for sports wagering;
- (o) Identifying and preventing wagering by prohibited persons;
- (p) Description of the method to prevent past-post wagers from being placed;
- (q) The method of paying winning wagers, in the event of a failure of the sports wagering system's ability to pay winning wagers;
- (r) The procedures to file an incident report with the commission for each sports wagering system failure and document the date, time, and reason for the failure along with the date and time the system is restored;
- (s) Procedures for rejecting or refusing bets which exceed the value set forth in SDCL 42-7B-14; and
- (t) Any other information which may be required by the commission.

(2) To the extent a third-party is involved in or provides any of the internal controls required in these rules, the licensee's or sports wagering services provider's controls, or the controls of both of them must document the roles and responsibilities of the third-party and must include procedures to evaluate the adequacy of and monitor compliance with the third-party's internal control procedures.

**Source:**

**General Authority:** SDCL 42-7B-7.

**Law Implemented:** SDCL 42-7B-11(13).

20:18:35:03. Authorized and prohibited events and wager types. Before any licensee or sports wagering services provider may accept sports bets on an event category or sports bets of a particular wager type, the event category or wager type must be approved by the commission.

(1) Unless already approved by the commission, a request for approval must be submitted by a licensee or sports wagering services provider in the form and manner prescribed by the commission, subject to the following:

- (a) A request for approval of an event category involving **athletic-sporting** events must include, at a minimum, the name of the sports governing body and, to the extent known by the licensee or sports wagering services provider, a description of its policies and procedures regarding event integrity;
- (b) A request for approval of an event category involving events other than **professional and collegiate sporting athletic** events must include:
  - (i) A full description of the event category and the manner in which sports bets would be placed and winning sports bets would be determined;
  - (ii) A full description of any technology that would be utilized to offer the event category;
  - (iii) Assurance that the event category meets the requirements of subdivision (7);
  - (iv) Any rules or voting procedures related to the event category; and
  - (v) Any other information the commission considers necessary.

(2) The commission may require an appropriate test or experimental period, under such terms and conditions the commission considers appropriate, before granting final approval to an event category or wager type. The commission may subject any technology that would be used to offer an event category or wager type to such testing, investigation, and approval as it considers appropriate.

(3) The commission may grant, deny, limit, restrict, or condition a request made pursuant to this rule for any cause. The commission may issue an order revoking, suspending, or modifying any approval of an event category or wager type granted under this rule for any cause.

(4) The commission shall notify all licensees and sports wagering services providers of any additions, deletions, or changes regarding authorized event categories and authorized

**Commented [MR30]:** •GMA Memo – 6/25/21  
Will the Commission be publishing a list of approved sports, events, and contests, or will operators have to provide a list of the wagers they will offer? Other states produce a catalog of allowable wagers including the following:

Colorado:

<https://docs.google.com/spreadsheets/d/1U4W2aDZ1RTNkPXyYDR2jAOWnv8-ZEsfEIN5jleHfLw/edit#gid=1816173109>

Iowa:

<https://irgc.iowa.gov/sites/default/files/documents/2021/02/Approved%20Wager%20Listing%2002042021.pdf>

Indiana:

<https://www.in.gov/igc/files/State%20of%20IN%20Approved%20Leagues%20and%20Events.pdf>

Mississippi:

[https://www.msgamingcommission.com/images/uploads/List\\_of\\_Sports\\_Books\\_Events\\_Allowed\\_in\\_MS\\_-\\_01.13.2021.pdf](https://www.msgamingcommission.com/images/uploads/List_of_Sports_Books_Events_Allowed_in_MS_-_01.13.2021.pdf)

**Commented [MR31R30]:** Discuss with commission. I think it makes sense for them to take a list from Colorado or another state and use that as the baseline.

wager types, which may include publication of a list of authorized event categories and wager types on the commission's website.

(5) The commission reserves the right to prohibit the acceptance of any sports bets and may order the cancellation of sports bets and require refunds on any sporting event or other event category, event, or wager type for which wagering would be contrary to the public policies of the state.

(6) In addition to the events prohibited by SDCL 42-7B-82, a licensee or sports wagering services provider may not accept sports bets on:

- (a) Horse and dog races ~~if the sports wagering on those races is pari-mutuel~~.
- ~~(b) Any sporting event or other event where the majority of contestants or the~~
- ~~(e)(b) athletes or competitors in the sporting event are under the age of 18 years;~~
- ~~(d)(c) A fantasy sports contest;~~
- ~~(e)(d) The injury of an athlete or competitor participant in an event; and~~
- ~~(f)(c) Any wagering category not authorized by law or commission rules~~  
adopted in compliance with law.

(7) A licensee or sports wagering services provider may only accept sports bets on events and wager types for which:

- (a) The event can be effectively supervised by a sports governing body or other oversight body;
- (b) There are integrity safeguards in place;
- (c) The outcome can be documented and verified;
- (d) The outcome can be generated by a reliable and independent process;
- (e) The outcome is not affected by any wager placed;
- (f) The event and acceptance of the wager type are conducted in conformity with all applicable laws; and
- (g) Wagering on the event and acceptance of the wager type are consistent with the public policy of this state.

(8) If it is determined that a licensee or sports wagering services provider has offered an unauthorized or prohibited event category, event, or wager type, the licensee or sports wagering services provider ~~must~~ shall immediately cancel and refund all sports bets associated with the unauthorized or prohibited event category, event, or wager type. The licensee or sports wagering services provider shall ~~must~~ notify the commission promptly after canceling and refunding the sports bets.

**Commented [MR32]:** •FSB Question – 6/30/21  
Does this mean that “fixed odds” may be offered on horses in SD?  
•GMA Memo – 6/25/21  
Will fixed odds wagering be allowed by the Commission?

**Commented [MR33R32]:** Correct, subject to the approval of the Commission

**Commented [MR34]:** •GMA Memo – 6/25/21  
Sporting and Other Events under the age of 18 years – While it will not apply to the Tokyo Olympics, how will the Commission view future Olympic events or even college athletics that may have participants under the age of 18?

**Commented [MR35R34]:** The prohibition is only for events where the majority of participants are under the age of 18 years

**Commented [MR36]:** •GMA Memo – 6/25/21  
A fantasy sports contest is a prohibited event – How is the language on liquidity pools in the definitions and other sections allowed?

**Commented [MR37R36]:** A fantasy sports contest is a particular type of pool different from any betting pool. Sports wagering operators like DraftKings have operated betting pools in other states with no concerns.

(9) A licensee or sports wagering services provider shall ~~must~~ not knowingly accept a sports bet on an event or wager type whose outcome has already been determined and is publicly known.

(10) The commission may use any information it considers appropriate, including, but not limited to, information received from a sports governing body, to determine whether to authorize or prohibit wagering on a particular event or a particular wager type.

(11) Prior to offering exchange wagering a licensee or sports wagering services provider shall ~~must~~ obtain approval from the commission. The rake taken on such wagers shall be subject to the wagering taxes pursuant to SDCL 42-7B-28, and 42-7B-28.1, and 42-7B-28.2 as are paid on sports wagering net receipts.

Commented [MR38R36]: We can add the reference

**Source:**

**General Authority:** SDCL 42-7B-7.

**Law Implemented:** SDCL 42-7B-11(13), 42-7B-15, 42-7B-28, 42-7B-28.1, 42-7B-28.2.

**20:18:35:04. Prohibiting wagers for good cause.** A sports governing body may request sports wagering information or may request the commission to restrict, limit, or exclude sports wagering on a particular event or a particular wager type.

(1) The request must be submitted in the form and manner prescribed by the commission and must include all of the following:

- (a) The identity of the sports governing body and contact information for at least one specific individual who will be the primary point of contact for questions related to the request;
- (b) A description of the sports wagering information, event, or wager type that is the subject of the request;
- (c) Information explaining why granting the request is necessary to protect the integrity of the event or public confidence in the integrity of the event that is the subject of the request. This may include information regarding any credible threat to the integrity of the event that is beyond the control of the sports governing body to preemptively remedy or mitigate; and
- (d) Any other information required by the commission.

(2) To ensure proper consideration, the request should be sent to the commission at least ten days before the particular event. At any time, however, a sports governing body should report information to the commission if it involves allegations of match-fixing, the manipulation

of an event, misuse of inside information, or other prohibited activity.

(3) On receipt of a complete request from a sports governing body under subdivision (1), the commission shall notify all licensees in writing. All licensees ~~must~~ shall be given an opportunity to respond to the request. The notification must include the date by which written responses must be submitted to the commission.

(4) The commission shall promptly review the request, any responses, and any other available information and shall decide on the request before the start of the event, if feasible, or as expeditiously as possible. In making its determination, the commission may consult with independent integrity monitoring providers and any other jurisdictions it considers appropriate. The commission may grant the request, in its sole discretion, if it determines that granting the request is necessary to protect the integrity of the event or public confidence in the integrity of the event, that is, the subject of the request. The commission shall notify, in writing, the sports governing body and all licensees of its decision.

(5) On request of a sports governing body or licensee, the commission may reconsider its decision if there is a material change in the circumstances related to the original request.

**Source:**

**General Authority:** SDCL 42-7B-7.

**Law Implemented:** SDCL 42-7B-11(13).

20:18:35:05. Patron protection information. A licensee or sports wagering services provider ~~must~~ shall provide a patron protection information ~~page that must be readily accessible to each individual and patrons on demand.~~ The patron protection information page must include: contain, at a minimum, all of the following:

(1) Information about potential risks associated with excessive wagering, and ~~a direct link to contact information for the South Dakota Council on Problem Gambling and one other organization based in the United States dedicated to helping people with potential gambling problems.~~

(2) Notification that underage gambling is a criminal offense and that anyone who facilitates an individual under the age of 21 to place a sports bet has committed a criminal offense and must be prohibited from sports wagering.

(3) A list of the available patron protection measures that can be invoked by the patron, such as self-exclusion ~~imposed limits~~ and information on how to invoke those measures.

**Commented [MR39]:** •FSB Question – 6/30/21  
How would this apply to anonymous betting in retail?

**Commented [MR40R39]:** The expectation is such material should be available to the player within the facility. This can be displayed directly by the software of the kiosk, on other external signage, forms, or brochures available. It is recommended changes made to be clearer.

**Commented [MR41]:** •Mike Rodman (DGA) – 7/01/21  
SD Council on ~~Problem-Responsible~~ Gambling does not have a website so no "direct link" is possible. Change language to "contact information" ?

**Commented [MR42R41]:** The SDCG website linked me to this ([Help with problem gambling](#)) which has a broken hyperlink and a phone number which doesn't work. The State of South Dakota participates in the [South Dakota Council on Problem Gambling](#) which is located in Sioux Falls, South Dakota. The toll free number is [1 \(888\) 781-HELP\(4357\)](#). Calls are referred to Gamblers Anonymous groups near their home town. I have no concern with the edit, but we should get the name right or just change it to the National Council on Problem Gambling since this is often used in other markets. There is also this website <http://keepthefungood.com/> which leads to the South Dakota Department of Social Services, Gamblers Anonymous, NCPG, and Gam-Anon (also the broken phone number).

**Commented [MR43]:** •GMA Memo – 6/25/21  
This section allows a dual referral for problem gambling. By having multiple resources for problem gambling, it can be confusing and duplicative for those seeking help. One of the two will need to be selected in the regulations, with the national number being the preference.

**Commented [MR44R43]:** It is commonplace to require multiple resources be available, especially if one is not available.

**Commented [MR45]:** a Rodman would like that information to have to be reported somewhere in SD so we are not dependent on what the national organizations say about problem gambling in SD.

**Commented [MR46R45]:** We could add a requirement to 20:18:35:22.

**20:18:35:22. Self-exclusion plan.** A licensee or sports wagering services provider conducting wagering on sports events must develop a self-exclusion plan or voluntary exclusion plan to prevent any person who informs the licensee of that person's desire to participate in a self-exclusion or voluntary exclusion program from participating in wagering on sports events. The plan must include monthly reporting of voluntarily-excluded persons to the Commission. This plan must be submitted to the executive secretary for review and approval.

(4) For wagering accounts, mechanisms in place for patrons to detect unauthorized use of their wagering account, such as the patron reviewing financial statements against known deposits.

(5) Method for filing a dispute with the licensee or sports wagering services provider pursuant to § 20:18:12.01:07, including providing information explaining how disputes can be filed and how disputes are resolved.

(6) Method for filing with the commission an unresolved dispute after all reasonable means to resolve the dispute with the licensee or sports wagering services provider have been exhausted in the manner prescribed by the commission.

**Source:**

**General Authority:** SDCL 42-7B-7.

**Law Implemented:** SDCL 42-7B-11(13).

**20:18:35:06. Wagering rules.** A licensee or sports wagering services provider must adopt comprehensive wagering rules, which must be approved by the commission.

(1) The wagering rules, together with any other information the commission considers appropriate, must be conspicuously displayed on the licensee's or its sports wagering services provider's digital platform or mobile application, included in the terms and conditions of  
wagering accounts, and copies must be made readily available to individuals and patrons.

(2) The wagering rules must address the following items regarding sports bets, at a minimum:

- (a) Types of sports bets accepted;
- (b) Minimum and maximum sports bets;
- (c) Description of the process for handling incorrectly posted events, odds, sports bets, or results;
- (d) Method for calculation and payment of winning sports bets;
- (e) Effect of schedule changes;
- (f) Method of notifying patrons of odds or proposition changes;
- (g) Acceptance of sports bets at other than posted terms;
- (h) Procedures related to pending winning sports bets;
- (i) Method of contacting the licensee or sports wagering services provider for questions and disputes pursuant to § 20:18:12.01:07;

- (j) Description of prohibited persons; ~~restricted patrons, involuntary excluded persons~~; and events and wager types on which sports bets may not be accepted under SDCL chapter 42-7B and ~~these rules~~ this chapter;
- (k) Methods of funding a wager;
- (l) Maximum payouts; however, such limits must only be established through limiting the amount of a sports bet and cannot be applied to reduce the amount paid to a patron as a result of a winning sports bet;
- (m) A policy by which the licensee or sports wagering services provider can cancel sports bets for obvious errors pursuant to the licensee's or sports wagering services provider's internal controls, which must include a definition and procedures for obvious errors;
- (n) Parlay ~~bet~~ ~~wager~~ related rules;
- (o) Rules and procedures for wagering communications;
- (p) What is to occur when an event or any component of an event on which sports bets are accepted is canceled, including the handling of sports bets with multiple selections, such as parlay bets, where one or more of these selections is canceled; and
- (q) Any other wagering rule related information the commission determines necessary.

(3) Amendments to the wagering rules must be approved by the commission. Failure by a licensee to act in accordance with the wagering rules may result in disciplinary action.

**Source:**

**General Authority:** SDCL 42-7B-7.

**Law Implemented:** SDCL 42-7B-11(13), 42-7B-15.

20:18:35:07. Acceptance of wagers. Available wagers must be displayed to the public and the gaming establishment's closed-circuit television system. The display must include the odds and a brief description of the event and wagering proposition.

- (1) Sports bets may only be made by patrons using:
  - (a) Cash or sports wagering vouchers;
  - (b) Cash equivalent;
  - ~~(c) Credit card or debit card;~~
  - ~~(d)~~ (c) Bonus or promotional credit;

**Commented [MR47]:** •FSB Question – 6/30/21  
Can this be further clarified? Do ALL available wagers have to be displayed somewhere in a retail setting? If so, this will severely impact the overall number of bets, handle and GGR.

**Commented [MR48R47]:** This is a requirement for the majority of sports wagering markets, including New Jersey, New York, West Virginia, and Colorado. Having said that the public display does not need to disclose ALL available wagers as that would not be reasonable.

**Commented [MR49]:** •FSB Question – 6/30/21  
Can credit/debit cards be used in the retail point of sale?  
•GMA Memo – 6/25/21  
This is another section that allows credit cards to be taken for gaming, which is not currently allowed in South Dakota.  
•Mike Rodman (DGA) – 7/01/21  
I (Craig) thinks (1) (c) needs to be removed. We are talking about methods for patrons to place a wager, not funding an account. A Debit/Credit Card is OK to fund an account, not place a wager.

**Commented [MR50R49]:** 20:18:35:07(c) will be removed.

~~(e)~~(d) Value gaming chips;

~~(f)~~(e) Funds within a wagering account; and

~~(g)~~(f) Any other means approved by the commission.

(2) The maximum amount which may be accepted by a licensee or sports wagering services provider from a patron on any single sports bet shall be limited to the value set forth in SDCL 42-7B-14.

(3) A licensee or sports wagering services provider may refuse any sports bet at any time for what the licensee considers good and sufficient reason. A written report of such action shall be sent to the commission within 48 hours of the action.

(4) A licensee or sports wagering services provider may not accept a sports bet on an event unless a wagering proposition is posted on the sports wagering system.

(5) A licensee or sports wagering services provider may not set lines or odds or offer wagering propositions designed for the purposes of ensuring that a patron will win a sports bet or a series of sports bets unless the lines, odds, or wagering propositions are offered in connection with a bonus or promotional offer conducted in accordance with the rules in § 20:18:35:11.

(6) A licensee or sports wagering services provider may, in their discretion, cancel an accepted sports bet for an obvious error. An obvious error must be defined in the licensee's or sports wagering services provider's internal controls.

(7) A licensee or sports wagering services provider must cancel a sports bet made by a prohibited person ~~or by a restricted patron in violation of their restrictions~~, confiscate the funds and deliver the funds to the commission. A licensee or sports wagering services provider must cancel a wager under this subdivision when the licensee or sports wagering services provider becomes aware that the individual who made the sports bet is a prohibited person or a restricted patron in violation of their restrictions.

(8) Except as otherwise provided in this chapter, a licensee or sports wagering services provider may not unilaterally cancel an accepted sports bet without prior written approval of the commission.

(9) A licensee or sports wagering services provider shall refund all accepted sports bets in full as soon as reasonably possible if a single event or market is cancelled for any reason.

**Source:**

**General Authority:** SDCL 42-7B-7.

**Law Implemented:** SDCL 42-7B-4(46), 42-7B-11(13).

**Commented [MR51]: •Brendan Bussmann (GMA) – 6/25/21.**  
There was also come concern on wager limits.

**Commented [MR52R51]: Wager limits set by 42-7B-14.**  
Possible discussion with Commission that this doesn't prevent the same player from placing the same wager twice for \$1000 each.

**Commented [MR53]:** There are two concerns with the provisions of this section as written – first, it appears to limit the authority of the sports wagering services provider to make the determination, since the decision as to whether or not accept the bet shall be based on what the licensee alone considers good and sufficient reason. Second, the requirement to report all refusals to take wagers is unduly burdensome, duplicative, unnecessary, and not a standard practice in other states that have authorized sports wagering. There are numerous innocuous reasons why a bet would be refused and since this provision includes any time that an attempted bet is refused, the commission would likely be inundated with meaningless reports. For example, if a customer fills out a bet slip electronically (either at a kiosk or on their mobile device) and attempts to place a wager, but the odds for one or more of the events they included in their bet slip have changed, that wager would be refused, and the customer would be notified of the odds change and given the option of placing the wager at the updated odds. Additionally, SDCL 42-7B-14 sets a specific maximum on the amount that may be wagered. If a customer at a cashier is unaware of that statutory maximum (or of other limits within the licensee's house rules) and seeks to place a wager that does not meet the guidelines, it would be communicated to the customer and the original request would be refused. There is no need for these routine refusals to be reported to the commission. Further, any bet refusal that is in relation to suspicious or unusual wagering activity is already required to be reported to the commission as part of the integrity monitoring/suspicious behavior reporting requirements in Section 20:18:35:14. To address these concerns, we suggest the following edits: Section 20:18:35:07(3)

A licensee or sports wagering services provider may refuse any sports bet at any time for what the licensee or sports wagering services provider considers good and sufficient reason. A written report of such action shall be sent to the commission within 48 hours of the action.

**Commented [MR54R53]:** Agree with first change, second change could be made to read "A written report of such action shall be sent to the commission upon request of the commission."

20:18:35:08. Prohibited persons. A licensee and a sports wagering services provider must make reasonable efforts to prevent a prohibited person from placing a sports bet.

(1) If a licensee or sports wagering services provider detects or is notified of an individual suspected of being a prohibited person who had engaged or is engaging in prohibited sports wagering, the licensee or sports wagering services provider, or both, must use reasonable measures to verify whether the individual is prohibited or not.

(2) If the licensee or sports wagering services provider cannot establish by reasonable measures that the individual is prohibited, the individual is presumed to not be a prohibited person for the purposes of this rule.

**Source:**

**General Authority:** SDCL 42-7B-7.

**Law Implemented:** SDCL 42-7B-11(13), 42-7B-83.

**Commented [MR55]:** Section 20:18:35:08 of the Proposed Rules requires licensees and sports wagering services providers to make "reasonable" efforts to prevent prohibited persons from placing sports bets. Additionally, Section 20:18:36:02 of the Proposed Rules requires licensees and sports wagering services providers to adopt "commercially available and demonstrable standards" to prevent prohibited persons from creating a wagering account. We suggest that the commission adopt a uniform "commercially reasonable" standard for both of these provisions. To address these concerns, we suggest the following edits: Section 20:18:35:08

A licensee and a sports wagering services provider must make **commercially** reasonable efforts to prevent a prohibited person from placing a sports bet.

..  
(2) If the licensee or sports wagering services provider cannot establish by **commercially** reasonable measures that the individual is prohibited, the individual is presumed not to be a prohibited person for the purposes of this rule."

20:18:35:09. Layoff wagers. A licensee or sports wagering services provider is ~~permitted to place and accept layoff wagers may not place or accept a layoff wager unless the commission determines that layoff wagers may be placed and accepted under SDCL chapter 42-7B. If layoff wagers are permitted When placing a layoff wager,~~ the licensee or sports wagering services provider placing a layoff wager must disclose its identity to the licensee or sports wagering services provider accepting the layoff wager. A licensee or sports wagering services provider may decline to accept a layoff wager in its sole discretion. Layoff wagers must be placed and accepted in accordance with any other procedures or conditions prescribed by the commission.

**Source:**

**General Authority:** SDCL 42-7B-7.

**Law Implemented:** SDCL 42-7B-11(13).

**Commented [MR56]:** •Mike Rodman (DGA) – 7/01/21  
Is this happening and how does it work?

a. Is the first sentence, right? We right a rule about something and then say only if its determined to be legal under our law. Seems backwards.

**Commented [MR57R56]:** Layoff wagers are essentially used by operators to balance risk.  
Say I make a bet with operator 1 which if I win I get 1 million dollars.  
What operator 1 might do to offset risk is go to operator 2 and make a bet on the same results.  
If my bet wins operator 1 uses the funds paid by operator 2 for their layoff wager to pay out the winnings for my bet. It doesn't happen often, but it's important to have controls in place for times that it does.

**Commented [MR58R56]:** •Mike Rodman (DGA) – 7/01/21

Is the first sentence, right? We right a rule about something and then say only if its determined to be legal under our law. Seems backwards.

**Commented [MR59R56]:** Recommended update

20:18:35:10. Tournaments/contests/pools. A licensee or sports wagering services provider may conduct a sports wagering tournament, contest, or pool subject to all of the following:

(1) No sports wagering tournament, contest, or pool shall be conducted unless the licensee or sports wagering services provider, before the first time a tournament, contest, or pool type is offered, files written notice with the commission of its intent to offer that tournament, contest, or pool type and obtains approval from the commission. The licensee or sports

wagering services provider may file a master list with the commission to satisfy this requirement:

- (a) The request must provide a detailed description of the tournament, contest, or pool type and must include the rules of the tournament, contest, or pool, the requirements for entry, the entry fees, the rake, and potential payouts. The request must also indicate whether or not the proposed type involves a shared liquidity pool available to patrons in South Dakota and other jurisdictions with the prize pool being comprised of entry fees collected from patrons in multiple jurisdictions;
- (b) Once a sports wagering operator or sports wagering vendor receives approval to offer a tournament, contest, or pool type, the sports wagering operator or sports wagering vendor shall not be required to seek additional approvals from the commission for each subsequent type that is substantially similar but must submit notification to the commission with the details required in subdivision § 1(a);

(2) Each licensee or sports wagering services provider must maintain a record of each tournament, contest or pool it offers, which must ~~include: address, at a minimum, all of the following:~~

- (a) Name or identification of the tournament, contest, or pool;
- (b) The date and time the tournament, contest, or pool occurred or will occur (if known);
- (c) Events and wager types;
- (d) Rules concerning tournament, contest, or pool play and participation;
- (e) For each registered patron:
- (i) Unique patron ID and username (if different);
  - (ii) Amount of entry fee collected, including any bonus or promotional credits, and the date collected;
  - (iii) Patron scorings/rankings; and
  - (iv) Amount of winnings paid, including any bonus or promotional credits, and the date paid;
- (f) Total amount of entry fees collected, including any bonus or promotional credits;
- (g) Total amount of winnings paid to patrons, including any bonus or

**Commented [MR60]:** •Mike Rodman (DGA) – 7/01/21  
Do we need to put a 10% max rake like we have for poker?

**Commented [MR61R60]:** The proposed rake is subject to the approval of the commission pursuant to 1(a). If the statutes don't already specify it, I recommend not specifying a max rake within regulation.

**Commented [MR62]:** •GMA Memo – 6/25/21  
The liquidity issue addressed in this section as previously defined is problematic because of the Wire Act and sports betting. How could this occur in any other state other than South Dakota?

**Commented [MR63R62]:** Language has been adapted from neighboring states such as Colorado who offers such pools.

**Commented [MR64]:** •Mike Rodman (DGA) – 7/01/21  
I need a better understanding so I can answer with more than it's like the WAP we have with Nevada and NJ. How comes it doesn't violate wire act?  
•Brendan Bussmann (GMA) – 6/25/21  
Remember, this is a portion that I believe should be removed because of the Wire Act implications.

**Commented [MR65R64]:** The Wire Act is not about how the prizes are funded but more so on the physical location of the bet (player and system accepting wager).

**Commented [MR66]:** •Mike Rodman (DGA) – 7/01/21  
Shared Liquidity pools. How does this work beyond the answer "it's like the WAP".  
•When are shared liquidity pools used?

**Commented [MR67R66]:** For example there might be a pool for March Madness where I pay \$10 entry and I make my picks on the winning teams. For simplicity \$1 rake comes out and the other \$9 gets dropped into a pool with other bettors participating and the prize is determined directly based on participation (minimal risk on the operator's behalf). At the end of the tournament out of all of the bettors in the pool, the one who made the best picks wins.  
Let's say the pool is from 100 SD bettors, so winner gets \$900.  
Shared liquidity expands that pool to include entries from bettors in other states.  
Say there are 100 CO bettors for the March Madness pool as well.  
If there was no shared liquidity there would be effectively two pools, one for SD bettors and one for CO bettors. Each pool would have a \$900 winning bettor.  
If there is shared liquidity there is one larger pool of 200 bettors with the winner getting \$1800.  
For this case where the prize is determined by participation, the larger potential award might drive further participation. Taken even further an operator might have a tournament with a fixed prize because they have anticipation of the level of participation set to offset their risk.

promotional credits;

- (h) Total rake, commission, or fees collected;
  - (i) Funding source amount or amounts comprising the prize pool (for example, buy-ins, re-buys, or add-ons);
  - (j) Prize structure on payout;
  - (k) Methodology for determining winner or winners; and
  - (l) The current status of the tournament, contest, or pool (in progress, complete, interrupted, canceled, etc.);
- (3) Fees collected, less cash prizes paid, are subject to the wagering taxes pursuant to ~~SDCL 42-7B-28, and 42-7B-28.1,~~ and 42-7B-28.2. In determining sports wagering net receipts, to the extent that cash prizes paid out exceed fees collected, the licensee or ~~advance deposit sports wagering services provider operator~~ shall be deemed to have paid the fees for the participants.
- (4) The licensee or sports wagering services provider shall be responsible for the rake. The licensee's or sports wagering services provider's rake's collected from patrons that enter a tournament, contest, or pool while located in the state of South Dakota less any rake adjustment, if applicable, shall be subject to the wagering taxes pursuant to SDCL 42-7B-28, ~~and 42-7B-28.1, and 42-7B-28.2~~ as are paid on sports wagering net receipts.
- (a) At no time shall the calculation resulting from a rake or rake adjustment be negative.
  - (b) For a tournament, contest, or pool which utilizes shared liquidity available to patrons in South Dakota and other jurisdictions, the rake rate must be the same for all jurisdictions participating.

**Commented [MR68]:** •Mike Rodman (DGA) – 7/01/21  
Should 42-7B-28.2 (free play) also be referenced in (3) & (4) with the other tax code references?

**Commented [MR69R68]:** We can add the reference

**Source:**

**General Authority:** SDCL 42-7B-7.

**Law Implemented:** SDCL 42-7B-11(13), 42-7B-28, 42-7B-28.1, ~~42-7B-28.2.~~

**Commented [MR70]:** •Brendan Bussmann (GMA) – 6/25/21  
There needs to be more clarity to the liquidity taxation and how this is calculated.

**Commented [MR71R70]:** Taxation is based on the rake from players in SD at the time of payment of entry into the pool.

**20:18:35:11. Bonus or promotional wagering.** A licensee or sports wagering services provider may conduct sports wagering bonus or promotional offers subject to all of the following:

(1) A licensee or sports wagering services provider must maintain a record of all bonus or promotional offers related to sports wagering to facilitate the commission's tracking of bonus or promotional activity, which must include: address; at a minimum, all of the following:

- (a) Unique ID for each bonus or promotional offer;
- (b) The date and time the bonus or promotional offer was or is scheduled to be available;
- (c) The terms of the bonus or promotional offer; and
- (d) The date and time the bonus or promotional offer was or is scheduled to be decommissioned.

(2) All bonus or promotional offers must be stated in clear and unambiguous terms and must be accessible by the patron after the offer is accepted and before completion. Offer terms and the record of all offers must include all of the following at a minimum:

- (a) The date and time presented;
- (b) The date and time the offer is active and expires;
- (c) Patron eligibility, including any limitations on participation;
- (d) Any restriction on withdrawals of funds;
- (e) Wagering requirements and limitations on events or wager types;
- (f) How the patron is notified when they have received an award;
- (g) The order in which funds are used for wagers;
- (h) Eligible events or wager types; and
- (i) Rules regarding cancellation.

(3) A licensee or sports wagering services provider must provide a clear and conspicuous method for a patron to cancel his or her participation in a bonus or promotional offer that utilizes restricted wagering credits that cannot be cashed out until a wagering requirement or other restrictions associated with the credits is met.

- (a) Upon request for cancellation, the licensee or sports wagering services provider shall inform the patron of the amount of unrestricted funds that will be returned upon cancellation and the value of restricted wagering credits that will be removed from the wagering account.
- (b) If a patron elects to proceed with cancellation, unrestricted funds remaining in a patron's wagering account must be returned according to the terms of a bonus or promotional offer.

(4) Once a patron has met the terms of a bonus or promotional offer, a licensee or

sports wagering services provider must not limit winnings earned while participating in the offer.

**Source:**

**General Authority:** SDCL 42-7B-7.

**Law Implemented:** SDCL 42-7B-11(13).

**20:18:35:12. Taxation requirements.** Each licensee or sports wagering services provider shall, at all times, comply with Internal Revenue Service (IRS) requirements for reporting and withholding proceeds from sports bets by patrons and shall send to patrons subject to IRS reporting or withholding a Form W2-G summarizing the information for tax purposes following a winning wager being deposited into an account paid out to the patron. Upon written request, the licensee or sports wagering services provider shall provide patrons with summarized tax information on sports wagering activities.

**Source:**

**General Authority:** SDCL 42-7B-7.

**Law Implemented:** SDCL 42-7B-11(13).

**20:18:35:13. Bank secrecy act compliance.** A licensee or sports wagering services provider must comply with all provisions of the Bank Secrecy Act of 1970, 31 U.S.C. § 5311 to § 5332, applicable to the licensee's or sports wagering services provider's sports wagering operation.

(1) A licensee or sports wagering services provider must, with regard to its sports wagering operation, maintain records related to its compliance with the Bank Secrecy Act of 1970, 31 U.S.C. § 5311 to § 5332, including all currency transaction reports, suspicious activity reports, and any supporting documentation, for a minimum of five years. The licensee or sports wagering services provider must provide the records to the commission and any appropriate law enforcement agencies on request consistent with the authorization prescribed in the Bank Secrecy Act of 1970, 31 U.S.C. § 5311 to § 5332, and applicable regulations.

(2) A licensee or sports wagering services provider must provide a written notice to the commission as soon as the licensee or sports wagering services provider becomes aware of a compliance review that is conducted by the Internal Revenue Service under the Bank Secrecy Act of 1970, 31 U.S.C. § 5311 to § 5332, and involves or impacts the licensee's or sports wagering services provider's sports wagering operation. The licensee or sports wagering services provider must provide a copy of the compliance review report or the equivalent to the

commission within ten days after the receipt of the report by the licensee or sports wagering services provider.

**Source:**

**General Authority:** SDCL 42-7B-7.

**Law Implemented:** SDCL 42-7B-11(13).

**Reference:** Bank Secrecy Act of 1970, 31 U.S.C. § 5311 to § 5332. Copies can be obtained from the South Dakota Commission on Gaming free of charge, 87 Sherman Street, Deadwood, South Dakota, 57732, telephone: 605-578-3074.

**20:18:35:14. Integrity monitoring/suspicious behavior.** A licensee or sports wagering services provider must have internal controls in place to identify and report unusual wagering activity to the commission. As part of these internal controls, a licensee may contract with an independent integrity monitoring provider.

(1) A licensee or sports wagering services provider receiving a report of suspicious wagering activity must be permitted to suspend wagering on events or wager types related to the report but may only cancel sports bets related to the report after receiving approval from the commission.

(2) The commission may require a licensee or sports wagering services provider to provide any hardware or software necessary to the commission or to an independent gaming laboratory approved by the commission for evaluation of its sports wagering offering or to conduct further monitoring of data provided by its sports wagering system.

(3) A licensee or sports wagering services provider must maintain records of all event integrity monitoring services and activities, including all reports of unusual or suspicious wagering activity and any supporting documentation, for a minimum of five years and must provide such records to the commission on request.

(4) If the commission receives information regarding the integrity of events on which sports bets are made, the commission may, to the extent allowed or provided for in SDCL chapter 42-7B and this chapter, share such information with a licensee, sports wagering services provider, independent integrity monitoring provider, sports governing body, sports team, law enforcement entity, regulatory agency, or other person the commission considers appropriate.

(5) An independent integrity monitoring provider must register as a vendor with the

commission before providing event integrity monitoring services to a licensee or sports wagering services provider under SDCL chapter 42-7B and this chapter.

(6) A licensee or sports wagering services provider must maintain the confidentiality of information provided by a sports governing body to the licensee or sports wagering services provider related to unusual wagering activity, suspicious wagering activity, or the integrity of an event, unless disclosure is required by the commission, any applicable law, or a lawful order of a court of competent jurisdiction.

**Commented [MR72]:** •FSB Question – 6/30/21  
Is there a registered integrity monitor in SD?

**Commented [MR73R72]:** None at this time

(7) A licensee or sports wagering services provider must employ personnel responsible for ensuring the operation and integrity of sports wagering and reviewing all reports of suspicious behavior. Unless otherwise directed by the commission, a licensee or sports wagering services provider must promptly notify the commission upon detecting or becoming aware of any of the following:

- (a) Any person participating in sports wagering who is engaging in or attempting to engage in, or who is reasonably suspected of, cheating, theft, embezzlement, collusion, use of funds derived from illegal activity, money laundering, or any other illegal activities;
- (b) Any person who is reasonably suspected of misrepresenting their identity or using false identification to establish or attempt to establish a wagering account;
- (c) Suspected criminal activity related to any aspect of sports wagering;
- (d) Any criminal or disciplinary proceedings commenced against the licensee or sports wagering services provider in connection with its sports wagering operations; or
- (e) Any sports bets that violate any applicable state or federal law.

**Commented [MR74]:** •GMA Memo – 6/25/21  
Operators are supposed to “promptly” notify the Commission. Should this instead be “reasonably”? While integrity is the foundation of any regulation and contest, it should have some level of verifiability not to put undue burden on the regulator or the operator. Having a solid monitoring service such as U.S. Integrity is key to achieving this outcome.  
•Mike Rodman (DGA) – 7/01/21  
Consider changing “promptly notify” to a more definite timeframe.  
a. We currently use promptly 5 times in our other rules so I think it is OK.

**Commented [MR75R74]:** Promptly” provides enough time for operators to conduct an initial investigation prior to reporting the activity to the Commission.

(8) A sports wagering services provider must promptly notify any affected licensees on behalf of which it accepts sports bets of any issues impacting the integrity of sports wagering.

**Source:**

**General Authority:** SDCL 42-7B-7.

**Law Implemented:** SDCL 42-7B-11(13), 42-7B-43

**20:18:35:15. Commission access to information.** Licensees and sports wagering services providers must detail the controls that are in place to assure that all information the commission requires to be maintained under SDCL chapter 42-7B or this chapter is

appropriately segregated and controlled to prevent unauthorized access. Licensees and sports wagering services providers must provide the commission with access to all such information and the equipment and facilities on which or within which the information is maintained as considered necessary by the commission and in a manner approved by the commission. All information necessary for the commission to conduct any investigation shall be provided to the commission immediately upon request.

**Source:**

**General Authority:** SDCL 42-7B-7.

**Law Implemented:** SDCL 42-7B-11(1)(4).

**20:18:35:16. Anti-money laundering (AML) monitoring.** The licensee or sports wagering services provider shall develop and implement AML procedures and policies that adequately address the risks posed by sports wagering for the potential of money laundering and terrorist financing. Additional requirements for AML procedures and policies may be specified by the commission.

**Source:**

**General Authority:** SDCL 42-7B-7.

**Law Implemented:** SDCL 42-7B-11(13), 42-7B-43.

**20:18:35:17. Reserve requirement.** A licensee or sports wagering services provider must submit a plan to maintain a reserve in the amount necessary to ensure the security of funds held in wagering accounts for sports wagering and the ability to cover the outstanding sports wagering liability. All plans will require commission approval.

- (1) The reserve must be in the form of:
- (a) Cash or cash equivalents maintained in a U.S. bank account segregated from the licensee's or sports wagering services provider's operational funds;
  - (b) An irrevocable letter of credit;
  - (c) A bond;
  - (d) Payment processor reserves and receivables;
  - (e) Any other form acceptable to the commission; or
  - (f) Any combination of the allowable forms described in subdivisions (a)

**Commented [MR76]: •Brendan Bussmann (GMA) – 6/25/21**

The current regs appear to force both the operator and sports betting partner to meet the reserve requirement. Only one should have to meet the reserve requirements.

Fanduel

Section 20:18:35:17 of the Proposed Rules requires licensees and sports wagering services providers to maintain reserves of at least \$25,000 or an amount necessary to cover standard liabilities. While the provisions this section related to the calculation of the reserve and the form it may take are standard, it apparently requires all sports wagering services providers to maintain such a reserve, even if they do not maintain customer accounts or manage the sports wagering operation of a licensee. For example, as written, this would require a sports wagering data provider to maintain a reserve, even though they do not have any customer accounts or outstanding sport wagering liability. To address this concern, we suggest the following edit:

A licensee or sports wagering services provider who manages a sports wagering operation on behalf of a licensee must submit a plan to maintain a reserve in the amount necessary to ensure the security of funds held in wagering accounts for sports wagering and the ability to cover the outstanding sports wagering liability...

**Commented [MR77R76]: 20:18:35:17 says "licensee or sports wagering services provider"**

We can make FanDuel change

to (e).

(2) The reserve must be not less than the greater of \$25,000 or the sum of the following amounts:

- (a) The daily ending cashable balance of all patrons' wagering accounts;
- (b) Pending withdrawals;
- (c) Amounts accepted by the licensee or sports wagering services provider on sports bets whose outcomes have not been determined; and
- (d) Amounts owed but unpaid on winning sports bets through the period established by the licensee or sports wagering services provider for honoring winning sports bets.

(3) Funds held in wagering accounts may not be automatically transferred by a licensee or sports wagering services provider. A licensee or sports wagering services provider may not require a patron to transfer funds from his or her wagering account in order to circumvent this rule.

(4) Amounts available to patrons for play that are not redeemable for cash may be excluded from the reserve computation.

(5) A licensee or sports wagering services provider must have access to all wagering accounts and transaction data to ensure the amount of its reserve is sufficient. Unless otherwise directed by the commission, a licensee or sports wagering services provider must file a monthly attestation with the commission, in the form and manner prescribed by the commission, that funds have been safeguarded under this rule.

(6) The commission may audit a licensee's or sports wagering services provider's reserve at any time and may direct a licensee or sports wagering services provider to take any action necessary to ensure the purposes of this rule are achieved, including but not limited to requiring the licensee or sports wagering services provider to modify the form of its reserve or increase the amount of its reserve.

**Source:**

**General Authority:** SDCL 42-7B-7.

**Law Implemented:** SDCL 42-7B-11(13).

20:18:35:18. Reports of sports wagering operations. The sports wagering operator must-shall be able to prepare reports supporting sports wagering revenue, wagering liability.

**Commented [MR78]:** •FSB Question – 6/30/21  
Has this form been established yet? If not, when can it be expected? Development will be needed to ensure all requirements are fulfilled.

**Commented [MR79R78]:** Recommend remove of the words "on a form and" since the manner prescribed by the commission would specify any form or formats which will best work for the SDCG.

winnings, and any other reports considered necessary by the commission or as required by the internal controls. The reporting must be done ~~on a form and~~ in the manner prescribed by the commission. Additional reporting requirements may be specified by the commission. Any information provided under this section is confidential and proprietary and is exempt from disclosure.

**Source:**

**General Authority:** SDCL 42-7B-7.

**Law Implemented:** SDCL 42-7B-11(13), 42-7B-76.

**20:18:35:19. Retention of records.** All records required by this chapter must be maintained for three years. Redeemed sports wagering tickets and sports wagering vouchers as described in chapter 20:18:35 shall be retained for a period of 90 days from date of redemption. Redeemed sports wagering tickets and sports wagering vouchers may be destroyed after 90 days if the record of the transaction is retrievable from the sports wagering system reports.

**Source:**

**General Authority:** SDCL 42-7B-7.

**Law Implemented:** SDCL 42-7B-11(1)(4), 42-7B-76.

**Commented [MR80]:** •FSB Question – 6/30/21  
If the system saves them, is it necessary that the physical tickets be saved?

**Commented [MR81R80]:** Question for SDCG: What is currently done for casino wagering vouchers pursuant to 20:18:18:25? I'd think the same expectation would be here.

**20:18:35:20. Independent audit of internal control procedures.** Licensees shall have their internal control procedures independently audited at least once every two years with the results documented in a written report, which shall be maintained and available to the Commission. This includes internal control procedures conducted by a sports wagering services provider on behalf of the licensee.

(1) Such independent audits may be conducted by the Commission, or a Commission approved third-party auditor. The Commission may, in its discretion, allow for an internal audit department within the licensee or parent company of the licensee, which is independent of the sports wagering operation, to serve as a third-party auditor for use in completing this audit.

(2) The Commission, or third-party auditor shall be responsible for auditing the sports wagering operation's compliance with SDCL chapter 42-7B and chapter 20:18:35, including those adopted in appendix A of GLJ-33, the internal control system, and any other applicable rules and regulations.

(3) Documentation, including checklist, programs, reports, corrective actions, and other items, shall be prepared to evidence all independent audit work performed as it relates to the

**Commented [MR82]:** •Brendan Bussmann (GMA) – 6/25/21  
Internal Controls - In addition to the timeline for approval that I had some concerns with, they will likely be pitch the same language they used in Wyoming (I am awaiting the language but some of those changes did not carry through the copy and paste by GLI.).

•Fanduel  
Section 20:18:35:20 of the Proposed Rules requires licensees or sports wagering services providers to conduct an annual internal control procedures audit. This is a new requirement that is not reflected in the regulations of any jurisdiction where sports betting is currently taking place and we strongly suggest that the commission consider removing the requirement. However, if the commission determines that such a requirement is necessary, we suggest striking the proposed language and replacing with the following, which will ease the compliance burden on licensees and sports wagering services providers:

**Commented [MR83R82]:** Updated language has been proposed based on similar updates for Wyoming. This is what was sent to the commission for review after initial posting of draft rules as well.

requirements of this section, including all instances of noncompliance.

(4) Independent audit reports shall include objectives, procedures and scope, findings and conclusions, and recommendations.

(5) Independent audit findings shall be reported to management. Management shall be required to respond to the independent audit findings and the stated corrective measures to be taken to avoid recurrence of the audit exception. Such management responses shall be included in the final independent audit report.

(6) Follow-up observation and examinations shall be performed to verify that corrective action has been taken regarding all instances of noncompliance cited by the independent audits, or by the Commission. The verification shall be performed within six months following the date of notification.

(7) Where approved by the Commission, it is acceptable to leverage the results of prior audits conducted within the two-year period by the same third-party auditor in another sports wagering jurisdiction. Such leveraging shall be noted in the audit report. This leveraging does not include any internal control procedures unique to the state, which will require new audits.

~~**20:18:35:20. Internal control procedures audit.** On an annual basis, licensees or sports wagering services providers shall have their internal control procedures audited by the commission or an independent entity approved by the Commission.~~

~~(1) In reviewing the internal control procedures of the licensee or sports wagering services provider, the audit shall consider the operational aspects of SDCL chapter 42-7B and chapter 20:18:35, including those adopted in Appendix A of GLI-33, in addition to the following~~

~~(a) Any changes to the internal control procedures and operating environment since the previous review;~~

~~(b) The effectiveness of the licensee's and sports wagering services provider's internal control procedures to ensure compliance with all commission requirements;~~

~~(c) The licensee's and sports wagering services provider's compliance with its internal control procedures;~~

~~(d) Other matters required by the commission to measure compliance with SDCL 42-7B and these rules;~~

~~(2) Licensees or sports wagering services providers are responsible for forwarding the results of this audit to the commission.~~

**Source:**

**General Authority:** SDCL 42-7B-7.

**Law Implemented:** SDCL 42-7B-11(13), 42-7B-17, 42-7B-76.

**Reference:** GLI-33 Standards for Event Wagering Systems, v1.1, May 14, 2019.

Copies may be obtained without charge from Gaming Laboratories International, LLC, at 600 Airport Road, Lakewood, New Jersey, 08701, (732) 942-3999, and online at [Gaminglabs.com/gli-standards](http://Gaminglabs.com/gli-standards).

**20:18:35:21. Annual financial audit.** A financial audit of the sports wagering operations of the licensee shall be conducted by certified public accountants authorized to practice in the state of South Dakota and provided to the commission within 180 days of the licensee's fiscal year and meet the following conditions:

- (1) Inclusion of an audited balance sheet and audited profits-and-losses statement including a breakdown of expenditures and subsidiaries of advance deposit sports wagering activities;
- (2) Inclusion of a supplement schedule indicating financial activities on a calendar-year basis if the licensee's fiscal year does not correspond to the calendar year;
- (3) Report of any material errors and irregularities that may be discovered during the audit, or notice of any audit adjustments;
- (4) Availability, upon request, of an engagement letter for the audit between the licensee and the auditing firm; and
- (5) Inclusion of a supplemental schedule for South Dakota operations and;—A supplemental schedule shall include a breakdown of sports wagering activities by each South Dakota casino in which there is an agreement. The supplemental schedule provided to satisfy this requirement may be unaudited; however if unaudited, the top financial officer of the company shall  
provide a statement attesting to the accuracy of the information provided to the commission.

**Source:**

**General Authority:** SDCL 42-7B-7.

**Law Implemented:** SDCL 42-7B-11(13), 42-7B-17, 42-7B-76.

**20:18:35:22. Self-exclusion plan.** A licensee or sports wagering services provider conducting wagering on sports events ~~must~~ **shall** develop a self-exclusion plan or voluntary exclusion plan to prevent any person who informs the licensee of that person's desire to participate in a self-exclusion or voluntary exclusion program from participating in wagering on sports events. ~~The plan must include monthly reporting of voluntarily-excluded persons to the Commission.~~ This plan must be submitted to the executive secretary for review and approval.

**Source:**

**General Authority:** SDCL 42-7B-7.

**Law Implemented:** SDCL 42-7B-11(13).

**Commented [MR84]:** Rodman would like that information to have to be reported somewhere in SD so we are not dependent on what the national organizations say about problem gambling in SD.

Fanduel

Section 20:18:35:22 of the Proposed Rules requires licensees and sports wagering services providers to develop a self-exclusion plan or voluntary exclusion plan. We have a robust responsible gaming program and plan which includes options for patron self-limits as well as self-exclusion. However, we would suggest to the commission that they consider the creation of a statewide self-exclusion program, so that when a patron self-excludes from one licensee, they will be excluded from all licensees. We find that this is the best practice in the other jurisdictions in which we operate.

**20:18:35:23. Provider error – Reimbursement.** A sports wagering services provider shall be responsible ~~to reimburse for reimbursing an operator or route operator licensee~~ for bets paid by the ~~operator or route operator licensee~~ as a result of the error or omission of the ~~sports~~ **wagering** services provider.

**Source:**

**General Authority:** SDCL 42-7B-7.

**Law Implemented:** SDCL 42-7B-11(13).

**Commented [MR85]:** Fanduel

Section 20:18:35:23 of the Proposed Rules requires sports wagering services providers to be responsible to reimburse an operator or route operator for bets placed by the operator or route operator as a result of the error or omission of the services provider. As the nature of services provided by sports wagering services providers can vary greatly, this is an issue best addressed in contract between the operator or route operator and the sports wagering services provider. For example, there is a significant difference between suppliers of sporting event information and a sports wagering services provider who manages the sports wagering operation on behalf of a licensee. To address this concern, we suggest striking this provision entirely.

## CHAPTER 20:18:35.01

### SPORTS WAGERING TESTING, APPROVAL, AND CHANGES

20:18:35.01:01. Technical standards. A licensee shall use a sports wagering system to offer, conduct, or operate sports wagering in accordance with applicable laws and these rules. Only a licensee or its sports wagering services provider may process, accept, offer, or solicit sports bets. If a licensee does not utilize a sports wagering services provider and, instead, develops its own sports wagering system, the licensee is considered both a licensee and a sports wagering services provider for the purposes of this part.

(1) All equipment and systems integral to the conduct of sports wagering and advance deposit sports wagering must meet the specifications set forth in these rules or other technical specifications as prescribed by the commission. Failure to comply with the approved specifications, internal controls, or technical specifications may result in disciplinary action by the commission.

(2) Licensees and sports wagering services providers must comply with, and the commission adopts and incorporates by reference, the Gaming Laboratories International, LLC Standard GLI-33: Standards for Event Wagering Systems, v1.1, and its Appendices. The GLI-33 standards are intended to supplement rather than supplant other technical standards and requirements under these rules.

~~(3) — Before conducting sports wagering, and as otherwise required by the commission, the sports wagering services provider must submit the sports wagering system used in conjunction with the sports wagering operation to an independent testing laboratory approved by the commission for certification testing.~~

~~(4) — If the sports wagering system meets or exceeds the technical standards adopted in subdivision (2) this chapter, the independent testing laboratory approved by the commission shall certify the sports wagering system. Licensees and sports wagering services providers are prohibited from offering sports wagering in South Dakota without such certification. The sports wagering services provider is responsible for all costs associated with testing and obtaining such certifications.~~

**Commented [MR86]:** •FSB Question – 6/30/21  
FSB received GLI-33 certification in November 2020. Does FSB need to submit again prior to going live?

**Commented [MR87R86]:** FSB will need to be submitted for approval to the South Dakota Sports Wagering market. It is common practice for an ITL to leverage results of previous testing they conducted where possible to ensure compliance to the South Dakota regulations (including GLI-33).

**Source:**

**General Authority:** SDCL 42-7B-7.

**Law Implemented:** SDCL 42-7B-11(13), 42-7B-17.

**Reference:** GLI-33 Standards for Event Wagering Systems, v1.1, May 14, 2019.

Copies may be obtained without charge from Gaming Laboratories International, LLC, at 600 Airport Road, Lakewood, New Jersey, 08701. (732) 942-3999, and online at [Gaminglabs.com/gli-standards](http://Gaminglabs.com/gli-standards).

**20:18:35.01:02. Certification testing.** Prior to conducting sports wagering, and annually thereafter, all equipment and systems integral to the conduct of sports wagering and advance deposit sports wagering ~~shall~~**must** be submitted to a commission-designated independent testing laboratory for evaluation. Certification and executive secretary approval must be received prior to the use of any equipment or system to conduct sports wagering. Licensees and sports wagering services providers are prohibited from offering sports wagering in South Dakota without such certification. The sports wagering services provider is responsible for all costs associated with testing and obtaining such certifications.

(1) The licensee ~~must~~**shall** provide internal controls that protect the integrity of all hardware, networks, applications, databases, and data to the executive secretary for approval prior to completion of the system testing period and final approval of the system.

(2) The licensees and sports wagering services provider shall submit change control processes to the executive secretary for approval ~~which that detail evaluation procedures for identifying the criticality of updates and changes to equipment and systems and determining of submission of updates and changes to an independent testing laboratory for review and certification.~~ These processes must be:

- (a) Developed in accordance with the Gaming Laboratories International, LLC Guide GLI-CMP Change Management Program Guide, v1.0; and
  - (b) Certified prior to its deployment and audited at an annual interval by the independent gaming laboratory.
- (3) At least ~~once~~ annually, each product operating under the certified change control

**Commented [MR88]:** •GMA Memo – 6/25/21  
Annual certification seems unnecessary and should only have to be done on material changes to a gaming system.

**Commented [MR89R88]:** There is merit in requiring annual recertification of the whole system to establish an updated baseline on which to evaluate further changes according to the Change Management Program. Moreover, this practice is deployed without undue hardship in a majority of U.S. jurisdictions. Finally, we note that the technical standards define the scope of testing and limit it to critical components, and the change management process provides operators with an efficient means to manage risk and maintain compliance.

**Commented [MR90]:** •FSB Question – 6/30/21  
FSB must certify yearly with GLI for GLI-33? Is this yearly certification sufficient?

**Commented [MR91R90]:** FSB will need to be submitted for approval to the South Dakota Sports Wagering market. It is common practice for an ITL to leverage results of previous testing they conducted where possible to ensure compliance to the South Dakota regulations (including GLI-33).

processes must be fully certified to the specifications set forth in these rules this chapter or other technical specifications as prescribed by the commission and accompanied by formal certification documentation from the independent gaming laboratory. The licensee and sports wagering services provider, where separate, shall be allowed to may seek approval for extension beyond the annual approval if hardship can be demonstrated. Granting of a hardship waiver is the sole discretion of the commission.

**Source:**

**General Authority:** SDCL 42-7B-7.

**Law Implemented:** SDCL 42-7B-11(13), 42-7B-17.

**Reference:** GLI-CMP Change Management Program Guide, v1.0, May 6, 2020.

Copies may be obtained without charge from Gaming Laboratories International, LLC, at 600 Airport Road, Lakewood, New Jersey, 08701. (732) 942-3999, and online at [Gaminglabs.com/gli-standards](http://Gaminglabs.com/gli-standards).

**20:18:35.01:03. Location of servers.** Unless otherwise approved by the commission in writing, A sports wagering services provider must shall locate the primary server other equipment responsible for the acceptance of patron wagers in a secure location pursuant to SDCL 42-7B-79. The secure location selected must have adequate security, including 24-hour surveillance, and be licensed and approved by the executive secretary or executive secretary's designee.

**Source:**

**General Authority:** SDCL 42-7B-7.

**Law Implemented:** SDCL 42-7B-11(13), 42-7B-17, 42-7B-79.

**20:18:35.01:04. Internet or cloud-based hosting.** The executive secretary may approve the use of internet or cloud-based hosting of duplicate data or data not related to transactional wagering data upon written request by a sports wagering operation.

**Source:**

**General Authority:** SDCL 42-7B-7.

**Law Implemented:** SDCL 42-7B-11(13).

**20:18:35.01:05. Integrity and security assessment.** System integrity and security risk

assessments ~~shall-must~~ be performed annually on all sports wagering systems by an independent information technology security professional approved by the executive secretary.

(1) The system integrity and security risk assessment shall be conducted no later than ~~90-ninety~~ days after commencing operations and annually thereafter.

(2) The scope of the sports wagering system integrity and security assessment is subject to the approval of the commission and must include: ~~at a minimum, all of the following:~~

- (a) A vulnerability assessment of digital platforms, mobile applications, internal, external, and wireless networks with the intent of identifying vulnerabilities of all devices, the sports wagering systems, and applications transferring, storing, and/or processing personal identifying information (PII) and/or other sensitive information connected to or present on the networks;
- (b) A ~~penetration test~~ of all digital platforms, mobile applications, internal, external, and wireless networks to confirm if identified vulnerabilities of all devices, the sports wagering systems, and applications are susceptible to compromise;
- (c) A review of the firewall rules to verify the operating condition of the firewall and the effectiveness of its security configuration and rule sets ~~and that~~ must be performed on all the perimeter firewalls and the internal firewalls;
- (d) A technical security control assessment against the provisions adopted in Appendix B of GLL-33 and chapter 20:18:35.01 with generally accepted professional standards and as approved by the commission;
- (e) An evaluation of information security services, cloud services, payment services (financial institutions, payment processors, etc.), location services, and any other services ~~which-that~~ may be offered directly by the licensee or involve the use of third parties; and
- (f) At the discretion of the executive secretary, any additional assessments or specific testing criteria ~~which-that~~ may be required.

(3) The full independent information technology security professional's report on the assessment ~~shall-must~~ be submitted to the executive secretary no later than ~~30-thirty~~ days after the assessment is conducted and must include ~~all the following:~~

- (a) The scope of review:

**Commented [MR92]:** •FSB Question – 6/30/21  
Does a pen-test from ROW work or will this need to be done for specific SD implementation?

**Commented [MR93R92]:** As specified in this section, it is acceptable to leverage results of prior assessments within the past year conducted by the same independent information technology security professional where approved by the executive secretary. This leveraging does not include components unique to the state, which will require fresh assessments.

- (b) The name and company affiliation of the individual or individuals who conducted the assessment;
- (c) The date of assessment;
- (d) Findings;
- (e) Recommended corrective action, if applicable; and
- (f) The licensee's or sports wagering services provider's response to the findings and recommended corrective action.

(4) Where approved by the executive secretary, it is acceptable for the independent information technology security professional to leverage the results of prior assessments within the past year conducted by the same independent information technology security professional against standards such as ISO/IEC 27001, ISO/IEC 27017, ISO/IEC 27018, the NIST Cybersecurity Framework (CSF), the Payment Card Industry Data Security Standards (PCI-DSS), or equivalent. Such leveraging shall be noted in the testing organization's report. ~~This leveraging does not include~~ Components unique to the state, which ~~will require must be given~~ fresh assessments.

**Source:**

**General Authority:** SDCL 42-7B-7.

**Law Implemented:** SDCL 42-7B-11(13), 42-7B-43.

20:18:35.01:06. Network security in gaming establishments. If a guest network is offered that provides internet access for patrons, hotel guests, or vendors, the guest network ~~shall~~ must be physically or logically segregated from the network used to serve the sports wagering system. Network traffic on the guest network ~~shall~~ must be non-routable to the sports wagering system network.

**Source:**

**General Authority:** SDCL 42-7B-7.

**Law Implemented:** SDCL 42-7B-11(13), 42-7B-43.

20:18:35.01:07. Technical security controls. In addition to the technical security controls set out in Appendix B of GLI-33, additional technical security controls may be adopted by the commission.

**Source:**

**General Authority:** SDCL 42-7B-7.

**Law Implemented:** SDCL 42-7B-11(13), 42-7B-43.

**20:18:35.01:08. Information security management system (ISMS).** Each licensee or sports wagering services provider shall implement, maintain, regularly review and revise, and comply with a comprehensive information security management system (ISMS), ~~the purpose of which shall be to take reasonable steps to protect the confidentiality, integrity, and availability of personal identifying information (PII) of individuals who place a wager with the licensee or sports wagering services provider.~~ The ISMS ~~and shall contain administrative, technical, and physical safeguards appropriate to the size, complexity, nature, and scope of the operations and the sensitivity of the personal information~~ PII owned, licensed, maintained, handled, or otherwise in possession of the licensee or sports wagering services provider. Additional ISMS specifications may be adopted by the commission.

**Source:**

**General Authority:** SDCL 42-7B-7.

**Law Implemented:** SDCL 42-7B-11(13), 42-7B-43.

**20:18:35.01:09. Test accounts.** A licensee or sports wagering services provider may establish test accounts to be used to test the various components and operation of a sports wagering system pursuant to internal controls adopted by the licensee or sports wagering services provider, ~~which, at a minimum, must address all of the following:~~

- (1) The procedures for issuing funds used for testing, including the identification of who may issue the funds and the maximum amount of funds that may be issued;
- (2) The procedures for assigning each test account for use by only one individual. However, a sport wagering operator may establish a specific scenario or instance of a test account that may be shared by multiple users if each user's activities are separately logged;
- (3) The maintenance of a record for all test accounts, to include when they are active, to whom they are issued, and the employer of the individual to whom they are issued;
- (4) The procedures for auditing testing activity by the licensee or sports wagering services provider to ensure the accountability of funds used for testing and proper adjustments to sports wagering revenue; and
- (5) The procedures for authorizing and auditing out-of-state test activity.

**Source:**

**General Authority:** SDCL 42-7B-7.

**Law Implemented: SDCL 42-7B-11(13).**

## CHAPTER 20:18:35.02

### SPORTS WAGERING AREA

**20:18:35.02:01. Designated sports wagering area.** A floor plan identifying the designated sports wagering area, including the location of any sports wagering kiosks and sports wagering windows, shall be filed with the executive secretary for review and approval at least ten days prior to accepting any sports bets. Modification to a previously approved plan must be submitted for approval at least ten days prior to implementation.

**Source:**

**General Authority:** SDCL 42-7B-7.

**Law Implemented:** SDCL 42-7B-4(42), 42-7B-79.

**20:18:35.02:02. Sports wagering transactions.** Thirty days prior to offering sports wagering, a sports wagering operation shall submit a plan to the commission that meets the requirements of chapter 20:18:35.02 and shall be approved by the executive secretary. Sports wagering transactions shall be conducted from:

(1) A sports wagering window located in the sports wagering area or other window locations as approved by the executive secretary:

(2) Sports wagering kiosks in locations as approved by the executive secretary:

(3) A designated window in the cashier's cage for the redemption of winning sports wagering tickets; or

(4) A digital platform or mobile application ~~approved by the executive secretary~~  
pursuant to § 20:18:36:03.

**Source:**

**General Authority:** SDCL 42-7B-7.

**Law Implemented:** SDCL 42-7B-15.

**20:18:35.02:03. Sports wagering kiosks.** A licensee may utilize sports wagering kiosks located in a gaming establishment for wagering transactions in conjunction with a sports

**Commented [MR94]:** •GMA Memo – 6/25/21  
The timeline of 30 days prior for initial approval of the wagering rea plan as well as 10 days prior for modifications is extremely tight considering the September 1<sup>st</sup> start date. Will the Commission be working with operators on their plans for approval on or around August 1<sup>st</sup> to ensure a strong opening of multiple operations on the same date?

**Commented [MR95]:** •FSB Question – 6/30/21  
Will a cashier redemption station be allowed for point of sale?

**Commented [MR96R95]:** Yes as approved by the executive secretary.

wagering system in a location approved by the executive secretary.

(1) All aspects of a sports wagering kiosk, including the computer and any related hardware, software, or related devices, shall be tested by a commission-designated independent testing laboratory and approved by the commission prior to use by a licensee.

(2) Sports wagering kiosks shall be subject to the approvals and other requirements of the commission.

(3) All sports wagering kiosks shall have a sign permanently affixed to the device notifying the public that patrons must be 21 years of age to gamble.

(4) On a daily basis, a licensee's accounting department shall remove the drop boxes in the sports wagering kiosks (the "sports wagering kiosk drop"). The sports wagering kiosk drop shall be monitored and recorded by surveillance. The licensee shall submit the sports wagering kiosk drop schedule to the executive secretary or executive secretary's designee.

(5) The licensee's accounting department shall reconcile the sports wagering kiosks on a daily basis pursuant to internal controls. Any variance of \$500 or more shall be documented by the accounting department and reported in writing to the commission's audit department within five business days after drop and count of sports wagering kiosks. The report shall indicate the cause of the variance and shall contain any documentation required to support the stated explanation.

**Source:**

**General Authority:** SDCL 42-7B-7.

**Law Implemented:** SDCL 42-7B-11(13).

**20:18:35.02:04. Wrong ticket claims.** After placing a sports bet at a sports wagering window, a claim by a person that a wrong sports wagering ticket has been delivered to them must be made before leaving the window. No other claims will be considered. A cashier may not cancel a wager for which the cashier wrote the ticket and must instead call a supervisor to cancel the wager.

**Source:**

**General Authority:** SDCL 42-7B-7.

**Law Implemented:** SDCL 42-7B-11(13).

**20:18:35.02:05. Winning wagers and vouchers.** Winnings from sports wager tickets shall remain valid for the patron to redeem for ~~180 days one year~~ after the conclusion of the final

**Commented [MR97]:** •FSB Question – 6/30/21  
Can this be changed to weekly?

Fanduel Too

**Commented [MR98R97]:** Up to SDGC, though since this is going to be the most common form of wager placement it might be recommended to keep it the same frequency as you would for slot machines.

**Commented [MR99]:** •FSB Question – 6/30/21  
Can this be changed to weekly?

Fanduel Too

**Commented [MR100R99]:** Up to SDGC, though since this is going to be the most common form of wager placement it might be recommended to keep it the same frequency as you would for slot machines.

**Commented [MR101]:** •GMA Memo – 6/25/21

With regard to winning wagers and vouchers, the current regulations allow only a 180-day window for cashing in tickets. Other jurisdictions allow up to one year. Since some participants may only be visiting Deadwood once a year for specific events, it would be preferable to extend this to one year from issuance.

Fanduel too

**Commented [MR102R101]:** I'm fine with change to one year if SDCG is. I've seen this in other markets.

event in the sports wager. If the sports wagering system issues and redeems a sports wagering voucher, the following requirements shall apply:

(1) Sports wagering vouchers issued by a sports wagering system shall-must indicate:

- (a) The value of the voucher in U.S. dollars;
- (b) The name of the licensee or gaming establishment issuing the voucher;
- (c) The time of day the voucher was issued in a 24-hour format showing hours and minutes;
- (d) The date the voucher was issued showing day, month, and year;
- (e) The expiration date of the voucher, which is 90 days from the date of issue;
- (f) A number identifying the sports wagering kiosk or cashier that generated the voucher;
- (g) A unique validation number or bar code;
- (h) A description of any restrictions on the redemption of the voucher; and
- (i) Security features that limit the ability to counterfeit.

Commented [MR103]: •FSB Question – 6/30/21  
24-hour format in local time zone?

Commented [MR104R103]: Yes.

Commented [MR105]: Fanduel wants to change to one year

Commented [MR106R105]: 90 days based on gaming vouchers

(2) The sports wagering system shall-must be capable of recording for each sports wagering voucher:

- (a) The value of the voucher;
- (b) The date, time, and location of issuance;
- (c) A unique validation number;
- (d) The expiration date of the voucher; and
- (e) The date, time, and location of redemption, if applicable.

Source:

General Authority: SDCL 42-7B-7.

Law Implemented: SDCL 42-7B-11(13).

Commented [MR107]: IGT

20:18:35.02:06 Surrender of tickets and vouchers required states that payment of any printed winning sports wagering tickets or sports wagering vouchers shall be made only upon presentation and surrender of the physical ticket. As measures are in place for sports wagering systems to track tickets electronically including redemption tracking, we suggest removal of this requirement if an electronic record is kept of ticket redemptions.

Same with Fanduel

Section 20:18:35.02:06 of the Proposed Rules requires that winning tickets and vouchers must be presented and surrendered in order for the payment of the wager or voucher. While a patron's wager will be marked as paid in the sports wagering system of a licensee, if a winning ticket is redeemed at a kiosk, it may not be required to be surrendered. Additionally, this section provides that no claim may be made allowed for any lost or destroyed sports wagering ticket. However, if a customer's wager can be substantiated through other means (surveillance, customer monitoring 5 records, etc.) it should be up to the internal controls of the licensee to determine whether or not to pay the wager.

To address these concerns, we suggest the following edits:  
Section 20:18:35.02:06

"Payment of any printed winning sports wagering tickets or sports wagering vouchers shall be made only upon presentation and surrender of the sports wagering ticket or sports wagering voucher. A patron may redeem a winning sports wagering ticket or sports wagering voucher by mail according to the licensee's internal controls. No claim may be allowed for any lost or destroyed winning sports wagering tickets or sports wagering vouchers unless authorized pursuant to the licensee's internal controls."

Commented [MR108R107]: We can remove the word "surrender" and add bolded text of SDCG wishes.

20:18:35.02:06. Surrender of tickets and vouchers required. Payment of any printed winning sports wagering tickets or sports wagering vouchers shall be made only upon presentation and surrender of the sports wagering ticket or sports wagering voucher. A patron may redeem a winning sports wagering ticket or sports wagering voucher by mail according to the licensee's internal controls. No claim may be allowed for any lost or destroyed winning sports wagering tickets or sports wagering vouchers.

Source:

**General Authority: SDCL 42-7B-7.**

**Law Implemented: SDCL 42-7B-11(13).**

## CHAPTER 20:18:36

### ADVANCE DEPOSIT WAGERING (ADW)

**20:18:36:01. Definitions.** Terms used in this chapter mean:

- (1) “Account” or “wagering account.” an ~~account~~-ledger for advance deposit wagering with a specific identifiable record of deposits, wagers, and withdrawals established by an account holder and managed by an ADW licensee. The term does not include an account used solely to track promotional points or credits or similar benefits issued to an individual which may be redeemed for merchandise and/or services;
- (2) “Account application,” the form or forms and other required submissions received from an applicant with the intent of opening an account;
- (3) “Account holder,” an individual ~~natural person~~ who successfully completed an application and for whom an ADW licensee has opened an account;
- (4) “Advance deposit wagering licensee” or “ADW licensee,” a licensed operator, route operator, or sports wagering services provider who manages wagering accounts in which an eligible individual may deposit money into an account and use the balance to pay for bets as allowed and regulated by the commission; ~~placed on the premises of a licensed gaming establishment as approved by the commission in the city of Deadwood~~
- (5) “Confidential account information,” includes:
  - (a) The amount of money credited to, debited from, withdrawn from, or present in any particular account holder’s account;
  - (b) The amount wagered by a particular account holder on any event or game or series of events or games;
  - (c) The unique ~~patron~~-account ID or username and authentication credentials of a particular account holder;
  - (d) The identities of the particular events or games on which the account holder is wagering or has wagered; and
  - (e) Unless otherwise authorized by the account holder the disclosure of the name, address, and other information in the possession of an ADW

licensee that identifies the account holder to anyone other than a representative of the commission:

- (6) “Credits,” all positive inflows of money to an account;
- (7) “Debits,” all negative outflows of money from an account;
- (8) “Deposit,” a payment of money by an account holder to the account holder's account;
- (9) “Location detection process” means a process to reasonably detect the location of an account holder when ~~said the~~ account holder is attempting to access the system and place an advance deposit wager;

~~(10) — “Natural person,” any person at least 21 years of age, but does not include any corporation, partnership, limited liability company, trust, or estate;~~  
~~(11) “Principal residence address,” that the place where the individual natural person~~  
submitting an application for an account resides at least 50-fifty percent of the time during the calendar year;

~~(12)(11) “Proper identification,” a form of identification accepted in the normal course of business establishing the identity of a person;~~

~~(13)(12) “Secure personal identification code” or “PIN,” an alpha-numeric character code chosen by an account holder as a means of verification that a wager or account transaction is authorized by the account holder;~~

~~(14)(13) “Suspended account,” a wagering account that has been temporarily disabled from engaging in wagering activity;~~

~~(15)(14) “Withdrawal,” a payment of money from an account to the account holder when properly requested by the account holder;~~

**Source:**

**General Authority:** SDCL 42-7B-7.

**Law Implemented:** SDCL 42-7B-4(2), 42-7B-11(13).

**20:18:36:02. Authorization to conduct advance deposit wagering.** An ADW licensee shall receive specific authorization from the commission to conduct advance deposit wagering prior to conducting advance deposit wagering. Any entity authorized to conduct advance deposit wagering ~~is expected~~ shall ~~to~~ comply with all requirements of chapter 20:18:36 and all other applicable federal, state, local, and commission requirements.

- (1) The ADW licensee shall submit internal controls, approved by the executive

**Commented [MR109]:** •GMA Memo – 6/25/21  
Natural Person – The sports betting definitions listed “person” while the Advanced Deposit Wagering lists “Natural person.” These should be consistent between the other sections.

•Mike Rodman (DGA) – 7/01/21  
We define “Person” in 20:18:35:01 (16) and includes individual, partnership, corp., LLC, etc.

**Commented [MR110R109]:** Removed term from definitions. Replaced usage with “individual”

secretary, that include ~~the following for operating advance deposit sports wagering:~~

- (a) Specific procedures and technology partners to fulfill the requirements set forth in this chapter;
- (b) Commercially available and demonstrable standards to confirm that an individual attempting to create a wagering account is not a prohibited person;
- (c) A process to close out inactive accounts;
- (d) A method for verifying location detection procedures to establish account holders' geographic locations;
- (e) Detailed procedures for making adjustments to a wagering account;
- (f) ~~providing~~ A method for an account holder to close out an account; ~~and~~
- (g) ~~detai~~ Detailed description on how an account holder will be refunded after the closure of an account;
- (h) Detailed procedures for maintaining the security of personal identifying information (PII) of account holders;
- (i) Method for securely issuing, modifying, and resetting an account holder's authentication credential; ~~when applicable;~~
- (j) Methods of account holder notification when changes are made to any account used for financial transactions or to registration information or when financial transactions are made unless other notification preferences are established by the account holder;
- (k) Methods of account holder notification including any authentication credential modification via electronic or regular mail, text message, or other manner approved by the executive secretary. Such methods shall must include at a minimum:
  - (i) Proof of identity, if in person;
  - (ii) The correct response to two or more challenge questions;
  - (iii) Strong authentication; or
  - (iv) Multi-factor authentication; and
- (l) Processes to ensure funds in an ADW-licensee's account to be held in trust for the player in a special purpose segregated account. In addition, the gaming licensee shall have procedures that are reasonably designed to:
  - (i) Make clear that the funds in the segregated account do not belong

**Commented [MR111]:** Fanduel

Section 20:18:36:02 of the Proposed Rules requires licensees and sports wagering services providers to adopt "commercially available and demonstrable standards" to prevent prohibited persons from creating a wagering account. We suggest that the commission adopt a uniform "commercially reasonable" standard for both of these provisions. To address these concerns, we suggest the following edits:

(b) Commercially reasonable procedures to prevent prohibited persons from creating a wagering account available and demonstrable standards to confirm that an individual attempting to create a wagering account is not a prohibited person."

**Commented [MR112]:** •FSB Question – 6/30/21  
Is there a definition for an "Inactive Account"?

**Commented [MR113R112]:** See 20:18:36:25 defines it as an account which there has been no activity for at least three years, including wagers or financial transactions.

- to the ~~ADW~~-licensee and are not available to creditors other than the account holder whose funds are being held; and
- (ii) Prevent comingling of funds in a segregated account with other funds including, without limitation, funds of the ~~ADW~~-licensee.

(2) The ~~commission's~~ approval of any agreements between a licensed operator and a sports wagering services provider to conduct advance deposit sports wagering does not constitute ~~thean~~ authorization. If a sports wagering services provider has an agreement with more than one licensed operator, the sports wagering services provider operating advanced deposit sports wagering shall submit an agreement to the executive secretary that indicates the manner in which wagering accounts, activity and net receipts shall be accounted and maintained separately.

**Source:**

**General Authority:** SDCL 42-7B-7.

**Law Implemented:** SDCL 42-7B-4(2), 42-7B-11(13).

**20:18:36:03. Location detection requirements.** All wagers placed using advance deposit wagering must be initiated and received or otherwise made by an account holder located in the permitted boundary pursuant to SDCL 42-7B-79.

(1) The ADW licensee ~~must shall use utilize~~ location detection procedures to reasonably detect and dynamically monitor the location of an account holder attempting to place any advance deposit wager and to monitor and block unauthorized attempts to place a wager when an individual or account holder is not within the permitted boundary.

(2) An account holder outside the permitted boundary shall be rejected, and the account holder shall be notified. ~~The confidence radius shall be entirely located within the permitted boundary.~~

(3) The commission shall approve technical specifications ~~for location detection procedures and any specific~~ requirements related to location detection.

**Source:**

**General Authority:** SDCL 42-7B-7.

**Law Implemented:** SDCL 42-7B-11(13), 42-7B-79.

**20:18:36:04. Account requirements.** A patron must have an established wagering account in order to place wagers using advance deposit wagering. An account ~~may shall~~ be

established only through registration procedures ~~developed~~ pursuant to SDCL 42-7B-78 ~~and approved by the executive secretary~~. Where a single account is used for sports wagering and other gaming activities, wagering on sporting events must be identified, recorded, accounted for, and reported separately and distinctly from other gaming activities.

**Source:**

**General Authority:** SDCL 42-7B-7.

**Law Implemented:** SDCL 42-7B-78.

**20:18:36:05. Establishing an account.** To establish a wagering account, an application for an account ~~shall must~~ be signed ~~or otherwise authorized in a manner approved by the commission by the applicant~~.

- (1) An ADW licensee must shall collect the following personal identifying information (PII) about the applicant:
  - (a) Full legal name;
  - (b) Date of birth;
  - (c) Principal residential address. ~~A post office box is not acceptable;~~
  - (d) Social Security number, or the last four digits of the Social Security number, or an equivalent identification number for a noncitizen account holder, such as a passport or taxpayer identification number; and
  - (e) Any proper identification or other information required by the executive secretary used to verify his or her identity and to prove the account holder is at least 21 years of age.
- (2) During the registration process, the account holder shall:
  - (a) Be denied the ability to register for an account if they submit a birth date which indicates that they are under the age of 21;
  - (b) Be informed on the account application which information fields are "required", which are not, and what will be the consequences of not filling in the required fields;
  - (c) Agree to the terms and conditions and privacy policies of the ~~ADW~~ licensee;
  - (d) Acknowledge that they are prohibited from allowing any unauthorized person to access or use their account;
  - (e) Consent to the monitoring and recording of the use of their account by the

- ADW licensee and the commission; and
- (f) Affirm that the PII the account holder is providing to open the account is accurate.

**Source:**

**General Authority:** SDCL 42-7B-7.

**Law Implemented:** SDCL 42-7B-77.

20:18:36:06. Account application verification. Each wagering account application submitted is subject to electronic verification of the name, date of birth, the last four digits of the Social Security number, or an equivalent identification number for a noncitizen patron, such as a passport or taxpayer identification number, by either a national, independent, individual reference service company approved by the commission or other technology approved by the commission which meets or exceeds the reliability, security, accuracy, privacy, and timeliness provided by individual reference service companies. If there is a discrepancy between the application submitted and the information provided by the electronic verification described above or if no information on the applicant ~~for an account~~ is available from such electronic verification, another individual reference service may be accessed or other technology meeting the requirements described above may be used to verify the information provided. If these measures prove unsatisfactory, then the applicant for an account ~~shall~~must be contacted by the ADW licensee and given instructions ~~as to~~on how to resolve the matter.

**Source:**

**General Authority:** SDCL 42-7B-7.

**Law Implemented:** SDCL 42-7B-77.

20:18:36:07. Account eligibility. Only an ~~individual natural person~~ who is 21 years of age or older and not a prohibited person may create an account, deposit funds, or participate in advance deposit wagering. The ADW licensee ~~must~~shall deny the ability to create an account, deposit funds, or participate in advance deposit wagering to any individual who is under 21 years of age or is a prohibited person. This section ~~shall~~may not be construed to prevent an ~~restricted patron~~individual from creating an account and depositing funds to such an account even if they are prohibited from placing certain wagers.

**Source:**

**General Authority:** SDCL 42-7B-7.

Commented [MR114]: •FSB Question – 6/30/21  
Is any reference service company approved by the commission yet? If so, who?

Commented [MR115R114]: The operator usually proposes the identity verification provider.

Commented [MR116]: Fanduel wants to change to “they determine to be under”.

**Law Implemented: SDCL 42-7B-77.**

**20:18:36:08. ADW licensee may close or refuse to open accounts.** The ADW licensee may close or refuse to open a wagering account for what the ADW-licensee considers good and sufficient reason. The ADW-licensee shall order an account closed if information used to open an account was false or misleading or if the account has been used in violation of the provisions of this chapter or of any state or federal law. The ADW-licensee ~~must~~ shall inform the commission of its refusal to open or its closing of an account within seven calendar days of ~~its~~ the action.

**Source:**

**General Authority: SDCL 42-7B-7.**

**Law Implemented: SDCL 42-7B-77.**

**20:18:36:09. Terms and conditions and privacy policies for accounts.** All terms and conditions and privacy policies for wagering accounts must be included in the internal controls of the ADW licensee and be readily accessible to the account holder before and after registration and noticed when materially updated ~~(i.e., beyond any grammatical or other minor changes).~~

(1) All terms and conditions for accounts must address all aspects of the advance deposit wagering operation, including, but not limited to all of the following:

- (a) Statement that no underage individuals are permitted to participate in wagering;
- (b) Specifications advising account holders to keep their authentication credentials secure;
- (c) All processes for dealing with lost authentication credentials, forced password changes, password strength, and other related items as required by the commission;
- (d) Explanation of conditions under which an account is declared inactive and actions undertaken on the account once this declaration is made;
- (e) Actions that will be taken on the account holder's pending wagers placed prior to any exclusion or suspension, including the return of all wagers, or settling all wagers, as appropriate;
- (f) Information about timeframes and limits regarding deposits to and/or withdrawals from the account; and

- (g) Statements indicating that the ~~ADW~~-licensee has the right to:
  - (i) Refuse to establish an account for what it deems good and sufficient reason;
  - (ii) Refuse deposits to ~~and~~/or withdrawals from accounts for what it deems good and sufficient reason; and
  - (iii) Unless there is a pending investigation or account holder dispute, suspend or close any account at any time pursuant to the terms and conditions between the licensee and the account holder.
- (2) All privacy policies for accounts must address all aspects of the personal identifying information (PII) protection, including, ~~but not limited to all of the following~~:
  - (a) The ~~personal identifying information (PII)~~ required to be collected;
  - (b) The purpose and legal basis for PII collection;
  - (c) The period in which the PII is stored, or, if no period can be possibly set, the criteria used to set this;
  - (d) The conditions under which PII may be disclosed;
  - (e) An affirmation that measures are in place to prevent the unauthorized or unnecessary disclosure of the PII; and
  - (f) Any other privacy requirements specified by the commission.

**Source:**

**General Authority:** SDCL 42-7B-7.

**Law Implemented:** SDCL 42-7B-77, 42-7B-78.

**20:18:36:10. Account information.** An ADW licensee ~~must-shall~~ maintain an electronic account holder file, ~~which that~~ must ~~at a minimum~~, include ~~the following~~ for each ~~wagering account-as applicable~~:

- (1) Unique account ID ~~or and~~ username, or both (if different);
- (2) The information indicated in § 20:18:36:05 to register an account holder and create the account;
- (3) Encrypted PII, including the government identification number (full or partial social security number, taxpayer identification number, passport number, or equivalent), authentication credential (password, secure personal identification code/PIN, etc.), and personal financial information (debit instrument numbers, credit card numbers, bank account numbers, etc.);

(4) The date and method of identity verification, including, where applicable, the document number of the government issued identification credential examined, and its date of expiration, if applicable. If a government issued identification credential is not required for registration, the electronic record that details the process used to confirm the account holder's identity must be recorded;

(5) The date of the account holder agreement to the terms and conditions and privacy policies;

(6) Account details and current balance, including any incentive credits. All restricted wagering credits and unrestricted funds that have a possible expiration shall must be maintained separately;

(7) Previous accounts, if any, and the reason for deactivation;

(8) The date and method from which the account was registered;

(9) The date and time of the account is accessed by any person, including IP Address or gaming establishment location ~~cashless device number as applicable;~~ and

(10) The current status of the account (e.g., active, inactive, closed, suspended, excluded, etc.).

**Source:**

**General Authority:** SDCL 42-7B-7.

**Law Implemented:** SDCL 42-7B-11(13), 42-7B-77.

**20:18:36:11. Authentication credentials.** The applicant for a wagering account shall supply the ADW licensee with an authentication credential, such as a username (or similar) and a password, a secure personal identification code/PIN or a secure alternative means to assure that only the account holder has access to the account. Allowable authentication credentials are subject to the discretion of the commission as necessary. The requirement does not prohibit the option for more than one method of authentication being available for an account holder to access their account. An account holder has the right to may change this authentication credential at any time.

(1) If the system does not recognize the authentication credentials when entered, an explanatory message must ~~shall~~ be displayed to the account holder which that prompts the account holder to try again. The error message ~~shall~~ must be the same regardless of which authentication credential is incorrect.

(2) Where an account holder has forgotten their authentication credentials, a multi-

factor authentication process shall must be employed for the retrieval or reset of their forgotten authentication credentials.

(3) The system shall support a mechanism that allows for locks an account to be locked in the event that suspicious activity is detected, such as three consecutive failed access attempts in a 30 thirty-minute period. A multi-factor authentication process must be employed for the account to be unlocked.

**Source:**

**General Authority:** SDCL 42-7B-7.

**Law Implemented:** SDCL 42-7B-11(13), 42-7B-77.

**20:18:36:12. Account balance.** Current wagering account balance information, including any restricted wagering credits and unrestricted funds, and transaction options must shall be available on demand after confirmation of account holder identity. The account balance must shall be presented in terms of currency to the account holder. All restricted wagering credits and unrestricted funds that have a possible expiration shall must be indicated separately.

**Source:**

**General Authority:** SDCL 42-7B-7.

**Law Implemented:** SDCL 42-7B-11(13), 42-7B-77.

**20:18:36:13. Accounts nontransferable.** No wagering account may be transferred between individuals or other legal entities. Transfer of funds between two accounts may only occur if is also not permitted unless it is between separate wagering accounts for sports wagering and other gaming activities, as long as and the account holder for both accounts is a single individual.

**Source:**

**General Authority:** SDCL 42-7B-7.

**Law Implemented:** SDCL 42-7B-77, 42-7B-78.

**20:18:36:14. Financial transactions.** A licensee shall provide a fee-free method for account holders to deposit or withdraw funds from their wagering accounts. The account holder shall must be provided with confirmation or/ denial of every financial transaction initiated, including that provides:

(1) The type of transaction (deposit or/ withdrawal):

- (2) The transaction value; and
- (3) For denied transactions, ~~a descriptive message as to~~ why the transaction did not complete as initiated.

**Source:**

**General Authority:** SDCL 42-7B-7.

**Law Implemented:** SDCL 42-7B-11(13), 42-7B-77.

**20:18:36:15. ADW licensee may refuse financial transactions.** The ADW licensee may refuse financial transactions on a wagering account for what the ~~ADW~~-licensee considers good and sufficient reason.

**Source:**

**General Authority:** SDCL 42-7B-7.

**Law Implemented:** SDCL 42-7B-11(13), 42-7B-77.

**20:18:36:16. Account credits and deposits.** After ~~the initial~~ establishment ~~of a~~ wagering account, ~~an account~~ may be funded using approved methods ~~which shall~~that produce a sufficient audit trail for verification of the source of the wagers.

- (1) Approved methods for funding accounts include:
  - (a) Cash or voucher deposits;
  - (b) Check, money order, or negotiable order of withdrawal;
  - (c) Charges made to an account holder's ~~credit card~~ or debit card;
  - (d) Bonus or promotional credit;
  - (e) Electronic funds transfer (EFT) from a monetary account controlled by an account holder;
  - (f) Credit for winnings from wagers placed with funds in the account;
  - (g) Adjustments made by the licensee with documented notification to the account holder;
  - (h) Wire transfer; or
  - (i) Any other means approved by the commission.

(2) For credit cards or debit cards and EFTs, the account holder is liable for any charges imposed by the transmitting or receiving entity with such charges to be deducted from the account.

(3) Any funds deposited pursuant to this subdivision are available for wagering use in

**Commented [MR117]:** •GMA Memo – 6/25/21  
Credit cards and reference to these types of payment are listed in multiple parts of this section. References should be consistent as credit cards are not currently allowed for gaming in South Dakota.

**Commented [MR118R117]:** Credit Cards were deemed acceptable for funding of a wagering account, but not for placement of wager. Therefore 20:18:35:07(c) will be removed.

accordance with the financial institution's policy regarding funds availability schedule:

**Source:**

**General Authority:** SDCL 42-7B-7.

**Law Implemented:** SDCL 42-7B-11(13), 42-7B-77.

**20:18:36:17. Failed EFT transactions.** Where financial transactions are conducted through EFT, the licensee shall have security measures and controls to prevent EFT fraud. A failed EFT-transfer attempt is not considered fraudulent if the account holder has successfully performed an EFT-transfer on a previous occasion with no outstanding chargebacks. Otherwise, the ADW licensee shall do all of the following:

- (1) Temporarily block the account holder's account for investigation of fraud after five consecutive, failed EFT-attempts within a ~~10~~ten-minute period. If there is no evidence of fraud, the block may be vacated; and
- (2) Suspend the account holder's account after ~~five~~5 additional consecutive failed EFT attempts within a ~~10~~ten-minute period.

**Source:**

**General Authority:** SDCL 42-7B-7.

**Law Implemented:** SDCL 42-7B-11(13), 42-7B-77.

**20:18:36:18. Withdrawals from an account.** An account holder ~~must be allowed to~~ may withdraw the funds maintained in his or her wagering account, whether the account is open or closed, except as otherwise provided in these rules, or any other applicable state or federal laws.

- (1) For withdrawals not paid directly to an account holder, payments from an account ~~are to~~ must be paid directly to an account with a financial institution in the name of the account holder, or made payable to the account holder and forwarded to the account holder's principal address using a secure delivery service or through another method that is not prohibited by state or federal law;
- (2) A system must employ a mechanism that can detect and prevent any withdrawal activity initiated by an account holder that would result in a negative balance of the account.
- (3) An ADW licensee ~~shall~~ may not allow an account to be overdrawn unless caused by payment processing issues outside the control of the licensee.
- (4) An ADW licensee must honor the account holder's request to withdraw funds

within five business days after the request unless the conditions set forth in subdivision (5) are met.

(5) The ADW licensee may decline to honor an account holder's request to withdraw funds only if the ADW licensee believes in good faith that the account holder engaged in either fraudulent conduct or other conduct that would put the ADW licensee in violation of SDCL chapter 42-7B and these rules. In such cases, the ADW licensee must do all of the followingshall:

- (a) Provide notice to the account holder of the nature of the investigation of the account; and
- (b) Conduct its-an investigation in a reasonable and expedient fashion, providing the account holder additional written notice of the investigation status of the investigation every tenth business day starting from the day the original notice was provided to the account holder.

(6) For purposes of this rule, a request for withdrawal is considered honored if it is processed by the ADW licensee notwithstanding a delay by a payment processor, credit card issuer, or the custodian of a financial account.

**Source:**

**General Authority:** SDCL 42-7B-7.

**Law Implemented:** SDCL 42-7B-11(13), 42-7B-77.

**Commented [MR119]:** Fanduel wants change to

For purposes of this section, a request for withdrawal will be considered honored if it is processed by the ADW licensee within five business days after the request, but the account holder's receipt of the funds is delayed by a payment services provider, credit card issuer, or by the custodian of a financial account.

**20:18:36:19. Modification of account information.** An ADW licensee shall allow the account holder to update authentication credentials, registration information, and the account used for financial transactions. A multi-factor authentication process shall-must be employed for these purposes.

**Source:**

**General Authority:** SDCL 42-7B-7.

**Law Implemented:** SDCL 42-7B-11(13), 42-7B-77.

**20:18:36:20. Balance adjustments.** A licensee must have in place security or authorization procedures to ensure that only authorized adjustments can be made to wagering accounts. The license shall ensure each adjustment is and that changes are auditable, indicating who, what, when, and the value before the adjustment, including-and the reason for the adjustment. All adjustments to an account balance for amounts of \$500 or less must be

periodically reviewed by supervisory personnel as set forth in the ADW licensee's internal controls. All other adjustments ~~required-must have~~ a supervisor's approval before being entered.

**Source:**

**General Authority:** SDCL 42-7B-7.

**Law Implemented:** SDCL 42-7B-11(13), 42-7B-77.

20:18:36:21. Responsible gaming limits. An ADW licensee shall allow the account holder to set: ~~the following responsible gaming limits set forth below. Any decrease to these limits shall be effective immediately or at the point in time (e.g., next login, next day) that was clearly indicated to the player. Any increase to these limits shall become effective only after the time period of the previous limit (e.g., day, week, month) has expired and the player reaffirms the requested increase.~~

~~(1) — A deposit limit, which shall be offered on a daily, weekly and-or monthly basis~~

~~(2)(1) and that specifies shall specify~~ the maximum amount of money an account holder may deposit into his or her wagering account during a particular period of time; and

~~(3) — A wager limit, which shall be offered on a daily, weekly and-or monthly basis and~~

~~(2) that specifies shall specify~~ the maximum amount of wagering account funds that may be put at risk during a particular period of time.

Any decrease to these limits shall be effective immediately or at the point in time (e.g., next login, next day) that was clearly indicated to the player. Any increase to these limits shall become effective only after the time period of the previous limit (e.g., day, week, month) has expired and the player reaffirms the requested increase.

**Commented [MR120]:** •Brendan Bussmann (GMA) – 6/25/21  
RG Limits in the ADW Language - I checked with a firm that could help support the limitations on play for the land-based side. It would run anywhere from \$300 - 500K per operator. For mobile, most operators have a solution but no one is doing it on the kiosk or Brick and Mortar side. It is a strong policy move but it would be a deal killer for sports betting to absorb.

**Commented [MR121R120]:** The handling of deposit/wager limits associated with wagering accounts associated with the casino is handled technologically by the system hosting the accounts, be it a cashless wagering system or a sports wagering system.

**Commented [MR122]:** •FSB Question – 6/30/21  
Calendar week (M - S)/month (1st to last day of month) or 7 & 30 days?

**Commented [MR123R122]:** This would be 7 & 30 days from request. We are looking to confirm further.

**Commented [MR124]:** •FSB Question – 6/30/21  
Also, are "account funds" inclusive of bonus funds or unrestricted cash only?

**Commented [MR125R124]:** This should only apply to unrestricted funds. We are looking to confirm further.

**Source:**

**General Authority:** SDCL 42-7B-7.

**Law Implemented:** SDCL 42-7B-11(13), 42-7B-77.

20:18:36:22. ADW licensee may suspend or close accounts. The ADW licensee may suspend or close any wagering account at any time provided that when an account is closed, the ~~ADW~~-licensee within five business days returns to the account holder all monies then on deposit pursuant to the ~~ADW~~-licensee's internal controls.

**Source:**

**General Authority:** SDCL 42-7B-7.

**Commented [MR126]:** Fanduel wants to add

For purposes of this section, the ADW licensee shall have satisfied its requirement if it has processed the return of account funds within five business days after the account closures, but the account holder's receipt of the funds is delayed by a payment services provider, credit card issuer, or by the custodian of a financial account.

Law Implemented: SDCL 42-7B-11(13), 42-7B-77.

**20:18:36:23. Suspension and restoration of accounts.** The ADW licensee ~~must~~shall employ a mechanism that places a wagering account in a suspended mode.

- (1) The suspended mode shall be activated ~~under the following conditions:~~
  - (a) When a self-exclusion request is made by the account holder for a specified period of time, ~~which must not be~~ less than 72 hours, or indefinitely;
  - (b) When required by the commission;
  - (c) Upon a determination that an account holder is a prohibited person; or
  - (d) When initiated by an ADW-licensee ~~that has~~with evidence that ~~indicates~~ illegal activity, a negative account balance, or a violation of the ~~account~~ terms and conditions has taken place on an account holder's account;
- (2) ~~When an account is in a suspended mode, the ADW-licensee must shall: do all of the following:~~
  - (a) Prevent the account holder from wagering;
  - (b) Prevent the account holder from depositing funds, unless the account is suspended due to having a negative account balance, but only to the extent the account balance is brought back to zero dollars;
  - (c) Prevent the account holder from withdrawing funds from his or her account, ~~provided that if~~ the ADW-licensee acknowledges that the funds have cleared, and that the reason ~~or reasons (s)~~ for suspension would not prohibit a withdraw;
  - (d) Prevent the account holder from making changes to his or her account;
  - (e) Prevent the removal of the account from the system; and
  - (f) Prominently display to the account holder that the account is in a suspended mode, the restrictions placed on the account, and any further course of action needed to remove the suspended mode.
- (3) A suspended account may be restored ~~for any of the following reasons:~~
  - (a) Upon expiration of the time period established by the account holder ~~if~~ solely the result of a self-exclusion request;
  - (b) If authorized by the commission;
  - (c) When the account holder is no longer a prohibited person; or

(d) When the ~~ADW~~-licensee has lifted the suspended status.

(4) Each ~~ADW~~-licensee shall, on a monthly basis, provide the commission with a list of suspended accounts, ~~including and~~ the reasons why the account ~~is in suspended mode~~ was ~~suspended~~.

**Source:**

**General Authority:** SDCL 42-7B-7.

**Law Implemented:** SDCL 42-7B-11(13), 42-7B-77.

**20:18:36:24. Account closure.** An account holder must be provided with a conspicuous and readily accessible method for an account holder to close his or her wagering account through the account management or similar page or through the customer support team. Any balance remaining in an account holder's account closed by an account holder must be refunded pursuant to the ADW licensee's internal controls.

**Source:**

**General Authority:** SDCL 42-7B-7.

**Law Implemented:** SDCL 42-7B-11(13), 42-7B-77.

**20:18:36:25. Inactive accounts.** The ADW licensee may close any wagering account ~~in~~ which that there has ~~been~~ no activity for at least three years.

(1) For the purposes of this section, "activity," ~~includes means~~ making a wager, making an account deposit, or withdrawing funds.

(2) The licensee shall have ~~P~~procedures ~~shall be~~ in place to:

(a) Allow access to a player's inactive account only after performing additional identity verifications;

(b) Protect inactive accounts that contain funds from unauthorized access, changes or removal; and

(c) Deal with unclaimed funds from inactive accounts ~~and; including~~ returning any remaining funds to the player where possible.

(3) No ~~ADW~~-licensee may charge an administration fee or maintenance fee for any inactive account.

(4) The ~~ADW~~-licensee shall treat ~~these inactive~~ accounts as unclaimed property and comply with the provision of SDCL chapter 43-41.

**Source:**

**Commented [MR127]:** •FSB Question – 6/30/21  
only accounts that are suspended at the close of the month OR including accounts that were suspended and no longer suspended? i.e. suspended on the 3rd of the month and removed on the 10th - would this account appear on the monthly report?

**Commented [MR128R127]:** This is up to the commission to decide what they want. I'd think they'd want all accounts which were suspended within that month.

General Authority: SDCL 42-7B-7.

Law Implemented: SDCL 42-7B-11(13), 42-7B-77.

20:18:36:26. Deceased account holder. In the event an account holder is deceased, funds accrued in the wagering account shall be released to the decedent's legal representative upon receipt of a certified copy of a valid death certificate, tax releases or waivers, probate court authorizations, or other documents required by applicable laws.

Source:

General Authority: SDCL 42-7B-7.

Law Implemented: SDCL 42-7B-11(13), 42-7B-77.

20:18:36:27. Account security -- Account holder responsibility. A wagering account is for the personal use of the individual account holder only. The account holder is responsible for maintaining the confidentiality of their authentication credentials. Except where the ADW licensee or its employees or agents act without good faith or fail to exercise ordinary care, the ~~ADW~~ licensee is not responsible for any loss from an account holder's account arising from the use by any other person or persons. The account holder must immediately notify the ~~ADW~~ licensee of a breach of the account's security.

Source:

General Authority: SDCL 42-7B-7.

Law Implemented: SDCL 42-7B-43, 42-7B-77.

20:18:36:28. Account statements. Upon request of the account holder, the ~~The~~ ADW licensee shall provide to each account holder ~~an annual~~ statement of an individual's wagering account activity. ~~The ADW licensee shall also provide an account holder a statement of the individual's wagering account activity upon the demand of the account holder. In addition, an account holder has the right at no cost to request a statement at any time detailing account activity~~ for the past year. ~~Information~~ Statements provided shall include sufficient information to allow account holders to reconcile the statement ~~or log~~ against their own financial records. Unless written notice to the contrary is received by the ~~ADW~~ licensee within 30 days of the date that any statement is ~~provided sent~~ to an account holder, the statement is presumed to be correct.

Source:

General Authority: SDCL 42-7B-7.

**Commented [MR129]:** •FSB Question – 6/30/21  
upon request or mandatory to send to each account holder? can this be retrieved by a customer from the "my account" section when logged into their account?

**Commented [MR130R129]:** Up to SDGC. I could see account statements be sent recurrently either snail mail or email (similar to a bank statement), the latter informing the player they can log in to view transactions themselves (if not attached to the email)

*Proposed change*

**Law Implemented:** SDCL 42-7B-11(13), 42-7B-77.

**20:18:36:29. Account holder's principal residence address.** The principal residence address provided by the account holder at the time of wagering account application is deemed to be the proper address for all mailings including checks, statements of account, account withdrawals, notices, or other correspondence unless the account holder has provided the ADW licensee with a change of principal residence address. The mailing of checks or other correspondence to the address given by the account holder is at the sole risk of the account holder.

**Source:**

**General Authority:** SDCL 42-7B-7.

**Law Implemented:** SDCL 42-7B-77, 42-7B-78.

**20:18:36:30. Wager information confidential – Disciplinary action for violations.**

Any information about accounts ~~which~~ that is not subject to disclosure pursuant to the privacy policies must be kept confidential, except where the release of that information is required by law. No employee or agent of the ADW licensee may divulge any confidential information related to the placing of ~~any~~ a wager or any confidential account information related to the operation of the ADW licensee, except as provided by ~~chapter 20:18:36,~~ article 20:18, pursuant to a court order, state or federal law, or the commission order. A violation of this section is grounds for disciplinary action.

**Source:**

**General Authority:** SDCL 42-7B-7.

**Law Implemented:** SDCL 42-7B-11(13), 42-7B-77.

**20:18:36:31. Securing payment methods.** Procedures must ~~shall~~ be in place to ensure all financial transactions are conducted in accordance with federal regulations and the commission's rules. To protect payment methods against fraudulent uses, ~~the following controls shall apply:~~

- (1) Collection of sensitive information directly related to financial transactions must ~~shall~~ be limited to ~~only~~ the information strictly needed for such transaction;
- (2) Adequate measures must ~~shall~~ be taken ~~in order to~~ protect any type of payment ~~used in the system from a fraudulent use;~~

(3) The ADW licensee shall verify that the payment processors ensure the protection of the account holder's data, including any sensitive information given by the account holder, or transaction related data;

(4) There shall must be an established procedure for assuring a that-match of ownership between the payment type holder and the wagering account holder; and

(5) The ADW-licensee shall generate all transactional records of wagering accounts. The data recorded must shall allow the ADW-licensee to trace a single financial transaction of an account holder from another transaction.

(6) All financial transactions must shall be reconciled with financial institutions and payment processors daily or as otherwise specified by the commission.

(7) Additional requirements for payment processors may be specified by the commission.

**Source:**

**General Authority:** SDCL 42-7B-7.

**Law Implemented:** SDCL 42-7B-11(13).

## APPENDIX A

### DEFINITIONS OF SELECTED GAMING TECHNOLOGY

**Sports wagering manager.** A key employee of a licensed operator or a qualified employee of a sports wagering provider, responsible for the operations of sports wagering and final approval of all odds established on any wager made;

#### Section 1300 – Internal Audits

**1300.** Internal audits must be performed by gaming licensee accounting personnel.

(1) Controls must be established and procedures must be implemented to:

- (a) At least weekly, reconcile wagering account liability (deposits – adjustments – withdrawals = total account balance) to the system record;
- (b) At least weekly, review manual adjustments to or from wagering accounts to ensure such adjustments were authorized;
- (c) At least monthly, review exceptions reports;
- (d) At least monthly, review documentation related to access to inactive and closed accounts; and
- (e) At least annually, review the cashless wagering system to determine that the configuration parameters are accurate and have not been altered without authorizations.

(2) The performance of internal audit procedures, the exceptions noted, and the follow-up of all internal audit exceptions, must be documented and maintained.

(3) All accounting reports will be approved by the commission and kept for a minimum of three years in accordance to commission regulations.



Andrew Winchell  
[Andrew.winchell@fanduel.com](mailto:Andrew.winchell@fanduel.com)

July 13, 2021

*Via Email to [susan.christian@state.sd.us](mailto:susan.christian@state.sd.us)*  
Susan Christian, Executive Secretary  
South Dakota Commission on Gaming  
87 Sherman Street  
Deadwood, SD 57732

**Re: FanDuel Comments on Proposed South Dakota Sports Wagering Rules**

Dear Executive Secretary Christian:

I write to provide comments on behalf of FanDuel Group, Inc. (“FanDuel”) regarding the South Dakota Commission on Gaming’s Proposed Sports Wagering Rules (“Proposed Rules”). Based on our extensive experience as an operator in the sports betting industry and collaborator with regulators of sports betting in many states in the development of their regulations, we offer constructive feedback on ways in which the Proposed Rules can be improved for effectiveness and consistency with other state regulations.

Following the Supreme Court’s decision to strike down the Professional and Amateur Sports Protection Act (PASPA) in May of 2018, FanDuel has now become the leading sports wagering operator, and the largest online real-money gaming operator, in the United States. FanDuel currently operates sixteen (16) brick and mortar sportsbooks in nine (9) states and online sports wagering in ten (10) states. We appreciate the opportunity to share our perspective on sports betting regulation with you and have arranged our comments in two parts. Part I is focused on major issues of concern in the Proposed Rules that may significantly impact the ability of sports wagering operators to successfully operate in South Dakota. Part II is focused on areas in the Proposed Rules where adjustments can be made to improve the regulation and operation of sports wagering.

All changes will be shown as follows: proposed additional text will be bolded and underlined and all text to be deleted will be bracketed and struck through.

**Part I - Major Concerns.**

- ***Issue 1 – Requirement to report a refusal to accept a sports bet.***

Section 20:18:35:07(3) of the Proposed Rules authorizes licensees or sport wagering services providers to refuse “any sports bet at any time for what the licensee considers good and sufficient

reason” and then requires the submission of a written report to the commission within 48 hours of such refusal. There are two concerns with the provisions of this section as written – first, it appears to limit the authority of the sports wagering services provider to make the determination, since the decision as to whether or not accept the bet shall be based on what the licensee alone considers good and sufficient reason.

Second, the requirement to report all refusals to take wagers is unduly burdensome, duplicative, unnecessary, and not a standard practice in other states that have authorized sports wagering. There are numerous innocuous reasons why a bet would be refused and since this provision includes any time that an attempted bet is refused, the commission would likely be inundated with meaningless reports. For example, if a customer fills out a bet slip electronically (either at a kiosk or on their mobile device) and attempts to place a wager, but the odds for one or more of the events they included in their bet slip have changed, that wager would be refused, and the customer would be notified of the odds change and given the option of placing the wager at the updated odds. Additionally, SDCL 42-7B-14 sets a specific maximum on the amount that may be wagered. If a customer at a cashier is unaware of that statutory maximum (or of other limits within the licensee’s house rules) and seeks to place a wager that does not meet the guidelines, it would be communicated to the customer and the original request would be refused.

There is no need for these routine refusals to be reported to the commission. Further, any bet refusal that is in relation to suspicious or unusual wagering activity is already required to be reported to the commission as part of the integrity monitoring/suspicious behavior reporting requirements in Section 20:18:35:14.

To address these concerns, we suggest the following edits:

Section 20:18:35:07(3):

“(3) A licensee or sports wagering services provider may refuse any sports bet at any time for what the licensee or sports wagering services provider considers good and sufficient reason. ~~[A written report of such action shall be sent to the commission within 48 hours of the action.]~~”

- *Issue 2 – Internal procedures audit.*

Section 20:18:35:20 of the Proposed Rules requires licensees or sports wagering services providers to conduct an annual internal control procedures audit. This is a new requirement that is not reflected in the regulations of any jurisdiction where sports betting is currently taking place and we strongly suggest that the commission consider removing the requirement. However, if the commission determines that such a requirement is necessary, we suggest striking the proposed language and replacing with the following, which will ease the compliance burden on licensees and sports wagering services providers:

**“20:18:35:20. Independent Audit of Internal Control Procedures. (a) Licensees shall have**

their internal control procedures independently audited at least once every two (2) years with the results documented in a written report. This includes internal control procedures conducted by a sports wagering services provider who manages the sports wagering operation on behalf of the licensee. Reports shall be maintained and available to the Commission.

(b) Such independent audits may be conducted by the Commission, a Commission approved third-party auditor, or the internal audit department within the licensee or parent company of the licensee, which is independent of the sports wagering operation.

(c) The Commission, third-party auditor, or internal audit department shall be responsible for auditing the sports wagering operator's compliance with the statute and these rules, including those standards adopted in appendix A of GLI-33, the internal control system, and any other applicable rules and regulations.

(d) Documentation, including checklist, programs, reports, corrective actions, and other items, shall be prepared to evidence all independent audit work performed as it relates to the requirements of this section, including all instances of noncompliance.

(e) Independent audit reports shall include objectives, procedures and scope, findings and conclusions, and recommendations.

(f) Independent audit findings shall be reported to management. Management shall be required to respond to the independent audit findings and the stated corrective measures to be taken to avoid recurrence of the audit exception. Such management responses shall be included in the final independent audit report.

(g) Follow-up observation and examinations shall be performed to verify that corrective action has been taken regarding all instances of noncompliance cited by the independent audits, or by the Commission. The verification shall be performed within six (6) months following the date of notification.

(h) Where approved by the Commission, it is acceptable to leverage the results of prior audits conducted within the audit period by the same third-party auditor or internal audit department in another sports wagering jurisdiction. Such leveraging shall be noted in the audit report."

- *Issue 3 – Self-exclusion.*

Section 20:18:35:22 of the Proposed Rules requires licensees and sports wagering services providers to develop a self-exclusion plan or voluntary exclusion plan. We have a robust responsible gaming program and plan which includes options for patron self-limits as well as self-exclusion. However, we would suggest to the commission that they consider the creation of a statewide self-exclusion program, so that when a patron self-excludes from one licensee, they will be excluded from all licensees. We find that this is the best practice in the other jurisdictions in which we operate.

- *Issue 4 – Reimbursement of operators for services provider error.*

Section 20:18:35:23 of the Proposed Rules requires sports wagering services providers to be responsible to reimburse an operator or route operator for bets placed by the operator or route operator as a result of the error or omission of the services provider. As the nature of services provided by sports wagering services providers can vary greatly, this is an issue best addressed in contract between the operator or route operator and the sports wagering services provider. For example, there is a significant difference between suppliers of sporting event information and a sports wagering services provider who manages the sports wagering operation on behalf of a licensee.

To address this concern, we suggest striking this provision entirely.

- ***Issue 5 – Requirement for daily reconciliation of kiosk drop boxes.***

Sections 20:18:35.02.03(4) and (5) of the Proposed Rules require licensees to daily remove sports wagering kiosk drop boxes and conduct a reconciliation of the kiosks. Based on our experience operating sports wagering kiosks in 16 retail locations throughout the United States, we believe there is no need to perform this procedure on a daily basis. We suggest that it be conducted at least on a weekly basis. To address this concern, we suggest the following edits:

Section 20:18:35.02.03(4):

“(4) On a **minimum of a weekly** [**daily**] basis, a licensee’s accounting department shall remove the drop boxes in the sports wagering kiosks (the “sports wagering kiosk drop”). The sports wagering kiosk drop shall be monitored and recorded by surveillance. The licensee shall submit the sports wagering kiosk drop schedule to the executive secretary or executive secretary’s designee.”

Section 20:18:35.02.03(5):

“(5) The licensee’s accounting department shall reconcile the sports wagering kiosks on a **minimum of a weekly** [**daily**] basis pursuant to internal controls. Any variance of \$500 or more shall be documented by the accounting department and reported in writing to the commission’s audit department within five business days after drop and count of sports wagering kiosks. The report shall indicate the cause of the variance and shall contain any documentation required to support the stated explanation.”

- ***Issue 6 – Surrender of tickets and handling of destroyed or lost tickets.***

Section 20:18:35.02:06 of the Proposed Rules requires that winning tickets and vouchers must be presented and surrendered in order for the payment of the wager or voucher. While a patron’s wager will be marked as paid in the sports wagering system of a licensee, if a winning ticket is redeemed at a kiosk, it may not be required to be surrendered. Additionally, this section provides that no claim may be made allowed for any lost or destroyed sports wagering ticket. However, if a customer’s wager can be substantiated through other means (surveillance, customer monitoring

records, etc.) it should be up to the internal controls of the licensee to determine whether or not to pay the wager.

To address these concerns, we suggest the following edits:

Section 20:18:35.02:06

“Payment of any printed winning sports wagering tickets or sports wagering vouchers shall be made only upon presentation [~~and surrender~~] of the sports wagering ticket or sports wagering voucher. A patron may redeem a winning sports wagering ticket or sports wagering voucher by mail according to the licensee’s internal controls. No claim may be allowed for any lost or destroyed winning sports wagering tickets or sports wagering vouchers unless authorized pursuant to the licensee’s internal controls.”

## **Part II – Secondary Concerns.**

- ***Issue 1 – Prohibition on customers “employing” a wagering account in suspended mode.***

Section 20:18:35:01(21)(h) of the Proposed Rules includes persons who are “employing a wagering account in a suspended mode” within the definition of “prohibited person.” While we agree that persons who have their accounts suspended should not be utilizing them for wagering, the term “employing” is vague and may be read to prevent all activity in relation to a suspended account. For example, the term “employing” may be read to prohibit individuals who have a suspended account due to a negative account balance from depositing funds to their account, however Section 20:18:36:23(2)(b) of the Proposed Rules expressly authorizes such activity to bring an account balance back to zero. To address this concern, we suggest the following edit:

Section 20:18:35:01(21)(h):

“(21) “Prohibited person,” all of the following:

...

(h) Any person employing a wagering account in a suspended mode to place a wager;”

- ***Issue 2 – Limitation on restricted persons to only individuals associated with professional or collegiate athletics.***

Section 20:18:35:01(24)(b) of the Proposed Rules includes a prohibition on “Professional or collegiate athletes, team employees and owners, coaches, managers...” as well as those individuals who live in the same household, from placing a “wager on events in the sport in which they participate, or in which the athlete(s) they represent participates.” While this provision seeks to ensure the integrity of sports events and the sports wagering industry, there are two issues with the provision.

First, it appears inadvertently to only apply to individuals associated with professional or collegiate athletic events, while not encompassing any individuals associated with Olympic, international, or other amateur athletic events. Thus, it would prohibit the roommate of a college athlete from placing a wager on the sport in which the athlete participates, but not prohibit an international or amateur athlete from placing a wager on an event they directly participate in.

Second, the provision prohibits the placing of a wager on events “in the sport” in which the specified individual is associated with. Generally, similar provisions in other jurisdictions prohibit the placement of a wager on an event overseen by the same sports governing body, but not all events in the same sport. As written, this would appear to prohibit an individual living in the same household of an employee of the National Football League from placing a wager on a college football game.

To address these concerns, we suggest the following edits:

Section 20:18:35:01(24)(b):

“(24) “Restricted patron,” any patron with the following conditions in place:

...

(b) ~~[Professional or collegiate athletes]~~ Athletes, team employees and owners, coaches, managers, handlers, athletic trainers, referees, umpires, judges, sporting event officials, league officials and employees, sports agents, and employees of an athletic or referee union, and anyone with access to non-public/exclusive information or sufficient authority to influence the outcome of an event, as well as those within the same household, may not wager on events ~~[in the sport]~~ overseen by the sports governing body which oversees events in which they participate, or in which the athlete(s) they represent participates;”

- *Issue 3 – “Reasonable” standard for preventing prohibited persons from wagering and creating accounts.*

Section 20:18:35:08 of the Proposed Rules requires licensees and sports wagering services providers to make “reasonable” efforts to prevent prohibited persons from placing sports bets. Additionally, Section 20:18:36:02 of the Proposed Rules requires licensees and sports wagering services providers to adopt “commercially available and demonstrable standards” to prevent prohibited persons from creating a wagering account. We suggest that the commission adopt a uniform “commercially reasonable” standard for both of these provisions. To address these concerns, we suggest the following edits:

Section 20:18:35:08

“A licensee and a sports wagering services provider must make commercially reasonable efforts to prevent a prohibited person from placing a sports bet.

...

(2) If the licensee or sports wagering services provider cannot establish by commercially reasonable measures that the individual is prohibited, the individual is presumed not to be a prohibited person for the purposes of this rule.”

Section 20:18:36:02(1)(b):

“(1) The ADW licensee shall submit internal controls, approved by the executive secretary, that include the following for operating advance deposit sports wagering:

...

(b) Commercially reasonable procedures to prevent prohibited persons from creating a wagering account ~~[available and demonstrable standards to confirm that an individual attempting to create a wagering account is not a prohibited person];~~”

- *Issue 4 – Requirement for sports wagering services providers to maintain a reserve.*

Section 20:18:35:17 of the Proposed Rules requires licensees and sports wagering services providers to maintain reserves of at least \$25,000 or an amount necessary to cover standard liabilities. While the provisions this section related to the calculation of the reserve and the form it may take are standard, it apparently requires all sports wagering services providers to maintain such a reserve, even if they do not maintain customer accounts or manage the sports wagering operation of a licensee. For example, as written, this would require a sports wagering data provider to maintain a reserve, even though they do not have any customer accounts or outstanding sport wagering liability. To address this concern, we suggest the following edit:

Section 20:18:35:17

“A licensee or sports wagering services provider who manages a sports wagering operation on behalf of a licensee must submit a plan to maintain a reserve in the amount necessary to ensure the security of funds held in wagering accounts for sports wagering and the ability to cover the outstanding sports wagering liability...”

- *Issue 5 – Expiration of winning wagers and vouchers.*

Section 20:18:35.02:05 of the Proposed Rules provides that winning tickets shall remain valid for 180 days after the conclusion of the final event in the sports wager and that sports wagering vouchers shall expire 90 days from the date of issue. We believe that winning tickets and vouchers should have the same expiration timeframe and that they both should be valid for one year. To address this concern, we suggest the following edits:

Section 20:18:35.02:05:

“Winnings from sports wager tickets shall remain valid for the patron to redeem for ~~[180 days]~~ one year after the conclusion of the final event in the sports wager. If the sports wagering system issues and redeems a sports wagering voucher, the following requirements shall apply:

(1) Sports wagering vouchers issued by a sports wagering system shall contain the following information:

...

(e) The expiration date of the voucher, which is [~~90 days~~] one year from the date of issue;..."

- *Issue 6 – Prevention of individuals under 21 from creating or funding an account.*

Section 20:18:36:07 of the Proposed Rules requires that ADW licensees must prevent individuals under 21 or who are prohibited individuals from creating an account, depositing funds, or participating in advanced deposit wagering. The phrasing of this provision does not take into consideration the provisions elsewhere in the regulations which require licensees to implement reasonable/commercially available procedures to prevent such individuals from creating or utilizing sports wagering accounts. To address this concern, we suggest the following edits:

Section 20:18:36:07:

"...The ADW licensee must deny the ability to create an account, deposit funds, or participate in advance deposit wagering to any individual [~~who is~~] they determine to be under 21 years of age or is a prohibited person..."

- *Issue 7 – Withdrawals and return of funds from account closure within 5 business days.*

Sections 20:18:36:18(4) and 20:18:36:22 of the Proposed Rules require that ADW licensees process withdrawals and return funds to patrons when accounts are closed within five business days. However, these provisions do not take into consideration any delays in customers receiving their funds which may be caused by third party payment processors. To address this concern, we suggest the following edits:

Section 20:18:36:18(4):

"(4) An ADW licensee must honor the account holder's request to withdraw funds within five business days after the request unless the conditions set forth in subdivision (5) are met. For purposes of this section, a request for withdrawal will be considered honored if it is processed by the ADW licensee within five business days after the request, but the account holder's receipt of the funds is delayed by a payment services provider, credit card issuer, or by the custodian of a financial account."

Section 20:18:36:22:

"The ADW licensee may suspend or close any wagering account at any time provided that when an account is closed, the ADW licensee within five business days returns to the account holder all monies then on deposit pursuant to the ADW licensee's internal controls. For purposes of this section, the ADW licensee shall have satisfied its requirement if it has processed the return of account funds within five business days after the account closures, but the account



**holder's receipt of the funds is delayed by a payment services provider, credit card issuer, or by the custodian of a financial account."**

\*\*\*\*\*

We appreciate your time and consideration of our comments and would be happy to discuss at your convenience.

Sincerely,

Andrew Winchell  
Director, Government Affairs

1st Dakota  
National Bank

South Dakota Commission on Gaming  
87 Sherman Street  
Deadwood, South Dakota 57732

Ms. Christian & Mr. Sparrow,

This document is indirectly related to the upcoming meeting on July 14, 2021 where new rules for sports wagering will be addressed. Some time ago when sports gaming was in the process of being added as a ballot initiative First Dakota National Bank had inquiries from potential customers as regards banking internet-based entities. At that time I exchanged emails with Mr. Sparrow, who confirmed that the model of operation they were intending to use was not in line with South Dakota laws.

Now that the ballot measure has been approved we have had additional inquiries of a slightly different nature but still associated with an internet-based service that would be associated with a Deadwood gaming facility. Unfortunately I do not have a great deal of detail on this new potential program, but they did indicate that they would be positioned to start business in September after additional rule-making took place, which I am now assuming is referencing the July 14, 2021 meeting.

In my conversations with bank staff I have gleaned at least some of the interpretations this potential customer is basing their position that they will be able to implement their program on. In summary, they believe that provisions in the new rules citing "mobile applications" or "digital platforms" will allow them to enter this industry via the Internet. The purpose of this communication is to seek clarification if this indeed has some merit or if my interpretation of the current laws and rules precludes this interpretation. I have noted by bolding and underlining specific sections of the new rules and highlighted my opinions below.

#### PROPOSED RULES

##### CHAPTER 20:18:35 REQUIREMENTS OF SPORTS WAGERING OPERATIONS 20:18:35:01.

Definitions. Terms used in this chapter mean:

- (13) "Mobile application," an application on a mobile phone or other devices through which an individual is able to place a sports bet; (supporting item per customer)
- (21) "Prohibited person," all of the following: (a) Any person who has been placed on the list of excluded persons pursuant to SDCL 42-7B-61; (b) Any person who is under the age of 21; (c) Any employee of, or appointee to, the South Dakota Gaming Commission; **(d) Any person wagering while not in the permitted boundary pursuant to SDCL 42-7B-79** (see 42-7B-79 below – I do not believe it supports Internet-based sports wagering); (e) Any person wagering on behalf of another; (f) Any restricted patron wagering in violation of their restrictions; (g) Any person wagering in violation of state, local, or federal law; (h) Any person employing a wagering account in a suspended mode; (i) Other prohibited persons as determined by the commission;
- (32) "Sports wagering area," the designated location **in a gaming establishment** approved by the commission, in which sports wagering may be conducted; (does not support Internet wagering)
- (33) "Sports wagering kiosk," an automated device used by patrons to make wagers on sporting events. The kiosk may also be used to obtain wagering information, process sports wagering tickets and wagering sports vouchers, manage wagering accounts, and any other automated functions approved by the commission; (customers referenced kiosks in other states, this does not support that position)
- (36) "Sports wagering services provider," a person who maintains or operates the software or hardware of a sports wagering system or facilitates wagering on a sporting event by providing a service, including data aggregation, risk management, computer service, furnishing information, and setting of odds; (I

believe this is where our potential customer feels they would be able to qualify, as they provide a gaming software solution)

20:18:35:06. Wagering rules. A licensee or sports wagering services provider must adopt comprehensive wagering rules, which must be approved by the commission.

(1) The wagering rules, together with any other information the commission considers appropriate, must be conspicuously displayed on the licensee's or its sports wagering services provider's digital platform or mobile application, included in the terms and conditions of wagering accounts, and copies must be made readily available to individuals and patrons. (Another reference to digital platform or mobile application, may not fully address an Internet-based sports gaming provider.)

#### CHAPTER 20:18:35.02

SPORTS WAGERING AREA 20:18:35.02:01. Designated sports wagering area. A floor plan identifying the designated sports wagering area, including the location of any sports wagering kiosks and sports wagering windows, shall be filed with the executive secretary for review and approval at least ten days prior to accepting any sports bets. Modification to a previously approved plan must be submitted for approval at least ten days prior to implementation. (Supports physical presence within a facility)

Source: General Authority: SDCL 42-7B-7.

Law Implemented: SDCL 42-7B-4(42), 42-7B-79.

20:18:35.02:02. Sports wagering transactions. Thirty days prior to offering sports wagering, a sports wagering operation shall submit a plan to the commission that meets the requirements of chapter 20:18:35.02 and shall be approved by the executive secretary.

Sports wagering transactions shall be conducted from:

(1) A sports wagering window located in the sports wagering area or other window locations as approved by the executive secretary;

(2) Sports wagering kiosks in locations as approved by the executive secretary;

(3) A designated window in the cashier's cage for the redemption of winning sports wagering tickets;

or (4) A digital platform or mobile application approved by the executive secretary pursuant to § 20:18:36:03. (1-3 support a physical presence within a facility. 4 appears to support the potential client's thoughts that sports gaming can be done off premises)

Source: General Authority: SDCL 42-7B-7.

Law Implemented: SDCL 42-7B-15.

20:18:35.02:03. Sports wagering kiosks. A licensee may utilize sports wagering kiosks located in a gaming establishment for wagering transactions in conjunction with a sports wagering system in a location approved by the executive secretary. (Supports physical presence within a facility)

20:18:36:03. Location detection requirements. All wagers placed using advance deposit wagering must be initiated and received or otherwise made by an account holder located in the permitted boundary pursuant to SDCL 42-7B-79.

(1) The ADW licensee must utilize location detection procedures to reasonably detect and dynamically monitor the location of an account holder attempting to place any advance deposit wager and to monitor and block unauthorized attempts to place a wager when an individual or account holder is not within the permitted boundary.

(2) An account holder outside the permitted boundary shall be rejected, and the account holder shall be notified. The confidence radius shall be entirely located within the permitted boundary.

(3) The commission shall approve technical specifications for location detection procedures and any specific requirements related to location detection. (Supports physical presence within a facility)

Source: General Authority: SDCL 42-7B-7.

Law Implemented: SDCL 42-7B-11(13), 42-7B-79.

42-7B-79. Advance deposit sports wagering restrictions--Required equipment.

Any sports wagering may only be conducted in the interior of a licensed gaming establishment within the city of Deadwood. Each operator or route operator that is authorized by the commission to conduct sports wagering shall install and maintain equipment that is approved by the commission to ensure that all bets are placed from within the interior of a licensed gaming establishment within the city of Deadwood.

Many of the new rules reference 42-7B-79 above which very specifically notes sports wagering happening inside a gaming establishment only in Deadwood. This seems to preclude Internet-based sports wagering in South Dakota or kiosks in other states, as suggested by potential bank customers. I am looking for either confirmation of this interpretation or additional citations of other rule sections that support an Internet-based or non-Deadwood solution for potential sports gaming. One of my suggestions in the new rules is that the term, "permitted boundary" be defined and added to 20:18:35:01 as it is referenced in multiple places within the new rules. My opinion is those terms have some ambiguity, whereas 42-7B-79 is very specific as regards being within a licensed Deadwood gaming establishment.

Thank you for taking the time to consider this request for interpretations to the law and new rules. I appreciate your hard work and effort to define and clarify the gaming regulations in South Dakota.

Lee Gass  
BSA Officer  
First Dakota National Bank  
Yankton, SD 57078  
(605) 665-7432  
lgass@firstdakota.com

## PROPOSED RULES

Lee Gass  
BSA Officer  
First Dakota National Bank  
Yankton, SD 57078

I am requesting interpretations of some of the new rules being considered for sports wagering in South Dakota. We have exchanged some emails regarding potential bank customers in past, and now have different inquiries from potential customers in the sports wagering industry. Based on our past emails, my opinion of the ballot measure approved and the rules, both existing and proposed, I believe a suggested Internet gaming solution is still not legal, but would like some feedback. Please feel free to call or email for additional clarification of the material I have included. Thank you for your assistance.

### CHAPTER 20:18:35 REQUIREMENTS OF SPORTS WAGERING OPERATIONS 20:18:35:01.

Definitions. Terms used in this chapter mean:

- (13) "Mobile application," an application on a mobile phone or other devices through which an individual is able to place a sports bet; (supporting item per customer)
- (21) "Prohibited person," all of the following: (a) Any person who has been placed on the list of excluded persons pursuant to SDCL 42-7B-61; (b) Any person who is under the age of 21; (c) Any employee of, or appointee to, the South Dakota Gaming Commission; **(d) Any person wagering while not in the permitted boundary pursuant to SDCL 42-7B-79** (see 42-7B-79 below – I do not believe it supports Internet-based sports wagering) ; (e) Any person wagering on behalf of another; (f) Any restricted patron wagering in violation of their restrictions; (g) Any person wagering in violation of state, local, or federal law; (h) Any person employing a wagering account in a suspended mode; (i) Other prohibited persons as determined by the commission;
- (32) "Sports wagering area," the designated location **in a gaming establishment** approved by the commission, in which sports wagering may be conducted; (does not support Internet wagering)
- (33) "Sports wagering kiosk," an automated device used by patrons to make wagers on sporting events. The kiosk may also be used to obtain wagering information, process sports wagering tickets and wagering sports vouchers, manage wagering accounts, and any other automated functions approved by the commission; (customers referenced kiosks in other states, this does not support that position)
- (36) "Sports wagering services provider," a person who maintains or operates the software or hardware of a sports wagering system or facilitates wagering on a sporting event by providing a service, including data aggregation, risk management, computer service, furnishing information, and setting of odds; (I believe this is where our potential customer feels they would be able to qualify, as they provide a gaming software solution)

20:18:35:06. Wagering rules. A licensee or sports wagering services provider must adopt comprehensive wagering rules, which must be approved by the commission.

- (1) The wagering rules, together with any other information the commission considers appropriate, must be conspicuously displayed on the licensee's or its **sports wagering services provider's digital platform or mobile application**, included in the terms and conditions of wagering accounts, and copies

must be made readily available to individuals and patrons. (Another reference to digital platform or mobile application, may not fully address an Internet-based sports gaming provider.)

#### CHAPTER 20:18:35.02

SPORTS WAGERING AREA 20:18:35.02:01. Designated sports wagering area. A floor plan identifying the designated sports wagering area, including the location of any sports wagering kiosks and sports wagering windows, shall be filed with the executive secretary for review and approval at least ten days prior to accepting any sports bets. Modification to a previously approved plan must be submitted for approval at least ten days prior to implementation. (Supports physical presence within a facility)

Source: General Authority: SDCL 42-7B-7.

Law Implemented: SDCL 42-7B-4(42), 42-7B-79.

20:18:35.02:02. Sports wagering transactions. Thirty days prior to offering sports wagering, a sports wagering operation shall submit a plan to the commission that meets the requirements of chapter 20:18:35.02 and shall be approved by the executive secretary.

Sports wagering transactions shall be conducted from:

(1) A sports wagering window located in the sports wagering area or other window locations as approved by the executive secretary;

(2) Sports wagering kiosks in locations as approved by the executive secretary;

(3) A designated window in the cashier's cage for the redemption of winning sports wagering tickets;

or (4) A digital platform or mobile application approved by the executive secretary pursuant to § 20:18:36:03. (1-3 support a physical presence within a facility. 4 appears to support the potential client's thoughts that sports gaming can be done off premises)

Source: General Authority: SDCL 42-7B-7.

Law Implemented: SDCL 42-7B-15.

20:18:35.02:03. Sports wagering kiosks. A licensee may utilize sports wagering kiosks located in a gaming establishment for wagering transactions in conjunction with a sports wagering system in a location approved by the executive secretary. (Supports physical presence within a facility)

20:18:36:03. Location detection requirements. All wagers placed using advance deposit wagering must be initiated and received or otherwise made by an account holder located in the permitted boundary pursuant to SDCL 42-7B-79.

(1) The ADW licensee must utilize location detection procedures to reasonably detect and dynamically monitor the location of an account holder attempting to place any advance deposit wager and to monitor and block unauthorized attempts to place a wager when an individual or account holder is not within the permitted boundary.

(2) An account holder outside the permitted boundary shall be rejected, and the account holder shall be notified. The confidence radius shall be entirely located within the permitted boundary.

(3) The commission shall approve technical specifications for location detection procedures and any specific requirements related to location detection. (Supports physical presence within a facility)

Source: General Authority: SDCL 42-7B-7.

Law Implemented: SDCL 42-7B-11(13), 42-7B-79.

42-7B-79. Advance deposit sports wagering restrictions--Required equipment.

Any sports wagering may only be conducted in the interior of a licensed gaming establishment within the city of Deadwood. Each operator or route operator that is authorized by the commission to conduct sports wagering shall install and maintain equipment that is approved by the commission to

ensure that all bets are placed from within the interior of a licensed gaming establishment within the city of Deadwood.

Many of the new rules reference 42-7B-79 above which very specifically notes sports wagering happening inside a gaming establishment only in Deadwood. This seems to preclude Internet-based sports wagering in South Dakota or kiosks in other states, as suggested by potential bank customers. I am looking for either confirmation of this interpretation or additional citations of other rule sections that support an Internet-based or non-Deadwood solution for potential sports gaming. One of my suggestions in the new rules is that the term, "permitted boundary" be defined and added to 20:18:35:01 as it is referenced in multiple places within the new rules. My opinion is those terms have some ambiguity, whereas 42-7B-79 is very specific as regards being within a licensed Deadwood gaming establishment.

Michael Shaw

✓  
DGA

**From:** Sparrow, Craig <Craig.Sparrow@state.sd.us>  
**Sent:** Friday, July 2, 2021 10:26 AM  
**To:** Michael Shaw; Christian, Susan; Mike Robbins  
**Cc:** Kevin Mullally (K.Mullally@gaminglabs.com)  
**Subject:** Sports Wageirng Rules - Industry Comments

Below are the notes I took from Susan and my meeting with Mike Rodman yesterday. Some are just comments and I will need help answer a couple of these items.

### Notes / Possible Changes from meeting with Mike Rodman (DGA) 7/1/21

1. 20:18:35:05 Patron protection information.

SD Council on ~~Problem~~ Responsible Gambling does not have a website so no "direct link" is possible. Change language to "contact information" ?

- a. Rodman would like that information to have to be reported somewhere in SD so we are not dependent on what the national organizations say about problem gambling in SD.

2. 20:18:35:07 Acceptance of Wagers.

I (Craig) thinks (1) (c ) needs to be removed. We are talking about methods for patrons to place a wager, not funding an account. A Debit/Credit Card is OK to fund an account, not place a wager.

3. 20:18:35:09 Layoff Wagers.

Is this happening and how does it work?

- a. Is the first sentence, right? We right a rule about something and then say only if its determined to be legal under our law. Seems backwards.

4. 20:18:35:10 Tournaments/contest/pools

- a. Do we need to put a 10% max rake like we have for poker?
- b. Shared Liquidity pools. How does this work beyond the answer "it's like the WAP".
  - i. When are shared liquidity pools used?
  - ii. I need a better understanding so I can answer with more than it's like the WAP we have with Nevada and NJ. How comes it doesn't violate wire act?
- c. Shou'd 42-7B-28.2 (free play) also be referenced in (3) & (4) with the other tax code references?

5. 20:18:35:14 Integrity monitoring/suspicious behaviors.

Consider changing "promptly notify" to a more definite timeframe.

- a. We currently use promptly 5 times in our other rules so I think it is OK.

6. 20:18:36:01 Definitions (10) Natural Person OK.

- a. We define "Person" in 20:18:35:01 (16) and includes individual, partnership, corp., LLC, etc.

Craig Sparrow

DEPUTY EXEC. SECRETARY

SD COMMISSION ON GAMING

Michael Shaw

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GMA ✓  
DBA

**From:** Christian, Susan <Susan.Christian@state.sd.us>  
**Sent:** Friday, July 2, 2021 12:05 PM  
**To:** Michael Shaw; Mike Robbins; Kevin Mullally (k.mullally@gaminglabs.com)  
**Attachments:** GMA - SB - SD - MEMO - Regulatory Draft Feedback 061521d6 (002).pdf; FW\_ [EXT] Key Milestones & Additional Topics.pdf

Here is the feed back Craig and I received for our meeting with Rodman yesterday. The things brought up are all good points—I agree with Craig that the Credit Cars option for placing a bet needs to be removed—the patron can use the credit card to fund an account but no to directly place a bet.

I think that the deduction for federal excise taxis stated in a rule—Mike could you double check this—trying to make sure we did correct this.

Happy 4<sup>th</sup> of July!

**SUSAN CHRISTIAN, CIA**

EXECUTIVE SECRETARY  
SD COMMISSION ON GAMING

445 E Capitol Avenue • Pierre, SD 57501  
(605) 773-6051 • [dor.sd.gov/gaming](http://dor.sd.gov/gaming)



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# Global Market Advisors

## MEMORANDUM

**TO:** Mike Rodman  
Caleb Arceneaux  
Roger Tellinghuisen

**FROM:** Brendan D. Bussmann  
Partner, Director of Government Affairs

**DATE:** June 25, 2021

**RE:** Sports Betting Regulation Feedback

---

Please find below my initial comments, concerns, and questions based off of the draft regulations that were released on June 9, 2021. Overall, this draft seems like a copy-and-paste from the recently approved Wyoming regulations while addressing some items specific to South Dakota. Key considerations are divided into four sections below, including Cashless, Sports Betting, Wagering Area, and Advanced Deposit Wagering.

---

### CASHLESS SYSTEMS

Table games are not specifically mentioned in the regulations and should be considered for a complete customer and operator experience. Slot machines are spelled out specifically while other gaming devices and technologies are left out, other than "kiosks, and other equipment." Table Games and sports betting should also be added appropriately into the regulations.

Additionally, cashless systems should be based on verifiable technology beyond the "designated independent testing lab" including but not limited to PCI Compliance, banking standards, technology standards, geofencing, and other financial measures not outlined in the regulations.

Certification (20:18:17:39.01 – Page 5) should not be limited specifically to one certification system. Additionally, it could be duplicative that would add an extra burden to the supplier or the operator. Since this is an emerging technology, regular testing should occur but not be limited in its scope

Credit Cards (Page 19 and mentioned multiple times throughout the document) are not allowed for gaming in South Dakota. These provisions need to be removed accordingly.

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## SPORTS WAGERING

### DEFINITIONS (PAGE 27)

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**Collegiate Sporting Event** – The definition for collegiate sporting event should match the language from SB44 to include the exclusion for local teams.

**Event Category** – This definition offers a broad array of events that can be wagered on because it includes both sports and other events governed by an oversight or governing board. The remainder of the definitions are sports specific. All of these definitions should be either broadened to cover sports and other events or limited specifically to sports.

**Exchange Wagering** – This is a relatively new area for wagering and may need some more context in its definition within the statute and within internal controls.

**Involuntarily-Excluded Person** – Updates to this list will need to be distributed to operators in a timely fashion.

**Prohibited Person** – This should potentially be combined with the definition of “Restricted Patron” under this section.

**Restricted Persons** – A registration process should be imposed on local collegiate programs or other listed parties so that the burden falls on the individual and not the gaming operator to distinguish who these patrons may be. Similar provisions are allowed in other states.

**Shared Liquidity Pool** – This section would specifically allow a provision to share pools between states. This would be a violation of the Wire Act that explicitly addresses sports betting per the First Circuit ruling from January 20, 2021. This language may have been lifted from fantasy sports but not sports betting. Subsequent language should be modified throughout the document to take this into consideration.

### INTERNAL CONTROLS (PAGE 34)

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The biggest concern is the timeline as it relates to the desired September 1<sup>st</sup> start date for sports betting and approval of plans.

### AUTHORIZED AND PROHIBITED EVENTS AND WAGER TYPES (PAGE 36)

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Will the Commission be publishing a list of approved sports, events, and contests, or will operators have to provide a list of the wagers they will offer? Other states produce a catalog of allowable wagers including the following:



Colorado:

<https://docs.google.com/spreadsheets/d/1U4W2aDZLRTNkPXyYDR2jAOWnv8-ZEsfEIN5IjleHfLw/edit#gid=1816173109>

Iowa:

<https://irgc.iowa.gov/sites/default/files/documents/2021/02/Approved%20Wager%20Listing%2002042021.pdf>

Indiana:

<https://www.in.gov/igc/files/State%20of%20IN%20Approved%20Leagues%20and%20Events.pdf>

Mississippi:

<https://www.msgamingcommission.com/images/uploads/List of Sports Books Events Allowed in MS- 01.13.2021.pdf>

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#### PROHIBITED EVENTS (PAGE 38)

In the draft, a series of sports bets are listed that will not be accepted including the following:

- Horse and Dog races if the sports wagering on those races is pari-mutuel – Will fixed odds wagering be allowed by the Commission?
- Sporting and Other Events under the age of 18 years – While it will not apply to the Tokyo Olympics, how will the Commission view future Olympic events or even college athletics that may have participants under the age of 18?
- A fantasy sports contest is a prohibited event – How is the language on liquidity pools in the definitions and other sections allowed?

---

#### PATRON PROTECTION INFORMATION (PAGE 42)

This section allows a dual referral for problem gambling. By having multiple resources for problem gambling, it can be confusing and duplicative for those seeking help. One of the two will need to be selected in the regulations, with the national number being the preference.

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#### ACCEPTANCE OF WAGERS (PAGE 45)

This is another section that allows credit cards to be taken for gaming, which is not currently allowed in South Dakota.

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#### TOURNAMENTS/CONTESTS/POOLS (PAGE 48)

The liquidity issue addressed in this section as previously defined is problematic because of the Wire Act and sports betting. How could this occur in any other state other than South Dakota?



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#### INTEGRITY MONITORING (PAGE 54)

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Operators are supposed to “promptly” notify the Commission. Should this instead be “reasonably”? While integrity is the foundation of any regulation and contest, it should have some level of verifiability not to put undue burden on the regulator or the operator. Having a solid monitoring service such as U.S. Integrity is key to achieving this outcome.

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#### CERTIFICATION (PAGE 65)

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Annual certification seems unnecessary and should only have to be done on material changes to a gaming system.

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#### SPORTS WAGERING AREA (PAGE 73)

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The timeline of 30 days prior for initial approval of the wagering rea plan as well as 10 days prior for modifications is extremely tight considering the September 1<sup>st</sup> start date. Will the Commission be working with operators on their plans for approval on or around August 1<sup>st</sup> to ensure a strong opening of multiple operations on the same date?

With regard to winning wagers and vouchers, the current regulations allow only a 180-day window for cashing in tickets. Other jurisdictions allow up to one year. Since some participants may only be visiting Deadwood once a year for specific events, it would be preferable to extend this to one year from issuance.

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#### ADVANCE DEPOSIT WAGERING (PAGE 78)

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Credit cards and reference to these types of payment are listed in multiple parts of this section. References should be consistent as credit cards are not currently allowed for gaming in South Dakota.

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#### DEFINITIONS (PAGE 79)

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**Natural Person** – The sports betting definitions listed “person” while the Advanced Deposit Wagering lists “Natural person.” These should be consistent between the other sections.



**From:** [Mike Rodman](#)  
**To:** [Christian, Susan](#)  
**Subject:** FW: [EXT] Key Milestones & Additional Topics  
**Date:** Thursday, July 1, 2021 3:20:24 PM

---

FYI!

"Civility is claiming and caring for one's identity, needs and beliefs without degrading someone else's in the process."

Mike Rodman  
Executive Director  
Deadwood Gaming Association  
605-391-8813  
[mrodman@rap.midco.net](mailto:mrodman@rap.midco.net)



**From:** Brendan Bussmann <[BDB@globalmarketadvisors.com](mailto:BDB@globalmarketadvisors.com)>  
**Sent:** Thursday, July 1, 2021 11:06 AM  
**To:** Mike Rodman <[mrodman@rap.midco.net](mailto:mrodman@rap.midco.net)>  
**Subject:** Key Milestones & Additional Topics

Sorry, this got stuck in my outbox.

Mike,

As a follow up to our conversation, please find below some additional concerns that FanDuel expressed to me on the regulatory structure for sports betting:

- The current regs appear to force both the operator and sports betting partner to meet the reserve requirement. Only one should have to meet the reserve requirements.
- There needs to be more clarity to the liquidity taxation and how this is calculated.  
Remember, this is the portion that I believe should be removed because of the Wire Act implications.
- Internal Controls - In addition to the timeline for approval that I had some concerns with, they will likely be pitch the same language they used in Wyoming (I am awaiting the language but some of those changes did not carry through the copy and paste by GLI.).
- RG Limits in the ADW Language - I checked with a firm that could help support the limitations on play for the land-based side. It would run anywhere from \$300 - 500K per operator. For mobile, most operators have a solution but no one is doing it on the kiosk or Brick and Mortar side. It is a strong policy move but it would be a deal killer for sports betting to absorb
- There was also some concern on wager limits.

Additionally, here is my current timeline of milestones/events:

July 1 - Submission of Applications  
July 7 - GLI Event (9:00 a.m.)  
July 14 - Sports Betting Regulations Meeting (9:00 a.m.)  
August 2 - Legislative Rules Committee  
~August 2 - 30 Day Approval for Sports Wagering Area, Internal Control Approval  
~September 1 - Sports Betting Launch

We probably need to figure out if any of these need to go to a hearing for sports wagering vendors/operators before a go live date. Additionally, will there be a date set that ensures a launch with multiple operators simultaneously if they get their app in my X date.

Let tak at your convenience.

Thanks.

B2

Brendan D. Bussmann  
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FSB ✓

## Michael Shaw

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**From:** Christian, Susan <Susan.Christian@state.sd.us>  
**Sent:** Friday, July 2, 2021 11:54 AM  
**To:** Michael Shaw; Mike Robbins; Kevin Mullally (k.mullally@gaminglabs.com)  
**Cc:** Carlson, Robin (DRR)  
**Subject:** FW: Emailing: FSB SDCG Rules Questions - 2021-06-30.docx  
**Attachments:** FSB SDCG Rules Questions - 2021-06-30.docx

Here is another set of questions regarding the proposed rules.

SUSAN CHRISTIAN, CIA  
EXECUTIVE SECRETARY  
SD COMMISSION ON GAMING

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-----Original Message-----

From: Michael Trucano <mtrucano@centurylink.net>  
Sent: Friday, July 2, 2021 11:41 AM  
To: Sparrow, Craig <Craig.Sparrow@state.sd.us>  
Cc: Christian, Susan <Susan.Christian@state.sd.us>  
Subject: [EXT] Emailing: FSB SDCG Rules Questions - 2021-06-30.docx

7/2/21

Hi Craig,

In my discussions with AGT's potential sports betting provider FSB, a few questions were posed that I could not answer. I have attached those questions for your consideration. We are all learning as we go with this stuff, so if we don't know yet, we don't know yet!!

Thank you for your help. Have a great holiday weekend.

Mike Trucano

Your message is ready to be sent with the following file or link attachments:

FSB SDCG Rules Questions - 2021-06-30.docx

Note: To protect against computer viruses, e-mail programs may prevent sending or receiving certain types of file attachments. Check your e-mail security settings to determine how attachments are handled.

**FSB Questions for:**

1. **CHAPTER 20:18:35 - REQUIREMENTS OF SPORTS WAGERING OPERATIONS**
2. **CHAPTER 20:18:35.01 - SPORTS WAGERING TESTING, APPROVAL, AND CHANGES**
3. **CHAPTER 20:18:35.02 - SPORTS WAGERING AREA**
4. **CHAPTER 20:18:36 - ADVANCE DEPOSIT WAGERING (ADW)**

**20:18:35:01. Definitions.**

(14) "Parlay bet," is a single sports bet that involves two or more bets on different sporting events which are combined into one bet. Each bet that is combined must be made on a different sporting event;

*Does this have to be on different sporting events? Parlays often contain selections from the same game/event*

**20:18:35:03. Authorized and prohibited events and wager types.**

(6) In addition to the events prohibited by SDCL 42-7B-82, a licensee or sports wagering services provider may not accept sports bets on any of the following:

(a) Horse and dog races if the sports wagering on those races is pari-mutuel;

*Does this mean that "fixed odds" may be offered on horses in SD?*

**20:18:35:05. Patron protection information.**

*How would this apply to anonymous betting in retail?*

**20:18:35:07. Acceptance of wagers.**

Available wagers must be displayed to the public and the gaming establishment's closed-circuit television system. The display must include the odds and a brief description of the event and wagering proposition.

*Can this be further clarified? Do ALL available wagers have to be displayed somewhere in a retail setting? If so, this will severely impact the overall number of bets, handle and GGR.*

**20:18:35:07. (1)**

(c) Credit card or debit card;

*Can credit/debit cards be used in the retail point of sale?*

#### **20:18:35:14. Integrity monitoring/suspicious behavior**

(5) An independent integrity monitoring provider must register as a vendor with the commission before providing event integrity monitoring services to a licensee or sports wagering services provider under SDCL chapter 42-7B and this chapter.

*Is there a registered integrity monitor in SD?*

#### **20:18:35:18. Reports of sports wagering operations**

“The reporting must be done on a form and in the manner prescribed by the commission.”

*Has this form been established yet? If not, when can it be expected? Development will be needed to ensure all requirements are fulfilled.*

#### **20:18:35:19. Retention of records**

“Redeemed sports wagering tickets and sports wagering vouchers as described in chapter 20:18:35 shall be retained for a period of 90 days from date of redemption.”

*If the system saves them, is it necessary that the physical tickets be saved?*

#### **20:18:35.01:01. Technical standards.**

“(3) Before conducting sports wagering, and as otherwise required by the commission, the sports wagering services provider must submit the sports wagering system used in conjunction with the sports wagering operation to an independent testing laboratory approved by the commission for certification testing.”

*FSB received GLI-33 certification in November 2020. Does FSB need to submit again prior to going live?*

#### **20:18:35.01:02. Certification testing.**

“Prior to conducting sports wagering, and annually thereafter,”

*FSB must certify yearly with GLI for GLI-33? Is this yearly certification sufficient?*

**20:18:35.01:05. Integrity and security assessment**

(2) (b) A penetration test of all digital platforms, mobile applications, internal, external, and wireless networks to confirm if identified vulnerabilities of all devices, the sports wagering systems, and applications are susceptible to compromise;

*Does a pen-test from ROW work or will this need to be done for specific SD implementation?*

**20:18:35.02:02. Sports wagering transactions**

(1) A sports wagering window located in the sports wagering area or other window locations as approved by the executive secretary;

*Will a cashier redemption station be allowed for point of sale?*

**20:18:35.02:03. Sports wagering kiosks.**

(4) On a daily basis, a licensee's accounting department shall remove the drop boxes in the sports wagering kiosks (the "sports wagering kiosk drop"). The sports wagering kiosk drop shall be monitored and recorded by surveillance. The licensee shall submit the sports wagering kiosk drop schedule to the executive secretary or executive secretary's designee

*Can this be changed to weekly?*

**20:18:35.02:05. Winning wagers and vouchers**

(1) (c) The time of day the voucher was issued in a 24-hour format showing hours and minutes;

*24-hour format in local time zone?*

**20:18:36:02. Authorization to conduct advance deposit wagering**

(1) (c) A process to close out inactive accounts;

*Is there a definition for an "Inactive Account"?*

**20:18:36:06. Account application verification**

Each wagering account application submitted is subject to electronic verification of the name, date of birth, the last four digits of the Social Security number, or an equivalent identification number for a noncitizen patron, such as a passport or taxpayer identification number, by either a national, independent, individual reference service company approved by the commission or other technology approved by the commission which meets or exceeds the reliability, security, accuracy, privacy, and timeliness provided by individual reference service companies

*Is any reference service company approved by the commission yet? If so, who?*

**20:18:36:21. Responsible gaming limits.**

(1) A deposit limit, which shall be offered on a daily, weekly and monthly basis and shall specify the maximum amount of money an account holder may deposit into his or her wagering account during a particular period of time; and

(2) A wager limit, which shall be offered on a daily, weekly and monthly basis and shall specify the maximum amount of wagering account funds that may be put at risk during a particular period of time.

*Calendar week (M - S)/month (1st to last day of month) or 7 & 30 days? Also, are "account funds" inclusive of bonus funds or unrestricted cash only?*

**20:18:36:23. Suspension and restoration of accounts.**

(4) Each ADW licensee shall, on a monthly basis, provide the commission with a list of suspended accounts, including the reasons why the account is in suspended mode.

*only accounts that are suspended at the close of the month OR including accounts that were suspended and no longer suspended? i.e. suspended on the 3rd of the month and removed on the 10th - would this account appear on the monthly report?*

**20:18:36:28. Account statements.**

The ADW licensee shall provide to each account holder an annual statement of an individual's wagering account activity.

*upon request or mandatory to send to each account holder? can this be retrieved by a customer from the "my account" section when logged into their account?*

FSB  
✓

## Michael Shaw

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**From:** Sparrow, Craig <Craig.Sparrow@state.sd.us>  
**Sent:** Friday, July 9, 2021 9:59 AM  
**To:** Christian, Susan; Michael Shaw  
**Subject:** RE: memo for the commissioners

Sue and Mike;

I've made my comments to FSB questions below Susan's in Green.

Craig

### Craig Sparrow

DEPUTY EXEC. SECRETARY  
SD COMMISSION ON GAMING

**From:** Christian, Susan <Susan.Christian@state.sd.us>  
**Sent:** Thursday, July 8, 2021 4:31 PM  
**To:** Sparrow, Craig <Craig.Sparrow@state.sd.us>; MFS <MFS@mayadam.net>  
**Subject:** memo for the commissioners  
**Importance:** High

### FSB Questions for:

1. CHAPTER 20:18:35 - REQUIREMENTS OF SPORTS WAGERING OPERATIONS
2. CHAPTER 20:18:35.01 - SPORTS WAGERING TESTING, APPROVAL, AND CHANGES
3. CHAPTER 20:18:35.02 - SPORTS WAGERING AREA
4. CHAPTER 20:18:36 - ADVANCE DEPOSIT WAGERING (ADW)

### 20:18:35:01. Definitions.

(14) "Parlay bet," is a single sports bet that involves two or more bets on different sporting events which are combined into one bet. Each bet that is combined must be made on a different sporting event;

*Does this have to be on different sporting events? Parlays often contain selections from the same game/event*

Yesterday Matt indicated that parlays are on two separate events???

CS; It does not have to be on different sport events, it can be or you can select different wagers that are offered from the same event

### 20:18:35:03. Authorized and prohibited events and wager types.

(6) In addition to the events prohibited by SDCL 42-7B-82, a licensee or sports wagering services provider may not accept sports bets on any of the following:

- (a) Horse and dog races if the sports wagering on those races is pari-mutuel;

*Does this mean that "fixed odds" may be offered on horses in SD?*

No and sports wagering services providers can only offer horse racing if they are licensed under 42-7.

CS; Agree

### 20:18:35:05. Patron protection information.

*How would this apply to anonymous betting in retail?*

That would be for the provider/casino to work out—it is a challenge but I understand this is standard for all jurisdictions

CS; I don't know how you would do it with kiosks, betting windows you might get lucky and identify somebody.

**20:18:35:07. Acceptance of wagers.**

Available wagers must be displayed to the public and the gaming establishment's closed-circuit television system. The display must include the odds and a brief description of the event and wagering proposition.

*Can this be further clarified? Do ALL available wagers have to be displayed somewhere in a retail setting? If so, this will severely impact the overall number of bets, handle and GGR.*

CS; I think this rule is a problem. I agree with their comment and don't think they could display every possible wager on the monitors. Aren't parley wagers presented on a card for the customer to make selections from.

**20:18:35:07. (1)**

(c) Credit card or debit card;

*Can credit/debit cards be used in the retail point of sale?*

No we plan on taking this out.

CS; Remove

**20:18:35:14. Integrity monitoring/suspicious behavior**

(5) An independent integrity monitoring provider must register as a vendor with the commission before providing event integrity monitoring services to a licensee or sports wagering services provider under SDCL chapter 42-7B and this chapter.

*Is there a registered integrity monitor in SD?*

Not that I am aware of but SWIMMA( not sure if I have this spelled correctly)is available

CS; We do not have a registration process for vendors.

**20:18:35:18. Reports of sports wagering operations**

"The reporting must be done on a form and in the manner prescribed by the commission."

*Has this form been established yet? If not, when can it be expected? Development will be needed to ensure all requirements are fulfilled.*

???? Not sure if Craig and staff have this

CS; No we have not made the tax return yet or determined what report(s) must be submitted

Good afternoon~

I think I have some of this correct—please let me know if my interpretation agrees with yours. Thanks

**20:18:35:19. Retention of records**

"Redeemed sports wagering tickets and sports wagering vouchers as described in chapter 20:18:35 shall be retained for a period of 90 days from date of redemption."

*If the system saves them, is it necessary that the physical tickets be saved?*

The same as slot tickets and they would have to be able to recreate if requested by SDCG

CS; Like slot tickets, the physical ticket has to be maintain for 90 days, then they can be destroyed if the system can recreate the record .

**20:18:35:01:01. Technical standards.**

“(3) Before conducting sports wagering, and as otherwise required by the commission, the sports wagering services provider must submit the sports wagering system used in conjunction with the sports wagering operation to an independent testing laboratory approved by the commission for certification testing.”

*FSB received GLI-33 certification in November 2020. Does FSB need to submit again prior to going live?*

Depends on if it was certified for U.S. and not for UK; They would of course need to recertify in November of 2021????

CS; They will have to get a transfer letter from GLI stating it meets SD standards. Common practice for approval of software that has already been tested.

#### **20:18:35.01:02. Certification testing.**

“Prior to conducting sports wagering, and annually thereafter,”

*FSB must certify yearly with GLI for GLI-33? Is this yearly certification sufficient?*

I would think so as long as the certification is current.

CS; All updates that take place during the year must be certified. The timing of certification may not be before the system is updated with the changes due to severity of the “patch” its fixing.

#### **20:18:35.01:05. Integrity and security assessment**

(2) (b) A penetration test of all digital platforms, mobile applications, internal, external, and wireless networks to confirm if identified vulnerabilities of all devices, the sports wagering systems, and applications are susceptible to compromise;

*Does a pen-test from ROW work or will this need to be done for specific SD implementation?*

Not sure what this even means

I know what Pen-test is but not ROW? Licensee can hire the pen-test company they want to use.

#### **20:18:35.02:02. Sports wagering transactions**

(1) A sports wagering window located in the sports wagering area or other window locations as approved by the executive secretary;

*Will a cashier redemption station be allowed for point of sale?*

Yes the cashier can take a bet and issue it through the sports wagering system.

CS; Cashier can redeem sports wagering tickets or vouchers but cannot take a bet. If the betting window is closed then customer will have to place bet through a kiosk.

#### **20:18:35.02:03. Sports wagering kiosks.**

(4) On a daily basis, a licensee’s accounting department shall remove the drop boxes in the sports wagering kiosks (the “sports wagering kiosk drop”). The sports wagering kiosk drop shall be monitored and recorded by surveillance. The licensee shall submit the sports wagering kiosk drop schedule to the executive secretary or executive secretary’s designee

*Can this be changed to weekly?*

Yes providing the do it daily for the first full SDCG tax reporting period, provide the documentation that reconciles to the tax return and submit a request in writing to drop weekly—this is consistent with what we currently do for slot management systems when they are new or the reports have been changed through a program update.

CS; Daily basis though the test period, then can adjust to preferred drop cycle.

**20:18:35:02:05. Winning wagers and vouchers**

- (1) (c) The time of day the voucher was issued in a 24-hour format showing hours and minutes;  
*24-hour format in local time zone?*

Yes

CS; Yes

**20:18:36:02. Authorization to conduct advance deposit wagering**

- (1) (c) A process to close out inactive accounts;  
*Is there a definition for an "Inactive Account"?*

I believe that per our rules we state that it has to have had no activity—bets placed, credited with wins, deposits or withdrawals for 2 years.

CS; 20:18:36:25. Inactive accounts. Clarifies what inactive accounts are

**20:18:36:06. Account application verification**

Each wagering account application submitted is subject to electronic verification of the name, date of birth, the last four digits of the Social Security number, or an equivalent identification number for a noncitizen patron, such as a passport or taxpayer identification number, by either a national, independent, individual reference service company approved by the commission or other technology approved by the commission which meets or exceeds the reliability, security, accuracy, privacy, and timeliness provided by individual reference service companies

*Is any reference service company approved by the commission yet? If so, who?*

I believe this should be removed as we do not allow application for an account online—they must be in person per 42-7B.

CS; No reference service companies have been approved by the Commission yet.

**20:18:36:21. Responsible gaming limits.**

- (1) A deposit limit, which shall be offered on a daily, weekly and monthly basis and shall specify the maximum amount of money an account holder may deposit into his or her wagering account during a particular period of time; and  
(2) A wager limit, which shall be offered on a daily, weekly and monthly basis and shall specify the maximum amount of wagering account funds that may be put at risk during a particular period of time.

*Calendar week (M - S)/month (1st to last day of month) or 7 & 30 days? Also, are "account funds" inclusive of bonus funds or unrestricted cash only?*

I believe that this is up to the patron if he wants to set limits the patron can choose daily, weekly( calendar week) or monthly(calendar month. We are only requiring that they offer this if the patron wants it.

CS; Calendar week and calendar month

**20:18:36:23. Suspension and restoration of accounts.**

- (4) Each ADW licensee shall, on a monthly basis, provide the commission with a list of suspended accounts, including the reasons why the account is in suspended mode.

*only accounts that are suspended at the close of the month OR including accounts that were suspended and no longer suspended? i.e. suspended on the 3rd of the month and removed on the 10th - would this account appear on the monthly report?*

I believe the answer is only those that are in a suspended status at the end of the month

CS; Accounts that are in a suspended status at the end of each month.

**20:18:36:28. Account statements.**

The ADW licensee shall provide to each account holder an annual statement of an individual's wagering account activity.

*upon request or mandatory to send to each account holder? can this be retrieved by a customer from the "my account" section when logged into their account?*

I believe the answer is it is mandatory as it says "shall"

CS; I propose we change the language from "provide" to "make available"

**SUSAN CHRISTIAN, CIA**

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Michael Shaw

✓  
Geo comply

**From:** Christian, Susan <Susan.Christian@state.sd.us>  
**Sent:** Thursday, July 8, 2021 7:51 PM  
**To:** Michael Shaw; Sparrow, Craig; Mike Robbins; Kevin Mullally  
**Subject:** Fwd: GeoComply Solutions Proposed Rules Commentary  
**Attachments:** GeoComply Solutions - South Dakota Proposed Rules Commentary - July 9 2021.pdf

Just got this we should discuss on Tuesday thanks

Sent from my iPhone

Begin forwarded message:

**From:** Sam Basile <sam@geocomply.com>  
**Date:** July 8, 2021 at 7:03:07 PM CDT  
**To:** "Christian, Susan" <Susan.Christian@state.sd.us>  
**Cc:** Chad Kornett <chad.kornett@geocomply.com>, kate.bell@geocomply.com  
**Subject:** [EXT] GeoComply Solutions Proposed Rules Commentary

Dear Ms. Christian,

On behalf of GeoComply Solutions, I am submitting the attached comments on the proposed rules which will be considered at your July 14, 2021 public hearing.

We would be happy to address any questions the South Dakota Gaming Commission may have about geofencing technology or our proposed technical standards.

Sincerely,

Sam Basile  
Mobile: +1.702.610.3386  
[sam@geocomply.com](mailto:sam@geocomply.com) | [geocomply.com](http://geocomply.com)

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July 9, 2021

South Dakota Commission on Gaming

Chair Karen Wagner and members of the Commission, thank you for the opportunity to submit comments on the proposed rules which will be considered at your July 14, 2021 public hearing. We request that our comments and supporting documentation be included as part of the public hearing record.

Recently, this Commission proposed rules for sports wagering authorized by Senate Bill 44 during the 2021 South Dakota Legislative Session. The proposed rules in Chapter 20:18:35.02 define a Sports Wagering Area. Additionally, 20:18:36.03 requires that all wagers placed using advanced deposit wagering must be in a permitted boundary pursuant to SDCL 42-7B-79.

We appreciate the opportunity to explain the central role geolocation plays to enforce venue-restricted sports wagering, as will be the case within the city of Deadwood.

By way of background, GeoComply is a global leader in geolocation technology. The company currently supports regulated online sports betting, casino, poker, iLottery, advanced deposit horse wagering, and daily fantasy sports operators in 44 US states to ensure compliance with federal and state regulations.

GeoComply is an approved geolocation service provider in all states that regulate online sports betting and gaming (including Arkansas, Colorado, Delaware, Illinois, Indiana, Idaho, Iowa, Louisiana, Michigan, Mississippi, Montana, Nevada, New Hampshire, New Jersey, Oregon, Pennsylvania, West Virginia, Rhode Island, Tennessee, Virginia, Washington D.C. and West Virginia). Our software is validated by both government and independent gaming testing laboratories, such as GLI. Each day, our technology processes upwards of 20 million geolocation transactions.

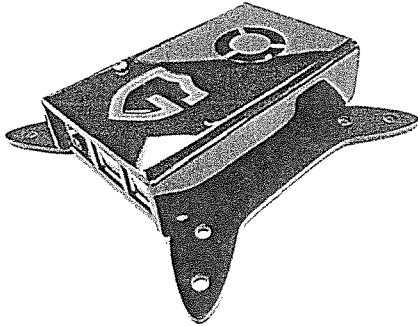
Our company was founded solely for the purpose of delivering a geolocation system to support the US internet gaming market. From the company's inception, we recognized the challenge facing US Intra-State iGaming and the need for high caliber technology to act as the legal enabler and safety net for intra-state gaming. We exist to geofence virtual borders whether they be a state, a district, gaming premises or any licensed / approved facility. Our technology enables operators and regulators to meet the demands of federal laws and state laws that require that online betting be restricted to a certain geographic areas or venues.

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8329 W. Sunset Road, Suite 280, Las Vegas, NV 89113

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When it comes to providing a geofence solution for on-premise mobile wagering, GeoComply created beacon technology in order to achieve highly-accurate geofencing compliance. Utilizing secure bluetooth beacon technology, PinPoint takes our statewide solution down to as small as a 100 square foot room but can also provide a virtual geofence solution for an entire hotel and casino structure.

At the center of its technology is the PinPoint Master Beacon device which precisely geolocates any bluetooth enabled mobile device. Combined with negative beacons which excludes unauthorized access, a facility can be precisely geofenced in accordance with the adopted regulations.

Once a gaming mobile app is opened on the mobile device, the mobile device will detect the PinPoint beacon and with this detection, PinPoint can determine whether the mobile device is physically within the permitted geofenced area.

GeoComply has built strong partnerships with operators and regulators in every state where our PinPoint technologies are used. For instance, PinPoint is the on-premise mobile solution that has been deployed to almost 500 bars and taverns across the state of Montana and processed over 300,000 transactions for the Montana State Lottery mobile sports app SportsBet Montana.



Given that Proposed Rule 20:18:36:03(3) empowers this Commission to approve technical specifications for location detection procedures and any specific requirements related to location detection, we believe it is extremely important to adopt robust technical standards that achieve the intent of the adopted regulations. In absence of such standards, there exists a significant risk of non-compliance.

GeoComply would like to propose the following additional technical standards for the Commission to consider:

- 1) Location Detection Integrity - a sports wagering system ("System") should implement technology to ensure that the System prevents spoofing and/or relocation of geolocation equipment to prevent unauthorized use off-site, by implementation of the following System standards:
  - a) Location Detection Technology:
    - i) The System must utilize short-range communications hardware technology such as Bluetooth beacons, Near-field

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Location Compliance

Communication, Ultra Wideband and/or Ultrasonic sound (the "Beacon Technology") to ensure coverage can be limited to the Commission approved Sports Wagering Area ("Inclusion Zone") and Beacon Technology to exclude coverage extending into adjacent areas NOT approved by the Commission ("Exclusion Zone").

ii) To ensure the integrity of the System, in addition to the location detection system requirements set forth in Section 2.7 OF GLI-33 AND Proposed Rule 20:18:36:03(2), the System shall:

- (1) The System shall implement procedures to resolve conflicts between inclusion and exclusion rules so that the System functions in accordance with Proposed Rule 20:18:36:03(1).
- (2) The Beacon Technology shall include the ability to adjust broadcast signal strength to ensure broadcast remains within the Inclusion Zones as much as reasonably practicable;
- (3) The Beacon Technology shall include the ability to fine tune and set parameters of the signal strength / broadcast ranges to clearly define Inclusion Zones and Exclusion Zones.
- (4) Refresh tokens broadcasted by the Beacon Technology at least every 5 minutes;
- (5) Invalidate old tokens broadcasted by the Beacon Technology as to prevent attacks or hacking techniques using expired tokens;
- (6) Ensure all Beacon Technology devices are on a maintenance schedule to perform hardware checks, replace batteries and adjust placement, if applicable;
- (7) Remotely monitor unauthorized operation or tampering of the Beacon Technology devices, such as unauthorized third-party usage, modification and damage; and,
- (8) Maintain a record keeping system of all geolocation data, per location, accessible to the Commission.

iii) Each account holder shall pass a location check prior to completing the first wager after logging in on a specific Mobile Application. Subsequent location rechecks on that device shall occur at least every 15 seconds since the previous location check.

2) System Field Testing. Field testing is a part of the Commission's pre-launch requirements for mobile event wagering systems and includes following:

a) Successfully complete a test of the location detection process by attempting to wager as follows:

- i) From a minimum of 10 locations outside the Sports Wagering Area within varying distances within ten feet of the outside of the permitted boundary.
- ii) From a minimum of 10 locations inside the Sports Wagering Area within varying distances within ten feet of the interior of the permitted boundary.

- b) For all location testing conducted, the recheck frequency shall also be tested to ensure compliance with the Commission's Technical Standards.
  - c) Testing shall further include confirmation that a location check immediately upon a change of I.P. address, to ensure that appropriate geolocation checks continue throughout a user's session.
  - d) Testing should be done on all device types, using the most popular versions available.
- 3) Conduct of testing and testing report
- a) The operator is required to receive Commission plan approval for how this testing will be completed, which includes the entity that will conduct the required testing. Although an independent testing lab may be approved to conduct the required tests, this will not require an amendment or resubmission of a GLI-33 certification that has been issued.
  - b) The Commission requires a pass/fail scoresheet which depicts all locations tested and the result of each location test. If additional locations are tested, results shall also be reported. Any failures on the out-of-area locations will result in an overall failure of the Location detection process. Further, the OS version, device type, and a short explanation of the test case shall also be included in the report. If any of the aforementioned tests have already taken place, the operator is required to provide the specific test information, when the tests took place, what entity conducted the testing and the results. The Commission will determine whether any retesting is required.

Thank you very much for the opportunity to submit this feedback. We would be happy to address any questions you may have about how beacon geofencing technology will support compliance with the adopted regulations for the Deadwood South Dakota's on-premises sports wagering operation.

Sam Basile, General Manager - PinPoint, GeoComply [sam@geocomply.com](mailto:sam@geocomply.com)

## Michael Shaw

---

**From:** Sparrow, Craig <Craig.Sparrow@state.sd.us>  
**Sent:** Thursday, July 8, 2021 5:11 PM  
**To:** Kevin Mullally (K.Mullally@gaminglabs.com)  
**Cc:** Christian, Susan; Michael Shaw  
**Subject:** Shared Liquidity Pools

Kevin;

I wanted to let you know that I think the training Matt did yesterday was very good and beneficial for our Commissioners and staff. I think they have a better understanding that even the limited style of sports wagering we're going to offer in SD is not just like adding another game like craps or roulette. Hopefully it make the rules adoption process easier for all of us next Wednesday.

During yesterday's training we touched on tournaments and pari-mutuel pools that might be used for example during March Madness. Its my understanding that even though its pari-mutuel, it can't cross jurisdictions because of the wire act. I understand that pari-mutuel Horse & Dog racing and Lottery have a carveouts in that act but I don't believe it extends to other pari-mutuel activities?

I've received several questions regarding one of our definitions; 20:18:35(26) "Shared Liquidity Pools" means a tournament, contest, or pool conducted in South Dakota and at least one other jurisdiction. In previous attempts to explain it to me the explanation included "it's like the Multi-Jurisdictional WAP we currently have with NV & NJ". Unfortunately I can't tell you why we can do those either so it's difficult for me to explain how a shared liquidity pool works. Can you or somebody with GLI help explain how our M-J WAP is legal and works which I assume will help me understand Shared Liquidity Pools?

Thanks  
Craig

### Craig Sparrow

DEPUTY EXEC. SECRETARY  
SD COMMISSION ON GAMING

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✓  
IGT

**Michael Shaw**

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**From:** Christian, Susan <Susan.Christian@state.sd.us>  
**Sent:** Friday, July 9, 2021 3:37 PM  
**To:** Porterfield, Carrie; Sparrow, Craig  
**Cc:** Schreiber, Shawn  
**Subject:** RE: IGT Feedback re: Proposed amendments for cashless and event wagering requirements  
**Attachments:** website agenda and meeting packet.pdf

Thank you for reaching out and providing feedback for the July 14, 2021 Public Hearing to adopt rules. I have provided your suggested amendments to the proposed rules to the appropriate individuals for consideration and evaluation. The July 14, 2021 will not be available virtually or through conference calls. I have attached the agenda and proposed rules and if you wish to attend this meeting; the time and location are included in the attachment. Please contact me if you have any questions: I can be reached at (605) 578-3074 or (605) 641-3979.

**SUSAN CHRISTIAN, CIA**

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**From:** Porterfield, Carrie <Carrie.Porterfield@IGT.com>  
**Sent:** Friday, July 9, 2021 3:15 PM  
**To:** Christian, Susan <Susan.Christian@state.sd.us>; Sparrow, Craig <Craig.Sparrow@state.sd.us>  
**Cc:** Schreiber, Shawn <Shawn.Schreiber@IGT.com>  
**Subject:** [EXT] IGT Feedback re: Proposed amendments for cashless and event wagering requirements

Good afternoon,

Please see attached feedback and suggestions for South Dakota Commission on Gaming consideration for the proposed cashless amendments and event wagering rules.

Any questions please contact Shawn Schreiber or myself directly.

Kind regards,

**Carrie Porterfield**  
Senior Manager Regulatory Development



6355 S. Buffalo Drive  
Las Vegas, NV 89113 USA  
Phone: +1 702 669 8966  
Mobile: +1 702 235 9665

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July 9, 2021

Via Electronic Mail

Susan Christian, Executive Secretary  
South Dakota Commission on Gaming  
87 Sherman Street  
Deadwood, SD, 57732  
[Susan.Christian@state.sd.us](mailto:Susan.Christian@state.sd.us)

Dear Ms. Christian,

On behalf of IGT, thank you for the opportunity to provide our feedback regarding the South Dakota Commission on Gaming amended cashless wagering and new event wagering regulations published for industry review and discussion at the July 14, 2021 commission meeting.

**20:18:17:18.03. Slot machine specifications** (6) states that a slot machine shall include a mechanism to interpret and act upon an error condition related to a malfunction of any player identification component, including communication failures. While possible when player identification components are directly integrated with the slot machine, this is not possible for player identification components that function externally (i.e., direct connection to a back of house system). As such, we suggest broadening the language to cover both implementations:

*20:18:17:18.03. Slot machine specifications*

*(6) ~~The slot machine~~ player identification component shall have mechanisms to interpret and act upon an error condition related to a malfunction of any player identification component, including communication failures. If a player identification component error condition is identified, the slot machine or player identification display component shall display an appropriate error message and disable the player identification component.*

**20:18:35.02:06 Surrender of tickets and vouchers required** states that payment of any printed winning sports wagering tickets or sports wagering vouchers shall be made only upon presentation and surrender of the physical ticket. As measures are in place for sports wagering systems to track tickets electronically including redemption tracking, we suggest removal of this requirement if an electronic record is kept of ticket redemptions.

Thank you again for the opportunity to comment and please contact me directly should you wish to discuss.

Sincerely,

Shawn Schreiber  
IGT South Dakota Regional Compliance Manager  
6355 S. Buffalo Drive  
Las Vegas, NV 89113  
[Shawn.Schreiber@igt.com](mailto:Shawn.Schreiber@igt.com)  
[www.igt.com](http://www.igt.com)

cc: Craig Sparrow ([craig.sparrow@state.sd.us](mailto:craig.sparrow@state.sd.us))

Michael Shaw

✓  
US integrity

**From:** Christian, Susan <Susan.Christian@state.sd.us>  
**Sent:** Monday, July 12, 2021 4:15 PM  
**To:** Michael Shaw; Sparrow, Craig; Mike Robbins; Kevin Mullally (k.mullally@gaminglabs.com)  
**Subject:** FW: Sports Betting Integrity

FYI not sure what questions or comments he has as he is not sharing. He may or may not show up.

**SUSAN CHRISTIAN, CIA**

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**From:** Matthew Holt <[mholt@usintegrity.com](mailto:mholt@usintegrity.com)>  
**Sent:** Monday, July 12, 2021 3:02 PM  
**To:** Christian, Susan <Susan.Christian@state.sd.us>  
**Subject:** Re: [EXT] Sports Betting Integrity

I just had some comments and questions about the integrity section and was hoping to share some comments on successes we have had with regulators in so many other states and how they may be applicable here. I may try and fly up for the meeting. I just looked at flights and was surprised at how limited the options were (no direct flights from Vegas).

If I cannot make it up then I would love to connect after and discuss and if nothing else get you all access at no cost to the same alert dashboard being used by most regulators and extend an invite to the regulator roundtable monthly. As soon as I figure out the flight situation I will follow up.

Thanks,  
Matt

Matthew Holt  
President



(702) 721-5295  
(702) 522-9545  
[mholt@usintegrity.com](mailto:mholt@usintegrity.com)  
9480 S. Eastern Ave, Suite 208  
Las Vegas, NV 89123

On Mon, Jul 12, 2021 at 1:53 PM Christian, Susan <[Susan.Christian@state.sd.us](mailto:Susan.Christian@state.sd.us)> wrote:

Thank you for reaching out to us. Brendan indicated that you had some questions and comments regarding the proposed rules. You are welcome to attend the meeting in person and share your comments. If you are seeking to comment on the rules as a whole, you would be given the opportunity to do so when we take Public Comments at the end of the meeting. If you have comments or questions regarding a specific rule(s), you would be given an opportunity to comment when the specific rule(s) is considered for adoption. Are you wishing to comment on the rules as a whole or on a specific rule(s)?

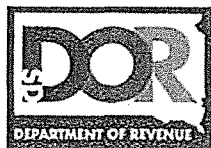
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**From:** Matthew Holt <[mholt@usintegrity.com](mailto:mholt@usintegrity.com)>

**Sent:** Monday, July 12, 2021 2:01 PM

**To:** Brendan Bussmann <[BDB@globalmarketadvisors.com](mailto:BDB@globalmarketadvisors.com)>

**Cc:** Christian, Susan <[Susan.Christian@state.sd.us](mailto:Susan.Christian@state.sd.us)>; Sparrow, Craig <[Craig.Sparrow@state.sd.us](mailto:Craig.Sparrow@state.sd.us)>

**Subject:** Re: [EXT] Sports Betting Integrity

Thanks for the intro Brendan.

Hello Susan and Craig. Nice to e-meet both of you. I am more than happy to fly out to SD and discuss how we work with over 95% of all licensed operators in the country and regulators in over 20 states. I have testified in several states regarding integrity including Washington State which is set to launch this fall.

Also, we run the regulator roundtable monthly meeting which we would love to have you all be a part of. We get regulators from over 20 states and normally have about 40 attendees each month to discuss integrity issues in sports betting.

Please let me know if there is time for me to attend the meeting Wednesday and if so I can fly up tomorrow night. If not then maybe we can plan a time to have an introductory call.

Thanks and look forward to meeting you all either way. By the way it's really hot in Las Vegas right now so escaping the heat for a couple nights sounds great.

Best,

Matt

Matthew Holt  
President



(702) 721-5295

(702) 522-9545  
[mholt@usintegrity.com](mailto:mholt@usintegrity.com)  
[9480 S. Eastern Ave, Suite 208](#)  
[Las Vegas, NV 89123](#)

On Mon, Jul 12, 2021 at 12:42 PM Brendan Bussmann <[BDB@globalmarketadvisors.com](mailto:BDB@globalmarketadvisors.com)> wrote:

Susan and Craig,

I wanted to connect you with my colleague Matt Holt from U.S. Integrity whom I have copied on this email. He is the expert on integrity issues in sports betting. He had some questions regarding the regs and the meeting on Wednesday. I will let Matt take it from here but wanted to connect the three of you directly.

Please let me know if I can be a resource in the interim. See you on Wednesday.

Thanks.

B2

Brendan D. Bussmann

Global Market Advisors, LLC

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## Michael Shaw

---

**From:** Jennifer Stalley <Jennifer.Stalley@midwestsolutionssd.com>  
**Sent:** Tuesday, July 13, 2021 12:14 PM  
**To:** Christian, Susan; Basil Hofer  
**Cc:** Sparrow, Craig; Michael Shaw  
**Subject:** RE: Dakota Gaming Group Comments on Proposed Rules  
**Attachments:** Proposed Rules Comments - Dakota Gaming.pdf

Susan,

I am reattaching the comments. Please let me know if they come through.

Thanks for alerting me!

Jennifer

**From:** Christian, Susan <Susan.Christian@state.sd.us>  
**Sent:** Tuesday, July 13, 2021 12:12 PM  
**To:** Basil Hofer <basil@betkota.com>; Jennifer Stalley <Jennifer.Stalley@midwestsolutionssd.com>  
**Cc:** Sparrow, Craig <Craig.Sparrow@state.sd.us>; MFS <MFS@mayadam.net>  
**Subject:** RE: Dakota Gaming Group Comments on Proposed Rules

Thank you for reaching out. Your e-mail indicates that you had attached or included your questions, but no attachment was included other than a log picture.

## SUSAN CHRISTIAN, CIA

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**From:** Basil Hofer <[basil@betkota.com](mailto:basil@betkota.com)>  
**Sent:** Tuesday, July 13, 2021 11:06 AM  
**To:** Jennifer Stalley <[Jennifer.Stalley@midwestsolutionssd.com](mailto:Jennifer.Stalley@midwestsolutionssd.com)>  
**Cc:** Christian, Susan <[Susan.Christian@state.sd.us](mailto:Susan.Christian@state.sd.us)>  
**Subject:** Re: [EXT] Dakota Gaming Group Comments on Proposed Rules

Looks good see you tomorrow

Basil

On Tue, Jul 13, 2021, 9:50 AM Jennifer Stalley <[Jennifer.Stalley@midwestsolutionssd.com](mailto:Jennifer.Stalley@midwestsolutionssd.com)> wrote:

Susan,

On behalf of Dakota Gaming Group, I am submitting comments concerning the Commission on Gaming's proposed administrative rules concerning sports wagering. I appreciate that these comments will not reach your office by the July 9, 2021 preferred deadline for submission of written comments, so I plan to attend the public hearing on the proposed rules to offer these comments as public testimony. Representatives of Dakota Gamin will also be attending the hearing to provide additional comments or information.

I am providing the comments in writing to assist with the Commission's formal record.

Thank you for your consideration of these comments. I look forward to tomorrow's hearing.

Jennifer

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**Jennifer Stalley**

**Vice President**

1351 N. Harrison Avenue

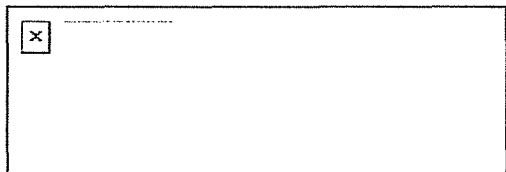
PO Box 244

Pierre, SD 57501

605-224-8118 (office) | 605-280-5714 (cell)

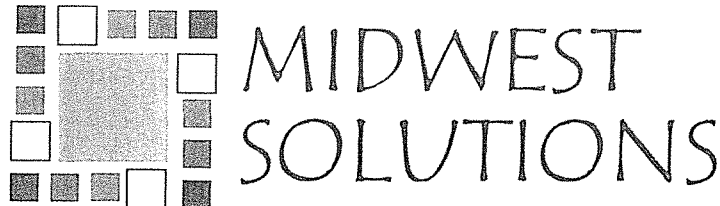
888-425-3032 (fax)

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July 13, 2021

Ms. Susan Christians  
South Dakota Commission on Gaming  
87 Sherman Street  
Deadwood, SD 57732

Dear Ms. Christians,

On behalf of Dakota Gaming Group, I am submitting comments concerning the Commission on Gaming's proposed administrative rules concerning sports wagering. I appreciate that these comments will not reach your office by the July 9, 2021 preferred deadline for submission of written comments, so I plan to attend the public hearing on the proposed rules to offer these comments as public testimony. I am providing the comments in writing to assist with the Commission's formal record.

On page 28, 20:18:35:01(14), the proposed definition of "parlay" limits a parlay bet to bets on different sporting events. Our reading of the proposed rule would prohibit a same game parlay, which is a common wager in other states. Dakota Gaming Group recommends the definition be broadened to include same game parlays along with the cross-sport parlays and multi-sport parlays allowed under the proposed rule. Additionally, Dakota Gaming Group requests confirmation that the definition allows for parlay cards (multiple parlays at the same time) to be wagered on.

On page 29 20:18:35:01(18), the proposed definition of "pool" is consistent with the industry terminology of "future wagering." Dakota Gaming Group requests confirmation that the Commission interprets the definition of "pool" the same as the industry standard of "future wagering."

On page 47 20:18:35:08, Dakota Gaming Group requests clarification on how licensees will be notified of the prohibited persons list known to the Commission.

On page 54 20:18:35:14, Dakota Gaming Group requests clarification on the requirements/process for filing a suspicious activity report with the Commission.

I plan to attend the public rules hearing to provide additional background and information on these items but appreciate the opportunity to highlight these areas for the record. Representatives of Dakota Gaming Group will also be present to provide additional comments on the proposed rules. We look forward to the opportunity to address the Commission and appreciate the time invested in drafting these proposed rules.

Sincerely,

Jennifer Stalley

CC: Dakota Gaming Group

## South Dakota Commission on Gaming Rules Hearing Appearances

Date of Meeting July 14, 2021

Name	Address	Representing	Rule#	For/Against
Brendan Bussman		Dedwood Gaming Associates		Global Market Division
David Wiest		DOR		
Basil Hofer		BETKOTA / DAKOTA Gaming		Start time
Mike Rodman		IDGA		FOR
MIKE TRUCANO		AG TRUCANO		FOR