

BACKGROUND: Per SDCL 42-7A-4 (6), the Executive Director may, subject to policy established by the Lottery Commission, require lottery retailers and persons licensed pursuant to SDCL ch. 42-7A to furnish proof of financial stability or furnish surety in an amount based upon the expected volume of sales of lottery tickets or net machine income.

The Nonsufficient Fund (NSF) policy for Instant and Online Retailers is to establish a process in which every NSF incident is handled in a consistent manner. Instant/Online retailers are billed weekly. The billing period is Tuesday through Monday. The sweep occurs on Wednesday.

Policy:

Section 1

First NSF for an Instant/Online Retailer

- Accounting is notified on the Friday after the Wednesday weekly sweep if an NSF has occurred.
- Accounting contacts the Lottery Sales Representative (LSR), Regional Manager, and Sales Director to arrange for a re-sweep. An NSF fee of \$40 plus 1.5% of the billing will be added to the sweep. It is important for the LSR and Accounting to document contacts with the Retailer.
- If the re-sweep comes back with no issues – Auto Orders can remain on.

Re-sweep of the first NSF (2nd consecutive NSF)

- If the re-sweep comes back as an NSF – All Auto Orders shall be turned off.
 - After two consecutive NSF sweeps, Cash, a Cashier's Check, or Money Order for the amount owed plus all fees must be provided by retailer to the Lottery within one week of being notified of the 2nd consecutive NSF. Please note an additional NSF fee of \$40 plus 1.5% of the billing will be added to the balance owed.
 - The fees may be paid at a Lottery Redemption Center. No Personal or Business Checks will be accepted.

Three Consecutive NSF

- All full packs of instant tickets will be picked up by the LSR.
- The Lottery will require security of \$10,000 from The retailer to cover the remaining license year.
- The security shall be in the form of a surety bond, deposit in cash, receipt of an irrevocable letter of credit, or a certificate of deposit issued by a South Dakota financial institution with the Lottery endorsed on it as a payee.
- The retailer must settle all outstanding NSF's and fees and provide security to the Lottery within 3 weeks of receiving notification of the third consecutive NSF by the Lottery. If the required security and outstanding NSF's and fees are not received, the Lottery will proceed with license revocation options as identified in SDCL ch. 42-7A and ARSD 48:01 and ARSD 48:03.

- The security will be required on an annual basis as part of the license renewal process. After five consecutive years with no NSF occurrences, the Lottery at its discretion may remove the security requirement.

Section 2

Non-consecutive NSF's

- If an instant/online retailer has five (5) or more NSF's within a licensing year (November 1 to October 31), they will be subject to the following:
 - All full packs of instant tickets will be picked up by the LSR.
 - The Lottery will require security of \$10,000 from the retailer to cover the remaining license year.
 - The security shall be in the form of a surety bond, deposit in cash, receipt of an irrevocable letter of credit, or a certificate of deposit issued by a South Dakota financial institution with the Lottery endorsed on it as a payee.
 - The retailer must settle all outstanding NSF's and fees and provide security to the Lottery within 3 weeks of receiving notification of the third consecutive NSF by the Lottery. If the required security and outstanding NSF's and fees are not received, the Lottery will proceed with license revocation options as identified in SDCL ch 42-7A and ARSD 48:01 and ARSD 48:03.
 - The security will be required on an annual basis as part of the license renewal process. After five consecutive years with no NSF occurrences, the Lottery at its discretion may remove the security requirement.

Section 3 – License Revocation

- Nothing in this policy shall prevent the Lottery from revoking an instant/online license under SDCL ch. 42-7A, ARSD 48:01, or ARSD 48:02, regardless of the number of NSF's.

Summary

This policy is to ensure instant/online retailers remain current on obligations owed to the South Dakota Lottery.

Dated this 3rd day of December, 2020.

BY THE SOUTH DAKOTA LOTTERY COMMISSION:



Jason Ahrendt
Vice Chairman