

CHAPTER 20:04:33

MULTI-JURISDICTIONAL HUBS

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20:04:33:01. Definitions. Words and phrases defined in §§ 20:04:31:01 and 20:04:32:01 have the same meaning when used in this chapter. Terms used in this article mean:

(1) "Account," an account for account wagering with a specific identifiable record of deposits, wagers, and withdrawals established by an account holder and managed by a hub licensee or advance deposit wagering licensee;

(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," a natural person who successfully completed an application and for whom a hub licensee has opened an account;

(4) "Account wagering," a process of making pari-mutuel wagers in which a natural person may deposit money in an account with a hub licensee and then uses the current balance to pay for pari-mutuel wagering conducted by the hub licensee;

(5) "Advance deposit wagering licensee" means 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;

(6) "Advance deposit pari-mutuel wagering" means wagering offered online or via a mobile application by a totalizator hub licensee who has taken a deposit by an account holder in advance of online or mobile application wagering on horse or greyhound racing;

(57) "Batch betting," a process where the wagering information for more than six wagering transactions is accumulated and sent in one data packet from the account holder's computer or other electronic device to the multi-jurisdictional totalizator hub's wager processing server or to the totalizator providing service to the multi-jurisdictional totalizator hub with a single or no human transmittal action;

(68) "Bet streaming," a process where the wagering information for more than six wagering transactions is accumulated and sent as a data flow from the account holder's computer or other electronic device to a multi-jurisdictional totalizator hub's wager processing server or to the totalizator providing service to the multi-jurisdictional totalizator hub with a single or no human transmittal action;

(79) "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(a) The amount of money credited to, debited from, withdrawn from, or present in any particular account holder's account;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 race or series of races;

(c) The account number and secure personal identification code or codes of a particular account holder;

(d) The identities of the particular entries 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 a hub licensee that identifies the account holder to anyone other than a representative of the commission;

(~~8~~10) "Closed-loop subscriber based system," a device or combination of inter-connected devices authorized and operated exclusively for the purpose of receiving wagering information, placing, receiving, or otherwise making a wager; and to which a person must subscribe to be able to send wagering information to and have that information used to place, receive, or otherwise make a wager;

(~~9~~11) "Computer robotic betting," a computerized process used to send the wagering information for more than six wagering transactions to a multi-jurisdictional totalizator hub's wager processing server or to the totalizator providing service to a multi-jurisdictional hub with a single or no human transmittal action;

(~~10~~12) "Credits," all positive inflows of money to an account;

(~~11~~13) "Debits," all negative outflow of money from an account;

(~~12~~14) "Deposit," a payment of money by cash, check, money order, credit card, debit card, or electronic funds transfer made by an account holder to the account holder's account;

(~~13~~15) "Hub," a multi-jurisdictional totalizator hub;

(~~14~~16) "Hub contract," for the purposes of this chapter, a hub contract is any contract:

(a) Between licensees;

(b) Between a licensee and a nonlicensee that relates to the employment of licensed personnel;

(c) Between a licensee and a nonlicensee that relates to the acquisition or use of capital assets used by the licensee in the business of pari-mutuel wagering;

(d) Between a licensee and a nonlicensee that relates to the earnings or profits of the licensee from the business of pari-mutuel wagering;

(e) With a pari-mutuel facility; or

(f) Any other contract which affects the proprietary or financial interest of the licensee's business or license;

~~(4517)~~ "Hub employee," any person employed by a multi-jurisdictional totalizator hub licensee;

~~(4618)~~ "Independent real time monitoring system," a system approved by the commission for the purpose of immediate and continuous analysis of wagering and other pari-mutuel systems data in order to detect suspect wagering transactions or other activity indicating a possible problem relating to the integrity of the pari-mutuel system and which transmits transactional level data to a wagering security database;

~~(4719)~~ "Initial system audit," is a review both pre-installation and post-installation of the audio and visual simulcasting and wagering system proposed to be used by a multi-jurisdictional hub licensee;

~~(4820)~~ "Key employee," any executive, employee, or agent of a multi-jurisdictional totalizator hub licensee having the power to exercise a significant influence over decisions concerning any part of the operation of a hub licensee;

(21) "Location detection process" means a process to reasonably detect the location of an account holder when the account holder is attempting to access the system and place an advance deposit wager;

~~(1922)~~ "Multi-jurisdictional totalizator hub," any business through which a wager can be placed and entered into an intrastate or interstate pari-mutuel pool that is carried on the business's wagering menu, by an individual who sends wagering transaction information either telephonically or by other electronic means directly to the business without using the facilities or equipment of a simulcast site and who has deposited funds into an account with the business prior to sending the wagering transaction information;

~~(2023)~~ "Natural person," any person at least 18 years of age, but does not include any corporation, partnership, limited liability company, trust, or estate;

(24) "Online pari-mutuel wagering system" means an internet or mobile application based betting platform including all hardware and components where wagers of the same type are grouped into a common pool by a multi-jurisdictional totalizator hub using advance deposit wagering;

~~(2125)~~ "Pari-mutuel facility," any racetrack, off-site location, account wagering company, or other location at which pari-mutuel wagers are accepted, made, paid, or processed;

~~(2226)~~ "Pari-mutuel ticket," a printed document or other electronic record which contains information pertaining to a pari-mutuel wager or wagers that have been authorized and accepted for purposes of participation in a pari-mutuel pool;

~~(2327)~~ "Principal residence address," that place where the natural person submitting an application for an account resides at least fifty percent of the time during the calendar year;

~~(2428)~~ "Proper identification," a form of identification accepted in the normal course of business establishing the identity of a person;

(2529) "Rebating," a practice of crediting an account with money or sending an account holder money or funds in any manner based upon the amount of money the account holder wagers or accepting less than the full price of any wager placed;

(2630) "Secure personal identification code," 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;

(31) "Suspended account" means a wagering account that has been temporarily disabled from engaging in wagering activity;

(2732) "Wager processing server," a computer or an inter-connected group of computers through which all wagering transaction information is received, recorded, and routed to the totalizator and secondary recording devices for processing and combining with approved pari-mutuel pools;

(2833) "Wagering transaction," a single wager stating the amount of money to be wagered, the type of wager, and the runner or runners to be wagered on. Each "win," "place," or "show" wager is considered one wagering transaction. Multiple runners in "daily doubles," "quinellas," "exactas," "trifectas," "pick-N," or other multi-horses or multi-greyhounds or multi-leg wagers can be "wheeled" or "boxed" into a single wagering transaction;

(2934) "Withdrawal," a payment of money from an account by the hub-licensee to the account holder when properly requested by the account holder;

(~~3035~~) "Withdrawal slip," a form provided by a ~~hub~~ licensee for use by an account holder to withdraw funds from an account.

Source: 32 SDR 32, effective August 30, 2005; 34 SDR 200, effective January 29, 2008; 38 SDR 172, effective April 23, 2012.

General Authority: SDCL 42-7-56(13)(15)(16).

Law Implemented: SDCL 42-7-56(13)(15)(16), 42-7-58.1.

Cross References:

Definitions, § 20:04:31:01.

Definitions, § 20:04:32:01.

~~20:04:33:06. Take-out rates for non-merged pools. The multi-jurisdictional totalizator hub licensee as part of the operating plan, or an update to the plan, may define a wagering pool not to be merged with the wagering pools of the race track where the race is being run live and set the take-out rate for the pool, subject to approval of the commission. Repealed.~~

~~Source: 32 SDR 32, effective August 30, 2005.~~

~~General Authority: SDCL [42-7-56\(15\)](#)(16).~~

~~Law Implemented: SDCL [42-7-56\(15\)](#)(16), 42-7-58.1, 42-7-102.~~

20:04:33:25. Application for multi-jurisdictional totalizator hub license. The application for a "multi-jurisdictional totalizator hub license" must be submitted on a form provided by the commission, and in addition must have the following information included in attachments:

(1) If the applicant is a corporation, the names, addresses, and dates of birth of its shareholders, directors, and officers and if a shareholder is a corporation the date of incorporation, the place of incorporation and the names, addresses, and dates of birth of its shareholders, directors, and officers must be provided;

(2) If the applicant is a partnership the names, addresses, and dates of birth of the partners and if a partner is a corporation the date of incorporation, the place of incorporation and the names, addresses, and dates of birth of its shareholders must be provided;

(3) If the applicant is a corporation ultimately owned by a not-for-profit entity without any shareholders, or is a publicly traded corporation, the information required in subdivisions (2) and (3) of this section shall be required from the directors of the membership organization, or the directors and officers of the publicly traded corporation, in lieu of the shareholders;

(4) The names of the racetracks the applicant, or its agent, has contracts with that allow the applicant to provide the simulcast signals and pari-mutuel wagering on the product;

(5) A statement of the beginning and ending dates of the applicant's business year;

(6) A detailed budget showing anticipated revenue, expenditures, and cash flows by month, from the hub's operation during the license period;

(7) The number of days that the applicant is planning to operate the hub during the year in which the applicant is seeking to be licensed;

(8) Financial information from the applicant that demonstrates the applicant has the financial resources to install and operate a hub; ~~and~~

(9) A detailed operating plan; and

(10) A description of internal controls including controls and reasonable methods for the following:

a. Automated and manual risk management procedures;

b. Employee management, including user access controls for all online wagering personnel and segregation of duties;

c. Identifying and reporting fraud and suspicious conduct, including identifying unusual wagering activity and reporting such activity to an independent integrity monitoring provider;

d. Ensuring regulatory compliance;

e. Anti-money laundering compliance standards;

f. Accepting wagers and issuing payouts, plus any additional controls for issuing payouts in excess of \$10,000;

g. Accepting multiple wagers from one patron in a 24-hour cycle, including a process to identify patron structuring of wagers to circumvent recording and reporting requirements;

h. All software applications that comprise the online wagering system;

i. Submitting and receiving approval of all types of wagers available to be offered by the system;

j. Accounting for all integrated third-party systems;

k. Issuance and acceptance of promotional funds and free bets for pari-mutuel wagering;

l. Identifying and preventing wagering by prohibited persons;

m. Preventing past-post wagers from being placed;

n. Paying winning wagers, in the event of a failure of the online wagering system's ability to pay winning wagers;

o. Filing an incident report with the commission for each online wagering system failure and documenting the date, time, and reason for the failure along with the date and time the system is restored; and

p. Any other information which may be required by the commission.

Source: 32 SDR 32, effective August 30, 2005.

General Authority: SDCL 42-7-56(15)(16).

Law Implemented: SDCL 42-7-56(15)(16), 42-7-58.1, 42-7-58.7.

20:04:33:81 Patron protection information.

A multi-jurisdictional totalizator hub licensee shall provide patron protection information to individuals and patrons on demand. The patron protection information must include:

- (1) Information about potential risks associated with excessive wagering, and contract information for an organization based in South Dakota or the United States, approved by the commission, 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 18 to place a pari-mutuel wager has committed a criminal offense and must be prohibited from pari-mutuel wagering;
- (3) A list of the available patron protection measures that can be invoked by the patron, such as self-exclusion and information on how to invoke those measures;
- (4) For wagering accounts, mechanisms in place for patrons to detect unauthorized use;
- (5) Information on how disputes can be filed with the licensee, multi-jurisdiction hub or online wagering platform. and
- (6) The method for filing with the commission an unresolved dispute after all reasonable means to resolve the dispute with the licensee, multi-jurisdiction hub or online waging platform.

General Authority: SDCL 42-7-56(13)(15)(16).

Law Implemented: SDCL 42-7-56(13)(15)(16), 42-7-58.1.

20:04:33:82 Internal controls -- Third party involvement. To the extent a third party is involved in or provides any of the internal controls required in these rules, the multi-jurisdictional totalizator hub licensee controls 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.

General Authority: SDCL 42-7-56(13)(15)(16).

Law Implemented: SDCL 42-7-56(13)(15)(16), 42-7-58.1.

20:04:33:83. Wagering rules. A multi-jurisdictional totalizator hub licensee shall adopt comprehensive wagering rules, that must be approved by the commission to be effective.

The wagering rules, together with any other information the commission considers appropriate, must be conspicuously displayed on the multi-jurisdictional totalizator hub licensee'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.

The wagering rules must address the following items regarding pari-mutuel bets:

- (1) Types of bets accepted;
- (2) Minimum and maximum bets;
- (3) Description of the process for handling incorrectly posted events, odds, pari-mutuel bets, or results;
- (4) Method for calculation and payment of winning pari-mutuel bets;
- (5) Effect of schedule changes;
- (6) Method of notifying patrons of odds or proposition changes;
- (7) Acceptance of pari-mutuel bets at other than posted terms;
- (8) Procedures related to pending, winning pari-mutuel bets;
- (9) Method of contacting the licensee for questions and disputes;
- (11) Methods of funding a wager;
- (12) A policy that the licensee can cancel pari-mutuel bets for obvious errors pursuant to the licensee's internal controls, that must include a definition and procedures for obvious errors;
- (13) Rules and procedures for communicating with patrons;
- (14) What is to occur when a race or any component of a race on which pari-mutuel bets are accepted is canceled; and

(15) Any other wagering rule-related information the commission determines necessary.
Amendments to the wagering rules must be approved by the commission to be effective.
Failure by a licensee to act in accordance with the wagering rules may result in disciplinary
action.

General Authority: SDCL 42-7-56(13)(15)(16).

Law Implemented: SDCL 42-7-56(13)(15)(16), 42-7-58.1.

20:04:33:84. Setting -- Display of available wagers. Available wagers must be displayed to the patrons. The display must include the odds and a brief description of the event and wagering proposition.

General Authority: SDCL 42-7-56(13)(15)(16).

Law Implemented: SDCL 42-7-56(13)(15)(16), 42-7-58.1.

20:04:33:85 Allowable bets. Pari-mutuel bets may only be made by patrons using the following:

- _____ (a) Cash or vouchers;
- _____ (b) Cash equivalent;
- _____ (c) Bonus or promotional credit;
- _____ (d) Winning tickets or credit from prior races
- _____ (e) Funds within a wagering account; and
- _____ (f) Any other means approved by the commission.

General Authority: SDCL 42-7-56(13)(15)(16).

Law Implemented: SDCL 42-7-56(13)(15)(16), 42-7-58.1.

20:04:33:86 Refusing bets. A multi-jurisdictional totalizator hub licensee may refuse any pari-mutuel bet at any time for what the licensee considers good and sufficient reason. Such action must be logged and made available to the commission upon request.

A licensee may not accept a pari-mutuel bet on a race not posted.

General Authority: SDCL 42-7-56(13)(15)(16).

Law Implemented: SDCL 42-7-56(13)(15)(16), 42-7-58.1.

20:04:33:87 Prohibited persons. A multi-jurisdictional totalizator hub licensee shall make reasonable efforts to prevent a prohibited person from placing a pari-mutuel bet. If a licensee detects or is notified of an individual suspected of being a prohibited person who had engaged or is engaging in prohibited wagering, the licensee shall use reasonable measures to verify whether the individual is prohibited or not. If the licensee 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 section.

General Authority: SDCL 42-7-56(13)(15)(16).

Law Implemented: SDCL 42-7-56(13)(15)(16), 42-7-58.1.

20:04:33:88. Bonus or promotional wagering. A multi-jurisdictional totalizator hub licensee may conduct pari-mutuel wagering, bonus or promotional offers subject to the following:

(1) A licensee shall maintain a record of the following information for all bonus or promotional offers related to pari-mutuel wagering:

- (A) The 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:

- (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 online pari-mutuel wagering services provider shall provide a clear and conspicuous method for a patron to cancel the patron's 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;

(4) Upon request for cancellation, the licensee or online pari-mutuel 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;

(5) 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 the bonus or promotional offer; and

(6) Once a patron has met the terms of a bonus or promotional offer, a licensee may not limit winnings earned by the patron while participating in the offer.

General Authority: SDCL 42-7-56(13)(15)(16).

Law Implemented: SDCL 42-7-56(13)(15)(16), 42-7-58.1.

20:04:33:89. Taxation requirements. Each multi-jurisdictional totalizator hub licensee shall, at all times, comply with Internal Revenue Service (IRS) requirements for reporting and withholding proceeds from pari-mutuel 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 paid out to the patron. Upon written request, the licensee shall provide patrons with summarized tax information on pari-mutuel wagering activities.

General Authority: SDCL 42-7-56(13)(15)(16).

Law Implemented: SDCL 42-7-56(13)(15)(16), 42-7-58.1.

20:04:33:90. Bank secrecy act compliance. A multi-jurisdictional totalizator hub licensee shall comply with all applicable provisions of the Bank Secrecy Act of 1970, 31 U.S.C. §§ 5311 to 5332.

A multi-jurisdictional totalizator hub licensee must, with regard to its online 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 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 and applicable regulations.

A multi-jurisdictional totalizator hub licensee shall provide a written notice to the commission as soon as the licensee becomes aware of a compliance review that is conducted by the Internal Revenue Service under the Bank Secrecy Act of 1970 and involves or impacts the licensee. The licensee shall provide a copy of the compliance review report or the equivalent to the commission within ten days after receipt of the report by the licensee.

General Authority: SDCL 42-7-56(13)(15)(16).

Law Implemented: SDCL 42-7-56(13)(15)(16), 42-7-58.1.

20:04:33:91. Commission access to information. A multi-jurisdictional totalizator hub

Licensee shall detail the controls that are in place to ensure that all information the commission requires to be maintained under ARSD 20:04:33 or this chapter is appropriately segregated and controlled to prevent unauthorized access. Licensees must provide the commission with access to all such information and the equipment and facilities on which or within which the information is maintained in a manner approved by the commission pursuant to internal control procedures. All information necessary for the commission to conduct any investigation must be provided to the commission immediately upon request.

General Authority: SDCL 42-7-56(13)(15)(16).

Law Implemented: SDCL 42-7-56(13)(15)(16), 42-7-58.1.

20:04:33:92. Anti-money laundering monitoring. The multi-jurisdictional totalizator hub licensee shall develop and implement anti-money laundering procedures and policies that adequately address the risks posed by online wagering for the potential of money laundering and terrorist financing. Additional requirements for anti-money laundering procedures and policies may be specified by the commission through internal control procedures.

General Authority: SDCL 42-7-56(13)(15)(16).

Law Implemented: SDCL 42-7-56(13)(15)(16), 42-7-58.1.

20:04:33:93. Reports of online pari-mutuel wagering operations. The multi-jurisdictional totalizator hub licensee shall prepare reports supporting wagering revenue, wagering liability, winnings, and any other reports required by the internal controls. Additional reporting requirements may be specified by the internal controls. Any information provided under this section is confidential and proprietary and is exempt from disclosure.

General Authority: SDCL 42-7-56(13)(15)(16).

Law Implemented: SDCL 42-7-56(13)(15)(16), 42-7-58.1.

20:04:33:94. Retention of records. Unless otherwise expressed, all records required by this chapter must be maintained for three years.

General Authority: SDCL 42-7-56(13)(15)(16).

Law Implemented: SDCL 42-7-56(13)(15)(16), 42-7-58.1.

20:04:33:95. Internal control procedures audit. A multi-jurisdictional totalizator hub licensee shall have 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 requirement includes internal control procedures conducted by a third party online pari-mutuel wagering services provider on behalf of the licensee. The following apply to independent audits:

(1) Independent audits may be conducted by the commission, or a commission approved third-party auditor.

(2) The commission, or third-party auditor shall be responsible for auditing the licensee's compliance with ARSD 20:04:33, including those adopted in appendix A of GLI-33, the internal control system, and any other applicable rules and regulations;

(3) Documentation, including checklist, programs, reports, corrective actions, and other items, must be prepared to evidence all independent audit work performed as it relates to the requirements of this section, including all instances of noncompliance;

(4) Independent audit reports must include objectives, procedures and scope, findings and conclusions, and recommendations;

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

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

(7) Where approved by the commission, a licensee may leverage the results of prior audits conducted within the two-year period by the same third-party auditor in another online pari-mutuel wagering jurisdiction. Such leveraging must be noted in the audit report. This leveraging does not include any internal control procedures unique to the state, which require new audits.

General Authority: SDCL 42-7-56(13)(15)(16).

Law Implemented: SDCL 42-7-56(13)(15)(16), 42-7-58.1.

Reference: GLI-33 Standards for Event Wagering Systems, v1.1, May 14, 2019, Gaming Laboratories International, LLC. 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.

20:04:33:96. Annual financial audit. A financial audit of the wagering operations of the multi-jurisdictional totalizator hub licensee shall be conducted by duly licensed certified public accountant and provided to the commission each year within 120 days of the licensee's fiscal year that meets the following requirements:

(1) Inclusion of an audited balance sheet and audited profits-and-losses statement and breakdown of expenditures and subsidiaries of advance deposit pari-mutuel 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 breakdown of online pari-mutuel wagering activities by each South Dakota licensee.

General Authority: SDCL 42-7-56(13)(15)(16).

Law Implemented: SDCL 42-7-56(13)(15)(16).

20:04:33:97. Self-exclusion plan. A multi-jurisdictional totalizator hub licensee conducting wagering on pari-mutuel events 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. This plan must be submitted to the executive secretary for review and approval. The plan must include monthly reporting of voluntarily excluded persons.

General Authority: SDCL 42-7-56(13)(15)(16).

Law Implemented: SDCL 42-7-56(13)(15)(16).

20:04:33:98. Online wagering system. A multi-jurisdictional totalizator hub licensee shall use an online pari-mutuel wagering system to offer, conduct, or operate pari-mutuel wagering in accordance with applicable laws and this chapter. Only a multi-jurisdictional totalizator hub licensee may process, accept, offer, or solicit pari-mutuel bets.

General Authority: SDCL 42-7-56(13)(15)(16).

Law Implemented: SDCL 42-7-56(13)(15)(16).

20:04:33:99. Licensee's duty to report criminal or disciplinary proceeding--Commission may share information.

A multi-jurisdictional totalizator hub licensee shall promptly report to the commission any criminal or disciplinary proceeding commenced against the licensee or any of its employees, where applicable, relating to online pari-mutuel wagering.

The commission may report any information received pursuant to this section to a governing body if sharing the information will not interfere with an ongoing criminal investigation.

General Authority: SDCL 42-7-56(13)(15)(16).

Law Implemented: SDCL 42-7-56(13)(15)(16).

20:04:33:100. Certain persons prohibited from betting.

A multi-jurisdictional totalizator hub licensee may not knowingly accept a bet on an event taking place from any of the following persons:

- (1) Any person who is participating in the pari-mutuel event or who is a member of any group participating in or overseeing the pari-mutuel event on which the bet is placed;
- (2) Any person who holds a position of authority or influence sufficient to exert influence over the outcome of the pari-mutuel race/event on which the bet is placed, including a manager, a trainer, a jockey, a steward, or any event official;
- (3) An owner, officer, director, or employee of a multi-jurisdictional hub license
- (4) An agent or proxy for any person for the purposes of placing or redeeming the bet; or
- (5) Any person who uses false identification when placing or redeeming a bet.

General Authority: SDCL 42-7-56(13)(15)(16).

Law Implemented: SDCL 42-7-56(13)(15)(16).

20:04:33:101. Location detection requirements. All wagers placed through an advance deposit online wagering account must be initiated and received or otherwise made by an account holder located in the permitted boundaries of the state of South Dakota, pursuant to SDCL 42-7B-79.

A multi-jurisdictional totalizator hub licensee using an online pari-mutuel wagering system shall use 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. An account holder outside the permitted boundary shall be rejected, and the account holder shall be notified. The commission shall approve technical specifications and requirements related to location detection.

General Authority: SDCL 42-7-56(13)(15)(16).

Law Implemented: SDCL 42-7-56(13)(15)(16).

20:04:33:102. Location of wager. Each wager made through a licensed multi-jurisdictional totalizator hub pursuant to this chapter and SDCL 42-7 by an account holder physically present in the State of South Dakota is deemed to be made within the State of South Dakota.

General Authority: SDCL 42-7-56(13)(15)(16).

Law Implemented: SDCL 42-7-56(13)(15)(16).

20:04:33:103. System errors. The hub key employee or manager shall determine the cause of an error in the totalizer operation or the independent monitoring system and make the necessary repairs or adjustments. Notification of any discrepancy or error identified pursuant to this section shall be made to the executive secretary no later than 24 hours after each occurrence.

General Authority: SDCL 42-7-56(13)(15)(16).

Law Implemented: SDCL 42-7-56(13)(15)(16).

20:04:33:104. Bond. At the time of final approval of the applicant's system and multi-jurisdictional totalizator hub license, shall give to the commission a bond in an amount and form set by the commission, that guarantees all payments to the commission, payments for winning tickets, and the payment of account balances of account holders who are residents of the State of South Dakota not to exceed \$10,000 per account. The bond must be made payable to the South Dakota Commission on Gaming.

General Authority: SDCL 42-7-56(13)(15)(16).

Law Implemented: SDCL 42-7-56(13)(15)(16).

20:04:33:105. Confidentiality. The following information is considered confidential and is not subject to public disclosure except pursuant to a court order:

(1) Tax statements and information received by the commission during the licensing process or otherwise received at the request of the commission or executive secretary;

(2) The account information of individual account holders;

(3) Any account holder information or information submitted in the operating plan required by § 20:04:33:26 the disclosure of which may be harmful to the competitive position of the hub operation;

(4) Communications between the commission and the executive secretary relating to licensing, disciplining of licensees, or violations by licensees which are privileged, if made lawfully and in the course of and in furtherance of the business of the commission on gaming. The executive secretary, the commission, or any member of the commission may claim this privilege.

The confidentiality provisions do not apply to requests for such information or records made by the governor; attorney general; the state's attorney of the county in which the hub is located; officers, employees, or legal representatives of the Department of Revenue and Regulation for the purpose of and only to the extent necessary in the investigation and audit procedures authorized by Title 10; law enforcement officers of any other municipality, county, or state or federal agency or department for a law enforcement activity if the head of that agency or department requesting such information makes a written request to the executive secretary specifying the particular information requested and specifying the law enforcement activity for which the information is sought; the confidentiality provisions do not apply to the use of such information or records by the executive secretary or commission for official purposes.

This section may not be construed to make confidential the aggregate tax collections during any reporting period, the names and business of any license, figures showing the aggregate amount of money wagered during any reporting period, or requests by host tracks for information which the hub licensee is required by contract to provide to the host tracks.

General Authority: SDCL 42-7-56(13)(15)(16).

Law Implemented: SDCL 42-7-56(13)(15)(16).

20:04:33:106. Manner of wagers approved by commission. Account wagers may only be accepted during times when the wagering pools of the host track are open for such wagers.

General Authority: SDCL 42-7-56(13)(15)(16).

Law Implemented: SDCL 42-7-56(13)(15)(16).

CHAPTER 20:04:34

INTEGRITY AND PENETRATION TESTING

Section

- 20:04:34:01. Integrity monitoring -- Suspicious behavior.
- 20:04:34:02. Integrity monitoring -- Suspension of wagering.
- 20:04:34:03. Integrity monitoring -- Evaluation.
- 20:04:34:04. Integrity monitoring -- Maintaining records.
- 20:04:34:05. Integrity monitoring -- Sharing of information.
- 20:04:34:06. Integrity monitoring -- Registration of independent integrity provider.
- 20:04:34:07. Integrity monitoring -- Personnel and notification.
- 20:04:34:08. Technical Standards.
- 20:04:34:09. Integrity and security assessment.
- 20:04:34:10. Certification testing.
- 20:04:34:11. Integrity and security assessment -- Scope.
- 20:04:34:12. Integrity and security assessment -- Report.
- 20:04:34:13. Information security management system (ISMS).

General Authority: SDCL 42-7-56(13)(15)(16)(17).

Law Implemented: SDCL 42-7-56(13)(15)(16)(17).

20:04:34:01. Integrity monitoring -- Suspicious behavior. A multi-jurisdictional totalizator hub licensee shall have internal controls in place to identify and report unusual wagering activity to the commission.

General Authority: SDCL 42-7-56(13)(15)(16)(17).

Law Implemented: SDCL 42-7-56(13)(15)(16)(17).

20:04:34:02. Integrity monitoring -- Suspension of wagering. A multi-jurisdictional totalizator hub licensee 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 bets related to the report after receiving approval from the commission.

General Authority: SDCL 42-7-56(13)(15)(16)(17).

Law Implemented: SDCL 42-7-56(13)(15)(16)(17).

20:04:34:03. Integrity monitoring -- Evaluation. The commission may require a multi-jurisdictional totalizator hub licensee to provide any hardware or software necessary to the commission or to an independent gaming laboratory approved by the commission for evaluation of its online wagering offering or to conduct further monitoring of data provided by its online wagering system.

General Authority: SDCL 42-7-56(13)(15)(16)(17).

Law Implemented: SDCL 42-7-56(13)(15)(16)(17).

20:04:34:04. Integrity monitoring -- Maintaining records. A multi-jurisdictional totalizator hub licensee shall maintain records of all event integrity monitoring services and activities for a minimum of three years and must provide such records to the commission on request.

General Authority: SDCL 42-7-56(13)(15)(16)(17).

Law Implemented: SDCL 42-7-56(13)(15)(16)(17).

20:04:34:05. Integrity monitoring -- Sharing of information. If the commission receives information regarding the integrity of a race on which bets are made, the commission may, to the extent allowed in SDCL chapter 42-7 and this chapter, share such information with a licensee, independent integrity monitoring provider, governing body, law enforcement entity, regulatory agency, or other person the commission considers appropriate.

General Authority: SDCL 42-7-56(13)(15)(16)(17).

Law Implemented: SDCL 42-7-56(13)(15)(16)(17).

20:04:34:06. Integrity monitoring -- Registration of independent integrity provider. A multi-jurisdictional totalizator hub licensee may contract with an independent integrity monitoring provider to assist with the identification and reporting. An independent integrity monitoring provider shall register as a vendor with the commission before providing event integrity monitoring services to a licensee or online pari-mutuel wagering services provider under SDCL chapter 42-7B and this chapter.

General Authority: SDCL 42-7-56(13)(15)(16)(17).

Law Implemented: SDCL 42-7-56(13)(15)(16)(17).

20:04:34:07. Integrity monitoring -- Personnel and notification. A multi-

jurisdictional totalizator hub licensee must employ or retain person responsible for ensuring the operation and integrity of online wagering and reviewing all reports of suspicious behavior.

Unless otherwise directed by the commission, a licensee must promptly notify the commission upon detecting or becoming aware of any of the following:

(1) Any person participating in 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;

(2) Any person who is reasonably suspected of misrepresenting their identity or using false identification to establish or attempt to establish a wagering account;

(3) Suspected criminal activity related to any aspect of pari-mutuel wagering;

(4) Any criminal or disciplinary proceedings commenced against the licensee or online wagering services provider in connection with its online wagering operations; or

(5) Any pari-mutuel bets that violate any applicable state or federal law.

An online wagering services provider must promptly notify any affected licensees of any issues impacting the integrity of online wagering.

General Authority: SDCL 42-7-56(13)(15)(16)(17).

Law Implemented: SDCL 42-7-56(13)(15)(16)(17).

20:04:34:08. Technical Standards. All equipment and systems integral to the conduct of advance deposit pari-mutuel wagering must meet the specifications set forth in this chapter or other technical specifications as prescribed by the commission through internal control procedures. Failure to comply with the approved specifications, internal controls, or technical specifications may result in disciplinary action by the commission. Multi-jurisdictional totalizator hub Licensees and online pari-mutuel wagering systems must comply with, and the commission adopts and incorporates by reference, the following Gaming Laboratories International, LLC (GLI) standards:

1. 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.
2. GLI Gaming Security Framework (GLI-GSF-1).
3. GLI Gaming Information Security (GIS) Controls Audit v1.1.
4. GLI Gaming Technical Security (GTS) Assessment v1.0.
5. Gaming Information Security (GIS) Landbased Audit v1.0.

General Authority: SDCL 42-7-56(13)(15)(16)(17).

Law Implemented: SDCL 42-7-56(13)(15)(16)(17).

Reference: GLI-33 Standards for Event Wagering Systems, v1.1, May 14, 2019, Gaming Laboratories International, LLC. 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.

GLI Gaming Security Framework Module 1 (GLI-GSF-1) v1.1: *Gaming Information Security (GIS) Controls Audit – Common Controls Core Security Framework*

Gaming Laboratories International, LLC. 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.

GLI-GSF-2 (GLI-GSF-2) v1.1: *Gaming Technical Security (GTS) Assessment Benchmark for Conducting a Gaming Enterprise’s GPE*

Gaming Laboratories International, LLC. 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.

GLI Gaming Security Framework Module 3 (GLI-GSF-3) v1.0: *Gaming Information Security (GIS) Controls Audit – Vendor Controls Non-Gaming Vendor Integration*

Gaming Laboratories International, LLC. 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.

GLI Gaming Security Framework Module 4 (GLI-GSF-4) v1.0: *Gaming Information Security (GIS) Controls Audit – Land-based Gaming Controls Land-Based Gaming Operations*

Operations

Gaming Laboratories International, LLC. 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.

GLI Gaming Security Framework Module 5 (GLI-GSF-5) v1.0: *Gaming Information Security (GIS) Controls Audit – Online Gaming Controls Online Gaming Operations*

Gaming Laboratories International, LLC. 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.

20:04:34:09. Certification testing. Prior to conducting online wagering, and annually thereafter, all equipment and systems integral to the conduct of online pari-mutuel wagering and advance deposit wagering 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 online wagering. The submission for evaluation must include the following:

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

(2) The licensees and online pari-mutuel wagering services provider shall submit change control processes to the executive secretary for approval. 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.

At least annually, each product operating under the certified change control processes must be fully certified to the specifications set forth in this chapter or other technical specifications as prescribed by the commission through internal control procedures and accompanied by formal certification documentation from the independent gaming laboratory.

General Authority: SDCL 42-7-56(13)(15)(16)(17).

Law Implemented: SDCL 42-7-56(13)(15)(16)(17).

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

Laboratories International, LLC. 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.

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20:04:34:10. Integrity and security assessment. System integrity and security risk assessment must be performed annually on all online pari-mutuel wagering systems by an independent information technology security professional approved by the executive secretary.

All online pari-mutuel wagering system operators must:

(a) engage an independent third-party auditor to conduct an annual audit of their information security and operational controls.

(b) The third-party auditor must possess at least one of the following credentials:

1. Certified Information Systems Auditor (CISA) Certification

2. Lead Auditor for ISO (International Organization for Standardization)

3. Certified Information Security Manager (CISM) Certification

The system integrity and security risk assessment shall be conducted no later than 90 days after commencing operations and annually thereafter.

General Authority: SDCL 42-7-56(13)(15)(16)(17).

Law Implemented: SDCL 42-7-56(13)(15)(16)(17).

20:04:34:11. Integrity and security assessment -- Scope. The scope of the online pari-mutuel wagering system integrity and security assessment is subject to the approval of the commission and must include:

(1) A vulnerability assessment of digital platforms, mobile applications, internal, external, and wireless networks with the intent of identifying vulnerabilities of all devices, the online pari-mutuel wagering systems, and applications transferring, storing, and/or processing personal identifying information or other sensitive information connected to or present on the networks;

(2) A penetration test of all digital platforms, mobile applications, and internal, external, and wireless networks to confirm devices, the wagering systems, and applications are susceptible to compromise;

(3) A review of the firewall rules to verify the operating condition of the firewall and the effectiveness of its security configuration and rule sets that must be performed on all perimeter and internal firewalls;

(4) A technical security control assessment approved by the commission and with generally accepted professional standards;

(5) An evaluation of information security services, cloud services, payment services, financial institutions, payment processors, location services, and any other services that may be offered directly by the licensee or involve the use of third parties; and

(6) At the discretion of the executive secretary, any additional assessments or specific testing criteria which may be required by internal control procedures.

General Authority: SDCL 42-7-56(13)(15)(16)(17).

Law Implemented: SDCL 42-7-56(13)(15)(16)(17).

20:04:34:12. Integrity and security assessment -- Report. The full independent information technology security professional's report on the assessment must be submitted to the executive secretary no later than 30 days after the assessment is conducted and must include:

(1) A scope of review;

(2) The name and company affiliation of the individual or individuals who conducted the assessment;

(3) The date of assessment;

(4) Findings;

(5) Recommended corrective action, if applicable; and

(6) The licensee's or online wagering services provider's response to the findings and recommended corrective action.

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 professional against standards from the International Organization for Standardization, the International Electrotechnical Commission, the National Institute of Standards and Technology, the Payment Card Industry, or equivalent. Such leveraging shall be noted in the professional's report. Components unique to the state must be given fresh assessments.

General Authority: SDCL 42-7-56(13)(15)(16)(17).

Law Implemented: SDCL 42-7-56(13)(15)(16)(17).

20:04:34:13. Information security management system (ISMS). Each multi-jurisdictional totalizator hub licensee shall implement, maintain, regularly review and revise, and comply with a comprehensive information security management system, to take reasonable steps to protect the confidentiality, integrity, and availability of personal identifying information of individuals who place a wager with the licensee. The system shall contain administrative, technical, and physical safeguards appropriate to the size, complexity, nature, and scope of the operations and the sensitivity of the personal identifying information owned, licensed, maintained, handled, or otherwise possessed by the licensee or online wagering services provider. Additional specifications may be adopted by the commission through internal control procedures.

General Authority: SDCL 42-7-56(13)(15)(16)(17).

Law Implemented: SDCL 42-7-56(13)(15)(16)(17).

CHAPTER 20:04:35

ADVANCE DEPOSIT PARI-MUTUEL WAGERING ACCOUNTS

Section

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- 20:04:35:03. Advance deposit wagering -- Associated agreements.
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- 20:04:35:05. Establishing an account.
- 20:04:35:06. Account application verification.
- 20:04:35:07. Account eligibility.
- 20:04:35:08. Licensee may close or refuse to open accounts.
- 20:04:35:09. Terms and conditions and privacy policies for accounts.
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- 20:04:35:19. Withdrawals from an account.
- 20:04:35:20. Withdrawals from one account -- Overdraws.
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- 20:04:35:22. Modification of account information.
- 20:04:35:23. Balance adjustments.
- 20:04:35:24. Responsible gaming limits.
- 20:04:35:25. A multi-jurisdictional totalizator hub licensee may suspend or close accounts.
- 20:04:35:26. Suspension and restoration of accounts.
- 20:04:35:27. Suspension of Account -- Effect.
- 20:04:35:28. Restoration of accounts.
- 20:04:35:29. Account closure.
- 20:04:35:30. Inactive accounts.
- 20:04:35:31. Deceased account holder.
- 20:04:35:32. Account security -- Account holder responsibility.
- 20:04:35:33. Account statements.
- 20:04:35:34. Account holder's principal residence address.
- 20:04:35:35. Wager information confidential -- Disciplinary action for violations.
- 20:04:35:36. Securing payment methods.
- 20:04:35:37. Advance deposit wagering--Account requirements.

20:04:35:01. Definitions. As used in this chapter:

(1) “Account” or “wagering account” means a ledger for advance deposit wagering with a specific identifiable record of deposits, wagers, and withdrawals established by an account holder and managed by an advance deposit pari-mutuel wagering licensee. The term does not include an account used solely to track promotional points, credits, or similar benefits issued to an individual which may be redeemed for merchandise or services;

(2) “Account application” means the form or forms and other required submissions received from an applicant intending to open an account;

(3) “Account holder” an individual who successfully completes an application and for whom an advance deposit wagering licensee has opened an account;

(4) “Advance deposit wagering licensee” means a totalizator hub licensee who manages wagering accounts on horse or greyhound races 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;

(5) "Confidential account information" means:

(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 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 advance deposit wagering licensee that identifies the account holder to anyone other than a representative of the commission;

(6) “Credits” mean all positive inflows of money to an account;

(7) “Debits” mean all negative outflows of money from an account;

(8) “Deposit” means a payment of money by an account holder to the account holder's account;

(9) “Geolocation process” means a process to reasonably detect the location of an account holder when the account holder is attempting to access the system and place an advance deposit wager;

(10) “Principal residence address” means the place where the individual submitting an application for an account resides at least 50 percent of the time during the calendar year;

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

(12) “Secure personal identification code” means an security compliant code chosen by an account holder as a means of verification that a wager or account transaction is authorized by the account holder;

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

(14) “Withdrawal” means a payment of money from an account to the account holder when properly requested by the account holder.

General Authority: SDCL 42-7-56(13)(15)(16)(17).

Law Implemented: SDCL 42-7-56(13)(15)(16)(17).

20:04:35:02. Authorization to conduct advance deposit wagering. A multi-jurisdictional totalizator hub licensee shall receive specific authorization from the commission to conduct advance deposit wagering prior to conducting wagering. Any entity authorized to conduct wagering under SDCL 42-7 shall comply with all applicable federal, state, local, and commission requirements to be eligible for authorization.

The licensee shall submit internal controls, approved by the executive secretary, that include:

(1) Specific procedures and technology partners to fulfill the requirements set forth in this chapter;

(2) Commercially available and demonstrable standards to confirm that an individual attempting to create a wagering account is not a prohibited person;

(3) A process to close out inactive accounts;

(4) A method for verifying location detection procedures to establish account holders' geographic locations;

(5) Detailed procedures for making adjustments to a wagering account;

(6) Providing a method for an account holder to close out an account;

(7) Detailed description how an account holder will be refunded after the closure of an account;

(8) Detailed procedures for maintaining the security of personal identifying information of account holders;

(9) Method for securely issuing, modifying, and resetting an account holder's authentication credential;

(10) 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;

(11) 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 must include:

(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

(12) Processes to ensure funds in a licensee's account are held in trust for the player in a special purpose segregated account, and that make clear the funds do not belong to the licensee and are not available to creditors other than the account holder whose funds are being held.

General Authority: SDCL 42-7-56(13)(15)(16)(17).

Law Implemented: SDCL 42-7-56(13)(15)(16)(17).

20:04:35:03. Advance deposit wagering -- Associated agreements. The commission's approval of any agreements between a licensee and its service providers does not constitute the authorization to conduct advance deposit wagering. If an online pari-mutuel wagering services provider has an agreement with more than one licensee, the online pari-mutuel wagering services provider operating advance deposit pari-mutuel wagering shall submit agreement with the licensed operator to the executive secretary that indicates the manner in which wagering accounts, activity and net receipts shall be accounted and maintained separately.

General Authority: SDCL 42-7-56(13)(15)(16)(17).

Law Implemented: SDCL 42-7-56(13)(15)(16)(17).

20:04:35:04. Account requirements. A patron must have an established advance deposit pari-mutuel wagering account in order to place wagers on horse and dog races. An account shall be established only through registration procedures pursuant to these rules. Where a single account is used for online pari-mutuel wagering and cannot be connected or associated with any other wagering, such as gaming activities or wagering on sporting events. If a patron has multiple wagering accounts, each account must be identified, recorded, accounted for, and reported separately and distinctly from pari-mutuel wagering activity.

General Authority: SDCL 42-7-56(13)(15)(16)(17).

Law Implemented: SDCL 42-7-56(13)(15)(16)(17).

20:04:35:05. Establishing an account. To establish an advance deposit pari-mutuel wagering account, an application for an account must be signed by the applicant and the license shall:

(1) Collect the applicant's personal identifying information including:

_____ (A) Full legal name;

_____ (B) Date of birth;

_____ (C) Principal residential address;

_____ (D) Social Security number, or the last four digits of the Social Security number, or an equivalent government issued identification number for a noncitizen account holder, such as a passport or taxpayer identification number; and

_____ (E) Government issued identification credential or other information required by the executive secretary used to verify his or her identity and to prove the account holder is at least 18 years of age.

_____ (2) Deny the applicant the ability to register for an account if they submit a birth date that indicates that they are under the age of 18;

_____ (3) Indicate the required information on the account application and the consequences of not providing the application;

_____ (4) Require the applicant to agree to the licensee's terms and conditions and privacy policies;

_____ (5) Obtain the applicant's acknowledgment that the applicant is prohibited from allowing any unauthorized person to access their account;

_____ (6) Obtain the applicant's consent to the monitoring and recording of the use the applicant's account by the licensee and the commission; and

_____ (7) Obtain the applicant's assurance that the information on the application is accurate.

General Authority: SDCL 42-7-56(13)(15)(16)(17).

Law Implemented: SDCL 42-7-56(13)(15)(16)(17).

20:04:35:06. Account application verification. Each advance deposit pari-mutuel wagering account application submitted is subject to electronic verification of the information submitted pursuant to § 20:04:35:05, by either a national, independent, individual reference service company approved by the commission, or other technology approved by the commission that meets or exceeds the reliability, security, accuracy, privacy, and timeliness of the 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 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 must be contacted by the advance deposit pari-mutuel wagering licensee and given instructions on how to resolve the matter.

General Authority: SDCL 42-7-56(13)(15)(16)(17).

Law Implemented: SDCL 42-7-56(13)(15)(16)(17).

20:04:35:07. Account eligibility. Only an individual who is 18 years of age or older and not a prohibited person may create an account, deposit funds, or participate in advance deposit wagering. The licensee shall deny the ability to create an account, deposit funds, or participate in advance deposit wagering to any individual who is under 18 years of age or is a prohibited person.

General Authority: SDCL 42-7-56(13)(15)(16)(17).

Law Implemented: SDCL 42-7-56(13)(15)(16)(17).

20:04:35:08. Licensee may close or refuse to open accounts. The multi-jurisdictional totalizator hub licensee may close or refuse to open a wagering account for what the licensee considers good and sufficient reason. The shall order an account closed if information used to open the account was false or misleading or if the account has been used in violation of the provisions of this chapter or any state or federal law. The licensee shall inform the commission of having refused or closed an account within seven calendar days of the action.

General Authority: SDCL 42-7-56(13)(15)(16)(17).

Law Implemented: SDCL 42-7-56(13)(15)(16)(17).

20:04:35:09. Terms and conditions and privacy policies for accounts. All terms and conditions and privacy policies for online pari-mutuel wagering accounts must be included in the internal controls of the multi-jurisdictional totalizator hub licensee and be readily accessible to the account holder before and after registration and noticed when materially updated.

Terms and conditions and privacy policies for accounts must address all aspects of the advance deposit wagering operation, including:

- (1) That no underage individuals are permitted to participate in wagering;
- (2) Specifications advising account holders to keep their authentication credentials secure;
- (3) Processes for dealing with lost authentication credentials, forced password changes, and password strength;
- (4) Conditions under which an account is declared inactive and the actions undertaken on the account once this declaration is made;
- (5) Actions that will be taken on the account holder's pending wagers placed prior to any exclusion or suspension, the return of all wagers, or settling all wagers, as appropriate;
- (6) Information about timeframes and limits regarding deposits to or withdrawals from the account;
- (7) That the advance deposit wagering licensee has the right to:
 - (A) Refuse to establish an account for what it deems good and sufficient reason;
 - (B) Refuse deposits to or withdrawals from accounts for what it deems good and sufficient reason; and
 - (C) 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;

- (8) The licensee's personal identifying information protection policy including:
- (A) The information required to be collected;
 - (B) The purpose and legal basis for collection;
 - (C) The period in which the information is stored, or, if no period can be possibly set, the criteria used to set this;
 - (D) The conditions allowing disclosure;
 - (E) That measures are in place to prevent the unauthorized or unnecessary disclosure;
- and
- (F) Any other privacy requirements specified by the commission through internal control procedures.

General Authority: SDCL 42-7-56(13)(15)(16)(17).

Law Implemented: SDCL 42-7-56(13)(15)(16)(17).

20:04:35:10. Account information. A multi-jurisdictional totalizator hub licensee shall maintain an electronic account holder file that includes the following for each wagering account:

- (1) Unique account ID or username, or both;
- (2) The information indicated in § 20:04:35:05 to register an account holder and create the account;
- (3) Encrypted government issued identification number, authentication credential, and personal financial information;
- (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 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 the account holder agrees 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 must be maintained separately;
- (7) Previous accounts, if any, and the reason for deactivation;
- (8) The date and method the account was registered;
- (9) The date and time the account is accessed by any person, including IP Address or gaming establishment location as applicable; and
- (10) The current status of the account.

General Authority: SDCL 42-7-56(13)(15)(16)(17).

Law Implemented: SDCL 42-7-56(13)(15)(16)(17).

20:04:35:11. Authentication credentials. The applicant for an advance deposit pari-mutuel wagering account shall supply the licensee with an authentication credential 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 may not prohibit the option for more than one method of authentication for an account holder to access their account. An account holder may change this authentication credential at any time.

Where an account holder has forgotten their authentication credentials, a multi-factor authentication process must be employed for the retrieval or reset of the account holder's forgotten authentication credentials.

General Authority: SDCL 42-7-56(13)(15)(16)(17).

Law Implemented: SDCL 42-7-56(13)(15)(16)(17).

20:04:35:12. Authentication credentials -- Reset or locked accounts. If the online pari-mutuel wagering system does not recognize the authentication credentials when entered, an explanatory message must be displayed to the account holder that prompts the account holder to try again. The error message must be the same regardless of which authentication credential is incorrect.

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

General Authority: SDCL 42-7-56(13)(15)(16)(17).

Law Implemented: SDCL 42-7-56(13)(15)(16)(17).

20:04:35:13. Account balance. Current wagering account balance information, restricted wagering credits, unrestricted funds, and transaction options must be available on demand after confirmation of account holder identity. The account balance must be presented in terms of currency to the account holder. All restricted wagering credits and unrestricted funds that have a possible expiration must be indicated separately.

General Authority: SDCL 42-7-56(13)(15)(16)(17).

Law Implemented: SDCL 42-7-56(13)(15)(16)(17).

20:04:35:14. Accounts nontransferable. No advance deposit pari-mutuel wagering account
may be transferred between individuals or other legal entities.

General Authority: SDCL 42-7-56(13)(15)(16)(17).

Law Implemented: SDCL 42-7-56(13)(15)(16)(17).

20:04:35:15. Financial transactions. A multi-jurisdictional totalizator hub licensee shall provide a fee-free method for account holders to deposit or withdraw funds from their wagering accounts. The account holder must be provided with a confirmation or denial of every financial transaction initiated that provides:

- (1) Whether the type of transaction is a deposit or withdrawal;
- (2) The transaction value; and
- (3) For denied transactions, why the transaction did not complete as initiated.

General Authority: SDCL 42-7-56(13)(15)(16)(17).

Law Implemented: SDCL 42-7-56(13)(15)(16)(17).

20:04:35:16. Licensee may refuse financial transactions. The multi-jurisdictional totalizator hub licensee may refuse financial transactions on a wagering account for what the licensee considers good and sufficient reasons, which shall be listed in the licensee's internal controls.

General Authority: SDCL 42-7-56(13)(15)(16)(17).

Law Implemented: SDCL 42-7-56(13)(15)(16)(17).

20:04:35:17. Account credits and deposits. After establishment, an advance deposit pari-mutuel wagering account may be funded using approved methods that produce a sufficient audit trail for verification of the source of the wagers.

The approved methods for funding accounts are:

- (1) Cash or voucher deposits;
- (2) Check, money order;
- (3) Charges made to an account holder's or debit card;
- (4) Bonus or promotional credit;
- (5) Electronic funds transfer from a monetary account controlled by an account holder;
- (6) Credit for winnings from wagers placed with funds in the account;
- (7) Adjustments made by the licensee with documented notification to the account holder;
- (8) Wire transfer; or
- (9) Any other means approved by the commission pursuant to internal control procedures.

For debit cards and electronic fund transfers, the account holder is liable for any charges imposed by the transmitting or receiving entity, with such charges to be deducted from the account.

Any funds deposited pursuant to this section are available for wagering use in accordance with the financial institution's policy regarding funds availability.

General Authority: SDCL 42-7-56(13)(15)(16)(17).

Law Implemented: SDCL 42-7-56(13)(15)(16)(17).

20:04:35:18. Failed electronic funds transfer transactions. Where financial transactions are conducted through electronic funds transfer, the licensee shall have security measures and controls to prevent electronic funds transfer fraud. A failed electronic funds transfer attempt is not considered fraudulent if the account holder has successfully performed a transfer on a previous occasion with no outstanding chargebacks. Otherwise, the multi-jurisdictional totalizator hub licensee must:

(1) Temporarily block the holder's account for investigation of fraud after five consecutive failed electronic funds transfer attempts within a ten minute period. If there is no evidence of fraud, the block must be vacated; and

(2) Suspend the account holder's account after five additional, consecutive failed transfer attempts within a ten minute period.

General Authority: SDCL 42-7-56(13)(15)(16)(17).

Law Implemented: SDCL 42-7-56(13)(15)(16)(17).

20:04:35:19. Withdrawals from an account. An account holder may withdraw the funds maintained in the holder's wagering account, except as otherwise provided in these rules, or any other applicable state or federal laws. For withdrawals not paid directly to an account holder, payments from an account 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. For purposes of this chapter, a request for withdrawal is considered honored if it is processed by the advance deposit wagering licensee notwithstanding a delay by a payment processor, credit card issuer, or the custodian of a financial account.

General Authority: SDCL 42-7-56(13)(15)(16)(17).

Law Implemented: SDCL 42-7-56(13)(15)(16)(17).

20:04:35:20. Withdrawals from one account -- Overdraws. An online wagering system must employ a mechanism that can detect and prevent any withdrawal activity initiated by an account holder that would result in a negative account balance of the account.

A multi-jurisdictional totalizator hub licensee may not allow an account to be overdrawn unless caused by payment processing issues outside the control of the licensee.

General Authority: SDCL 42-7-56(13)(15)(16)(17).

Law Implemented: SDCL 42-7-56(13)(15)(16)(17).

20:04:35:21. Declining to withdraw from an account. A multi-jurisdictional totalizator hub licensee must honor the account holder's request to withdraw funds within five business days after the request unless the licensee believes in good faith that the account holder engaged in fraudulent conduct or other conduct that would put the licensee in violation of South Dakota Codified Law or these rules. In such cases, the licensee shall:

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

General Authority: SDCL 42-7-56(13)(15)(16)(17).

Law Implemented: SDCL 42-7-56(13)(15)(16)(17).

20:04:35:22. Modification of account information. A multi-jurisdictional totalizator hub licensee shall allow the account holder to update authentication credentials, registration information, and the account used for financial transactions. A multi-factor authentication process must be employed for these purposes.

General Authority: SDCL 42-7-56(13)(15)(16)(17).

Law Implemented: SDCL 42-7-56(13)(15)(16)(17).

20:04:35:23. Balance adjustments. A multi-jurisdictional totalizator hub licensee must have in place security or authorization procedures to ensure that only authorized adjustments can be made to wagering accounts. The licensee shall ensure each adjustment is auditable, indicating who, what, when, the value before the adjustment, 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 licensee's internal controls. All other adjustments must have a supervisor's approval before being entered.

General Authority: SDCL 42-7-56(13)(15)(16)(17).

Law Implemented: SDCL 42-7-56(13)(15)(16)(17).

20:04:35:24. Responsible gaming limits. A multi-jurisdictional totalizator hub licensee shall allow the account holder to set:

(1) A deposit limit offered on a daily, weekly, or monthly basis that specifies the maximum amount of money an account holder may deposit into the holder's wagering account during a particular period of time; and

(2) A wager limit offered on a daily, weekly, or monthly basis that specifies 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 clearly indicated to the player. Any increase to these limits shall become effective only after the time period of the previous limit has expired and the player reaffirms the requested increase.

General Authority: SDCL 42-7-56(13)(15)(16)(17).

Law Implemented: SDCL 42-7-56(13)(15)(16)(17).

20:04:35:25. A multi-jurisdictional totalizator hub licensee may suspend or close accounts. The multi-jurisdictional totalizator hub licensee may suspend or close any wagering account at any time if, when an account is closed, the licensee, within five business days, returns to the account holder all monies then on deposit pursuant to the licensee's internal controls.

General Authority: SDCL 42-7-56(13)(15)(16)(17).

Law Implemented: SDCL 42-7-56(13)(15)(16)(17).

20:04:35:26. Suspension and restoration of accounts. The multi-jurisdictional totalizator hub licensee shall employ a mechanism that places a wagering account in a suspended mode under the following conditions:

(1) When a self-exclusion request is made by the account holder for a specified period of time not less than 72 hours, or indefinitely;

(2) When required by the commission;

(3) Upon a determination that an account holder is a prohibited person; or

(4) When initiated by a licensee with evidence that illegal activity, a negative account balance, or a violation of the terms and conditions has taken place on an account holder's account.

Each licensee shall, on a monthly basis, provide the commission with a list of suspended accounts, and the reasons why the account was suspended.

General Authority: SDCL 42-7-56(13)(15)(16)(17).

Law Implemented: SDCL 42-7-56(13)(15)(16)(17).

20:04:35:27. Suspension of Account -- Effect. Upon suspension of an advance deposit pari-mutuel wagering account, the multi-jurisdictional totalizator hub licensee shall:

- (1) Prevent the account holder from wagering;
- (2) 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;
- (3) Prevent the account holder from withdrawing funds from the holder's account unless the licensee acknowledges that the funds have cleared and that the reason or reasons for suspension would not prohibit a withdrawal;
- (4) Prevent the account holder from making changes to his or her account;
- (5) Prevent the removal of the account from the system; and
- (6) 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.

General Authority: SDCL 42-7-56(13)(15)(16)(17).

Law Implemented: SDCL 42-7-56(13)(15)(16)(17).

20:04:35:28. Restoration of accounts. A suspended account may be restored:

(1) Upon expiration of the time period established by the account holder if solely the result of a self-exclusion request;

(2) If authorized by the commission;

(3) When the account holder is no longer a prohibited person; or

(4) When the licensee has lifted the suspended status.

General Authority: SDCL 42-7-56(13)(15)(16)(17).

Law Implemented: SDCL 42-7-56(13)(15)(16)(17).

20:04:35:29. Account closure. An account holder must be provided with a conspicuous and readily accessible method to close the holder's advance deposit pari-mutuel 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 a holder must be refunded pursuant to the licensee's internal controls.

General Authority: SDCL 42-7-56(13)(15)(16)(17).

Law Implemented: SDCL 42-7-56(13)(15)(16)(17).

20:04:35:30. Inactive accounts. The multi-jurisdictional totalizator hub licensee may close any wagering account that has no activity for 24 months.

For purposes of this section, the term “activity” means making a wager, making an account deposit, or withdrawing funds.

The licensee shall:

(1) Allow access to a player's inactive account only after performing additional identity verifications;

(2) Protect inactive accounts that contain funds from unauthorized access, changes, or removal; and

(3) Deal with unclaimed funds from inactive accounts, and return any remaining funds to the player where possible.

No advance deposit wagering licensee may charge an administration fee or maintenance fee for any inactive account. The licensee shall treat inactive accounts as unclaimed property and comply with the provision of SDCL chapter 43-41.

General Authority: SDCL 42-7-56(13)(15)(16)(17).

Law Implemented: SDCL 42-7-56(13)(15)(16)(17).

20:04:35:31. Deceased account holder. In the event an account holder is deceased, funds accrued in the advance deposit pari-mutuel wagering account must 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.

General Authority: SDCL 42-7-56(13)(15)(16)(17).

Law Implemented: SDCL 42-7-56(13)(15)(16)(17).

20:04:35:32. 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 multi-jurisdictional totalizator hub licensee or its employees or agents act without good faith or fail to exercise ordinary care, the 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 shall immediately notify the multi-jurisdictional totalizator hub licensee of a breach of the account's security.

General Authority: SDCL 42-7-56(13)(15)(16)(17).

Law Implemented: SDCL 42-7-56(13)(15)(16)(17).

20:04:35:33. Account statements. Upon the request for the account holder, the multi-jurisdictional totalizator hub licensee shall provide to each account holder a statement of an individual's wagering account activity for the time period requested, not to exceed one year. Statements provided shall include sufficient information to allow account holders to reconcile the statement against their own financial records. The statement is presumed to be correct unless written notice to the contrary is received by the licensee within 30 days of the date that any statement is provided to an account holder.

General Authority: SDCL 42-7-56(13)(15)(16)(17).

Law Implemented: SDCL 42-7-56(13)(15)(16)(17).

20:04:35:34. Account holder's principal residence address. The principal residence address provided by the account holder at the time of advance deposit pari-mutuel wagering account application is the proper address for all mailings unless the account holder has provided the multi-jurisdictional totalizator hub licensee with a change of principal residence address. The mailing of checks or other correspondence under this section is at the sole risk of the account holder.

General Authority: SDCL 42-7-56(13)(15)(16)(17).

Law Implemented: SDCL 42-7-56(13)(15)(16)(17).

20:04:35:35. Wager information confidential -- Disciplinary action for violations. Any information about accounts 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 licensee may divulge any confidential information related to the placing of a wager or any confidential account information related to the operation of the licensee, except as provided by article 20:04, pursuant to a court order, state or federal law, or commission order. A violation of this section is grounds for disciplinary action.

General Authority: SDCL 42-7-56(13)(15)(16)(17).

Law Implemented: SDCL 42-7-56(13)(15)(16)(17).

20:04:35:36. Securing payment methods. Procedures must 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 multi-jurisdictional totalizator hub licensee shall:

(1) Ensure collection of sensitive information directly related to financial transactions must be limited to the information strictly needed for such transaction;

(2) Take adequate measures to protect any type of payment in the system from a fraudulent use;

(3) 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) Establish procedure for assuring a match of ownership between the payment type holder and the wagering account holder; and

(5) Generate all transactional records of wagering accounts. The data recorded must allow the licensee to trace a single financial transaction of an account holder from another transaction.

All financial transactions must be reconciled with financial institutions and payment processors daily or as otherwise specified by the commission.

Additional requirements for payment processors may be specified by the commission through internal control procedures.

General Authority: SDCL 42-7-56(13)(15)(16)(17).

Law Implemented: SDCL 42-7-56(13)(15)(16)(17).

20:04:35:37. Advance deposit wagering--Account requirements.

Each multi-jurisdictional totalizator hub licensee that is authorized to conduct advance deposit pari-mutuel wagering shall maintain an account at a state or federally chartered financial institution to hold patron deposits and payments made by the operator or route operator to the patrons for winning bets. This account shall not be used by the licensee for any other purpose and is not an asset of the licensee. This account is subject to review and audit by the commission at any time.

General Authority: SDCL 42-7-56(13)(15)(16)(17).

Law Implemented: SDCL 42-7-56(13)(15)(16)(17).