

Senate Government Operations Committee 1
Amendment No. 1 to SB0016

Roberts

Signature of Sponsor

AMEND Senate Bill No. 16

House Bill No. 1*

by deleting all language after the enacting clause and substituting instead the following:

SECTION 1. Tennessee Code Annotated is amended by adding the following new part:

4-51-301. Short title.

This part shall be known and may be cited as the "Tennessee Sports Gaming Act."

4-51-302. Part definitions.

As used in this part, unless the context otherwise requires:

(1) "Adjusted gross income" means the total of all money paid to a licensee as bets minus the total amount paid out to winning bettors over a specified period of time, which includes the cash equivalent of any merchandise or thing of value awarded as a prize;

(2) "Bettor" means a person who is:

(A) Twenty-one (21) years of age or older;

(B) Physically present in this state when placing a wager with a licensee; and

(C) Not prohibited from placing a wager under § 4-51-312;

(3) "Bond" means a bond held in escrow for the purpose of maintaining adequate reserves to account for losses suffered by a licensee and owed to bettors;

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(4) "Cheating" means improving the chances of winning or of altering the outcome by deception, interference, or manipulation of a sporting event or of any equipment, including software pertaining to or used in relation to the equipment, used for or in connection with the sporting event on which wagers are placed or are invited, including attempts and conspiracy to cheat;

(5) "Council" means the Tennessee education lottery corporation gaming advisory council;

(6) "E-sport" means any multiplayer video game played competitively for spectators, either in-person or via remote connection, in which success principally depends upon the superior knowledge, training, experience, and adroitness of the players;

(7) "Fixed-odds betting" means bets made at pre-determined odds or on the spread where the return to the bettor is unaffected by any later change in odds or the spread;

(8) "Future bet" means a wager made on the occurrence of an event in the future relating to a sporting event;

(9) "Interactive sports wagering" means placing a wager on a sporting event via the internet, a mobile device, or other telecommunications platform;

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(10) "License" means a license to accept wagers from bettors on sporting events issued under § 4-51-317;

(11) "Licensee" means a person who holds a license issued under § 4-51-317;

(12) "Live betting" means a type of wager that is placed after the sporting event being wagered on has commenced and whose odds on events occurring are adjusted in real time;

(13) "Minor" means a person who is less than twenty-one (21) years of age;

(14) "Money line" means the fixed odds in relation to a dollar amount that a team or person participating in a sporting event will win outright, regardless of the spread;

(15) "Official league data" means statistics, results, outcomes, and other data related to a sporting event obtained pursuant to an agreement with the relevant governing body of a sport or sports league, organization, or association, or an entity expressly authorized by such governing body to provide such information to licensees for purposes of live betting;

(16) "Online sports wagering platform" means the combination of hardware, software, and data networks used to manage, administer, or control sports wagering and any associated wagers accessible by any electronic means, including mobile applications and Internet websites accessed via a mobile device or computer;

(17) "Pari-mutuel betting" means a type of bet in which all wagers on a particular occurrence are pooled and winnings are paid in accordance with the size of the pool and the number of winners;

(18) "Parlay bet" means a single wager that incorporates two (2) or more individual bets for purposes of earning a higher payout if each bet incorporated within the wager wins;

(19) "Professional sports team" means a major or minor league professional baseball, football, basketball, soccer, or hockey franchise, or a professional motor sport;

(20) "Proposition bet" means a wager made regarding the occurrence or non- occurrence during a sporting event of an event that does not directly affect the final outcome of the sporting event;

(21) "Sporting event" means any professional sporting or athletic event, including motorsports and e-sports, any collegiate sporting or athletic event, or any Olympic sporting or athletic event sanctioned by a national or international organization or association. "Sporting event" does not include horse racing;

(22) "Sports governing body" means the organization, league, or association that oversees a sport and prescribes final rules and enforces codes of conduct with respect to such sport and participants therein;

(23) "Spread" means the predicted scoring differential between two (2) persons or teams engaged in a sporting event;

(24) "Supervisory employee" means a principal or employee having the authority to act on behalf of a licensee or whose judgment is being relied upon to manage and advance the business operations of a licensee;

(25) "Vendor" means a contractor, subcontractor, or independent contractor hired, or contracted with, by the corporation or a licensee for the purpose of facilitating the business of the corporation or licensee under this part. "Vendor" does not include a lottery system vendor as that term is used under part 1 of this chapter; and

(26) "Wager" or "bet" means a sum of money that is risked by a bettor on the unknown outcome of one (1) or more sporting events including, but not limited to, the form of fixed-odds betting, a future bet, live betting, a money line bet, pari-mutuel betting, parlay bet, pools, proposition bet, spread bet, or in any other form or manner as authorized by rule of the board.

4-51-303. Restrictions on and regulation of licenses.

(a) The board shall issue not more than ten (10) licenses to offer statewide interactive sports wagering.

(b) A person issued a license to offer interactive sports wagering under this part is subject to all provisions of this part relating to licensure, regulation, and civil and criminal penalties.

4-51-304. Taxes – Collection – Disposition of taxes.

(a) Notwithstanding any state law to the contrary, a licensee shall only pay a privilege tax on its adjusted gross income in accordance with this section.

(b) There is imposed upon the adjusted gross income of a licensee a privilege tax of twenty percent (20%).

(c) The tax imposed under this section must be paid monthly by a licensee based on its monthly adjusted gross income for the immediately preceding calendar

month. The tax must be paid to the corporation in accordance with rules promulgated by the corporation.

(d) For the purpose of enforcing this part and ascertaining the amount of tax due under this section, the corporation may competitively procure the services of a vendor to provide a central accounting and reporting system, to ascertain all bets wagered minus the total amount paid out to winning bettors daily, and such other information as the corporation may require. All licensees shall utilize such central accounting and reporting system.

(e)

(1) Eighty-five percent (85%) of the privilege tax collected under this section must be distributed by the corporation to the state treasurer for deposit into the lottery for education account created under § 4-51-111. Funds deposited under this subdivision (e)(1) must be accounted for separately by the corporation from funds collected by the corporation for the lottery. Section § 4-51-111 is otherwise inapplicable to taxes collected and deposited under this subdivision (e)(1).

(2) Notwithstanding § 4-51-111, fifteen percent (15%) of the privilege tax collected under this section must be distributed by the corporation quarterly to the state treasurer for deposit into the general fund, to be remitted quarterly to each local government in this state on a per capita basis, as determined by population based on the last federal census. For purposes of calculating the allocation, the population of counties excludes the population of each municipality within the boundaries of the county. Funds remitted to a local government under this subdivision (e)(2) must be allocated to the county or city

general fund, as applicable, to be used for local infrastructure projects, including, without limitation, transportation and road projects and public buildings.

4-51-305. Lottery corporation gaming advisory council – Creation – Membership –

Terms.

(a) There is created a lottery corporation gaming advisory council to assist the corporation with sports wagering activities. The council consists of five (5) members, appointed by the governor.

(b) For each initial appointment or vacancy on the council, the speakers of the senate and the house of representatives shall each nominate one (1) person for consideration to fill the seat.

(c) Prior to the appointment of a person to the council by the governor, the governor shall submit the name of the potential member to the Tennessee bureau of investigation. The bureau shall conduct a criminal records check on all such persons pursuant to § 38-6-109. The bureau may contract with any other law enforcement agency to assist in such investigation. Such potential member shall supply a set of fingerprints upon request and in the manner requested by the investigating entity.

(d) Each member appointed to the council by the governor is subject to confirmation by majority vote of both houses of the general assembly.

(e) The term of each member begins on July 1. For purposes of staggering the terms of the council, the governor shall appoint two (2) initial appointees to terms of four (4) years; two (2) initial appointees to terms of three (3) years; and one (1) initial appointee to a term of two (2) years. After the initial terms, the term of an appointed member is four (4) years.

(f) At the end of the member's term, the member shall continue to serve until a replacement is appointed by the governor.

(g)

(1) Each member of the council must:

(A) Be a citizen of the United States;

(B) Be, and remain, a resident of this state; and

(C) Possess and demonstrate honesty, integrity, and good character; and

(2) A person is not eligible for appointment to the council if the person:

(A) Holds any elective office in state government;

(B) Is an officer or official of any political party;

(C) Has a direct pecuniary interest in the sports wagering or gaming industry;

(D) Has been convicted of a felony;

(E) Has been convicted of a misdemeanor involving gambling, theft, computer-related offenses, forgery, perjury, dishonesty, or unlawfully selling or providing a product or substance to a minor;

(F) Has been convicted of any violation under this chapter; or

(G) Has been convicted of any offense in a federal court, military court, or court of another state, territory, or jurisdiction that under the laws of this state would disqualify such person pursuant to subdivisions

(g)(2)(D)-(F).

(h) In making appointments to the council, the governor and nominating authorities shall strive to ensure that the council membership reflects and represents the diversity of persons in this state and the members have experience in:

- (1) The sports wagering industry;
- (2) Accounting; and
- (3) Law enforcement.

(i) A vacancy on the council must be filled for the balance of the unexpired term in the same manner as the original appointment.

(j) Three (3) members of the council constitute a quorum for the purposes of voting and conducting the business of the council.

(k) The council shall elect a chair from among its membership. The chair shall serve in that capacity for one (1) year and is eligible for reelection. The chair shall preside at all meetings and shall have all the powers and privileges of other members.

(l) The council shall meet not less than quarterly, and may hold additional regular and special meetings at the call of the board.

(m) The members must be reimbursed for per diem and travel expenses in accordance with the comprehensive travel regulations as promulgated by the department of finance and administration and approved by the attorney general and reporter.

(n) The council shall:

- (1) Advise the board of best practices with respect to sports gaming;
- (2) Provide administrative and technical assistance to the corporation with respect to sports gaming; and

(3) Carry out any other duties of the council as prescribed by the board or this part.

4-51-306. Powers and duties of corporation and board – Adoption of rules.

(a) The corporation and board shall enforce this part and supervise compliance with laws and rules relating to the regulation and control of wagering on sporting events in this state.

(b) The board shall promulgate rules in accordance with this part. Rules of the board promulgated under this part must be adopted, amended, or repealed in the same manner as the board adopts, amends, and repeals bylaws and regulations of the board for purposes of regulating the corporation's affairs and the conduct of corporate business.

4-51-307. Removal of member.

A member of the council may be removed from the council by the governor if, in the opinion of the governor, the member has committed misfeasance or malfeasance in office or neglect of duty.

4-51-308. Reports of board.

(a) The board shall prepare and submit an annual report to the board, governor, the speaker of the senate, and the speaker of the house of representatives containing the following information:

- (1) The number of active licensees;
- (2) The aggregate gross and net revenue of all licensees; and
- (3) The financial impact on this state and local governments as the result of the sports wagering industry in this state.

(b) The report prepared under subsection (a) must be submitted not later than September 30 of each year. A report submitted under subsection (a) may be submitted electronically.

4-51-309. Requirements for escrow account, insurance, and cash-on-hand.

(a) The board shall prescribe by rule:

(1) The amount of a bond in escrow and the amount of cash that must be kept on hand to ensure that there exists adequate reserves to pay off bettors;
and

(2) Any insurance requirements for a licensee.

(b) The licensee may maintain the bond at any financial institution licensed by the department of financial institutions, and the licensee must be the beneficiary of any interest accrued thereon.

4-51-310. Financial practices, audits of licensees, and post-employment restrictions.

The board shall prescribe by rule:

(1) Minimum requirements by which each licensee must exercise effective control over its internal fiscal affairs, including, without limitation, requirements for:

(A) Safeguarding assets and revenues, including evidence of indebtedness;

(B) Maintenance of reliable records relating to accounts, transactions, profits and losses, operations, and events; and

(C) Global risk management;

(2) Requirements for internal and independent audits of licensees;

(3) The manner in which periodic financial reports must be submitted to the board from each licensee, including the financial information to be included in the reports;

(4) The type of information deemed to be confidential financial or proprietary information that is not subject to any reporting requirements under this part;

(5) Policies, procedures, and processes designed to mitigate the risk of cheating and money laundering; and

(6) Any post-employment restrictions necessary to maintain the integrity of sports wagering in this state.

4-51-311. Persons authorized to engage in sports wagering.

(a) Except for those persons ineligible to place bets under § 4-51-312, a person who is twenty-one (21) years of age or older and who is physically located in this state may place a wager in the manner authorized by law.

(b) A licensee shall ensure that all wagers accepted in this state are from qualified bettors and in accordance with this part.

4-51-312. Persons ineligible to place a bet or wager.

(a) The following persons or categories of persons shall not wager on a sporting event in this state:

(1) Any member, officer, or employee of the council, board, or corporation;

(2) Any supervisory employee of a licensee;

(3) Any contractor, subcontractor, or consultant, or officer or employee of a contractor, subcontractor, or consultant, of a licensee, if such person is directly involved in the licensee's operation of sports wagering or the processing of sports

wagering claims or payments through the licensee's online sports wagering platform;

(4) Any person subject to a contract with the board if such contract contains a provision prohibiting such person from participating in sports wagering;

(5) Any person with access to information that is known exclusively to a person who is prohibited from placing a wager in this state under this section;

(6) Any amateur athlete if the wager is based on the sport or athletic event in which the athlete participates and that is overseen by the athlete's sports governing body;

(7) Any professional athlete if the wager is based on any sport or athletic event overseen by the athlete's sports governing body; and

(8) Any owner or employee of a team, player, umpire or sports union personnel, or employee, referee, coach, or official of a sports governing body, if the wager is based on a sport or athletic event overseen by the person's sports governing body.

(b) The board may prescribe by rule additional categories of persons who are prohibited from placing a wager in this state.

(c) The corporation shall maintain a confidential registry of persons and categories of persons who are ineligible to place a wager in this state and shall provide the registry to each licensee in this state. The corporation shall provide each updated registry to the licensees as soon as practicable. Each licensee shall maintain the registry provided by the corporation confidentially.

(d) A violation of subsection (a) is:

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- (1) For a first offense, a Class C misdemeanor;
- (2) For a second offense, a Class B misdemeanor; and
- (3) For a third or subsequent offense, a Class A misdemeanor.

4-51-313. Wagers as contracts.

Notwithstanding § 29-19-101, each wager placed in accordance with this part is deemed to be an enforceable contract.

4-51-314. Wagers prohibited.

(a) The board shall, by rule, prohibit wagering on injuries, penalties, and other types or forms of wagering under this part that are contrary to public policy, unfair to consumers, or that are deemed to violate Article XI, Section 5 of the Constitution of Tennessee.

(b) A licensee, professional sports team, league, or association, or institution of higher education may submit to the council in writing a request to prohibit a type or form of wagering, or to prohibit a category of persons from wagering, if the licensee, team, league, association, or institution believes that such wagering by type, form, or category is contrary to public policy, unfair to consumers, or affects the integrity of a particular sport or the sports betting industry. Upon receiving a request, the council shall conduct a hearing on the matter at its next regularly scheduled meeting and may, after such hearing, make a recommendation to the board as to whether the board should prohibit such type or form of wager or such category of persons from wagering.

4-51-315. Integrity of sports wagering – Public interest.

(a) The board, council, licensees, and vendors shall cooperate with investigations conducted by sports governing bodies and law enforcement agencies,

including, but not limited to, providing or facilitating the provision of account-level betting information and data files relating to persons placing wagers.

(b) Licensees shall immediately report to the board any information relating to:

(1) Criminal or disciplinary proceedings commenced against the licensee in connection with its operations;

(2) Abnormal betting activity or patterns that may indicate a concern with the integrity of a sporting event;

(3) Any potential breach of a sports governing body's internal rules and codes of conduct pertaining to sports wagering;

(4) Conduct that corrupts the betting outcome of a sporting event for purposes of financial gain, including match fixing; and

(5) Suspicious or illegal wagering activities, including cheating, the use of funds derived from illegal activity, wagers to conceal or launder funds derived from illegal activity, using agents to place wagers, and using false identification.

(c) Licensees shall also immediately report information relating to conduct described in subdivisions (b)(2)-(4) to the relevant sports governing body.

(d) Licensees shall share with the board, in real time and at the account level, information regarding the bettor, amount and type of bet, the time the bet was placed, the location of the bet, including the internet protocol address if applicable, the outcome of the bet, and records of abnormal betting activity. Information shared under this subsection (d) must be submitted in the form and manner as required by rule of the board.

(e) If a sports governing body has notified the board that real-time information sharing for wagers placed on its sporting events is necessary and desirable, licensees

shall share the same information with the sports governing body or its designee with respect to wagers on its sporting events. Such information may be used by a sports governing body solely for integrity purposes.

(f) In addition to its specific rulemaking authority under this part, the board may promulgate rules it deems necessary to maintain the integrity of sports wagering in this state and to protect the public interest.

4-51-316. Official league data.

(a) A licensee shall exclusively use official league data for purposes of live betting.

(b) If a licensee can demonstrate to the board that the governing body of a sport or sports league, organization, or association or other authorized entity cannot provide a feed of official league data for live betting in accordance with commercially reasonable terms, as determined by the board, a licensee may use any data source that is not obtained:

(1) Directly or indirectly from live, authorized sporting event attendees who collect the data in violation of the terms of admittance to the event; or

(2) Through automated computer programs that compile data from the internet in violation of the terms of service of the relevant website or other internet platform.

4-51-317. Applying for licenses – Fees.

(a) An applicant for a license shall submit an application on a form, in such manner, and in accordance with such requirements as may be prescribed by rule of the board.

(b) An application for a license must include the following:

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(1) The identification of the applicant's principal owners who own five percent (5%) or more of the company, partners, members of its board of directors, and officers;

(2) A national criminal background check for each person identified under subdivision (b)(1) conducted by the Tennessee bureau of investigation or another appropriate law enforcement agency. A set of fingerprints must be supplied upon request and in the manner requested by the investigating agency;

(3) Information, documentation, and assurances as may be required to establish by clear and convincing evidence the applicant's good character, honesty, and integrity. Such information may include, without limitation, information pertaining to family, habits, character, reputation, criminal and arrest records, business activities, financial affairs, and business, professional, and personal associates, covering at least the ten-year period immediately preceding the filing of the application;

(4) Notice and a description of civil judgments obtained against the applicant pertaining to antitrust or security regulation laws of the federal government, of this state or of any other state, jurisdiction, province, or country;

(5) Letters of reference from law enforcement agencies having jurisdiction in the applicant's place of residence and principal place of business. The letters of reference must indicate that such law enforcement agencies do not have any pertinent information concerning the applicant, or if such law enforcement agency does have information pertaining to the applicant, must specify what the information is;

(6) If the applicant has conducted gaming operations in a jurisdiction which permits such activity, letters of reference from the regulatory body that regulates sports wagering that specify the standing of the applicant with the regulatory body; provided, however, that if no such letters are received within sixty (60) days of the request therefor, the applicant may submit a statement under oath that the applicant is or was, during the period such activities were conducted, in good standing with the governing body;

(7) Information, documentation, and assurances concerning financial background and resources as may be required to establish by clear and convincing evidence the financial stability, integrity, and responsibility of the applicant, including, but not limited to, bank references, business and personal income and disbursement schedules, tax returns and other reports filed with governmental agencies, and business and personal accounting and check records and ledgers. Each applicant shall, in writing, authorize the examination of all bank accounts and records as may be deemed necessary by the board. The board may consider any relevant evidence of financial stability; provided, that the applicant is presumed to be financially stable if the applicant establishes by clear and convincing evidence that it meets each of the following standards:

(A) The ability to assure the financial integrity of sports wagering operations by the maintenance of a bankroll or equivalent provisions adequate to pay winning wagers to bettors when due. An applicant is presumed to have met this standard if the applicant maintains, on a daily basis, a bankroll and equivalent provisions, in an amount which is at least equal to the average daily minimum bankroll or equivalent provisions,

calculated on a monthly basis, for the corresponding month in the previous year;

(B) The ability to meet ongoing operating expenses which are essential to the maintenance of continuous and stable sports wagering operations; and

(C) The ability to pay, as and when due, all state and federal taxes;

(8) Information, documentation, and assurances as may be required to establish by clear and convincing evidence that the applicant has sufficient business ability and gaming experience as to establish the likelihood of the creation and maintenance of a successful, efficient sports wagering operation;

(9) Information, as required by rule of the board, regarding the financial standing of the applicant, including, without limitation, each person or entity that has provided loans or financing to the applicant;

(10) A nonrefundable application fee in the amount of fifty thousand dollars (\$50,000), and an annual licensing fee in the amount of seven hundred fifty thousand dollars (\$750,000); and

(11) Any additional information required by the board by rule.

(c) Upon review of the application, the board shall approve or deny an application for a license not more than ninety (90) days after receipt of an application.

(d) A license issued by the board authorizes the licensee to offer interactive sports wagering in this state.

(e) A licensee may renew its license by submitting an application on a form, in such manner, and in accordance with such requirements as may be prescribed by rule

of the board. A licensee shall submit the nonrefundable annual license and application fees prescribed under subdivision (b)(10) with its application for the renewal of its license.

(f) For each application for licensure or renewal of a license that is approved under this section, the amount of the application fee must be credited toward the licensee's annual license fee and the licensee shall remit the balance of the annual fee to the corporation upon approval of a license. The fees collected from licensees under this section must be used by the corporation to pay the actual operating and administrative expenses incurred under this part.

(g) Except as provided in subsection (f), licensing and application fees collected by the board must be distributed to the state treasurer for deposit into the Tennessee Promise scholarship endowment fund created under § 49-4-708(d).

(h) Each person holding a license under this part has a continuing duty to immediately inform the board of any change in status relating to any information that may disqualify the person from holding the license.

4-51-318. Restrictions on licensees.

(a) A licensee shall not:

(1) Allow a minor to place a wager;

(2) Offer, accept, or extend credit to a bettor;

(3) Directly advertise or promote sports wagering to minors. The board shall adopt rules specific to the manner in which a licensee may advertise its business operations as authorized by this part;

(4) Offer or accept a wager on any event, outcome, or occurrence other than a sporting event, including, without limitation, a high school sporting event

offered, sponsored, or played in connection with a public or private institution that offers education at the secondary level; or

(5) Accept a wager from a person who is on the list of persons who are ineligible to place a wager created and maintained by the corporation under § 4-51-312(c).

(b) A violation of this section is:

(1) For a first offense, a Class B misdemeanor; and

(2) For a second or subsequent offense, a Class A misdemeanor.

4-51-319. Responsible gaming.

(a) Licensees shall allow bettors to restrict themselves from placing wagers with the licensee, including limits on the time spent betting and amounts wagered, and take reasonable steps to prevent those bettors from placing such wagers. At the request of a bettor, a licensee may share the request with the board for the sole purpose of disseminating the request to other licensees.

(b) The board shall promulgate rules that require a licensee to implement responsible gaming programs that include comprehensive training on responding to circumstances in which individuals present signs of a gambling addiction.

4-51-320. Persons prohibited from obtaining licenses.

The following persons shall not apply for or obtain a license:

(1) A member or employee of the council, board, or corporation;

(2) An employee of any professional sports team;

(3) A coach of, or player for, a collegiate or professional sports team;

(4) A person who is a member or employee of any governing body of a sports team, league, or association;

(5) A person who has been convicted of a crime as specified in rules promulgated by the board;

(6) A person having the ability to directly affect the outcome of a sporting event; and

(7) Any other category of persons, established by rule of the board, that if licensed, would affect the integrity of sports wagering in this state.

4-51-321. Transfer of licenses.

The board may adopt rules prescribing the manner in which a license may be transferred and a fee for the transfer of the license.

4-51-322. House rules – Acceptance of wagers – Payouts.

(a) Each licensee shall adopt and adhere to a written, comprehensive policy outlining the house rules governing the acceptance of wagers and payouts. The policy and rules must be approved by the board prior to the acceptance of a wager by a licensee. The policy and rules must be readily available to a bettor on the licensee's website.

(b) The board shall promulgate rules regarding:

(1) The manner in which a licensee accepts wagers from and issues payouts to bettors, including payouts in excess of ten thousand dollars (\$10,000); and

(2) Reporting requirements for suspicious wagers.

4-51-323. Inspections.

Members of the board or designated employees or agents of the corporation may, during normal business hours, enter the premises of any facility of a licensee or third party utilized by the licensee to operate and conduct business in accordance with

this part for the purpose of inspecting books and records kept as required by this part, to ensure that the licensee is in compliance with this part, or to make any other inspection of the premises necessary to protect the interests of this state and its consumers.

4-51-324. Licensee reporting requirements – Compliance hearing.

(a) Each licensee shall report to the board, no later than January 15 of each year:

(1) The total amount of wagers received from bettors for the immediately preceding calendar year;

(2) The adjusted gross income of the licensee for the immediately preceding calendar year; and

(3) Any additional information required by rule of the board deemed in the public interest or necessary to maintain the integrity of sports wagering in this state.

(b) A licensee shall immediately report to the board any information relating to:

(1) The name of any newly elected officer or director of the board of the licensed entity; and

(2) The acquisition by any person of five percent (5%) or more of any class of corporate stock.

(c) With respect to information reported under subsection (b), a licensee shall include with the report a statement as to any conflict of interest that may exist as the result of such election or acquisition.

(d) Upon receiving a report under this section or § 4-51-315(b), the board may conduct a hearing in accordance with § 4-51-326 to determine whether the licensee remains in compliance with this part.

4-51-325. Interactive sports wagering.

(a) Prior to placing a wager with a licensee via interactive sports wagering, a bettor shall register with the licensee remotely and attest that the bettor meets the requirements to place a wager with a licensee in this state. Prior to verification of a bettor's identity in accordance with this section, a licensee shall not allow the bettor to engage in sports wagering, make a deposit, or process a withdrawal via interactive sports wagering. A licensee shall implement commercially and technologically reasonable procedures to prevent access to sports wagering by minors on its interactive platforms. A licensee may use information obtained from third parties to verify that a person is authorized to open an account, place wagers, and make deposits and withdrawals.

(b) A licensee shall adopt a registration policy to ensure that all bettors utilizing interactive sports wagering are authorized to place a wager with a licensee within this state. The policy must include, without limitation, a mechanism by which to:

(1) Verify the name and age of the registrant;

(2) Verify that the registrant is not prohibited from placing a wager under

§ 4-51-312; and

(3) Obtain the following information:

(A) A physical address other than a post office box;

(B) A phone number;

(C) A unique user name; and

(D) An active email account.

(c) A licensee may require a bettor to provide the licensee with a signed and notarized document attesting that the bettor is qualified to engage in sports wagering under this part as part of the registration policy of the licensee.

(d) A bettor shall not register more than one (1) account with a licensee, and a licensee shall use all commercially and technologically reasonable means to ensure that each bettor is limited to one (1) account.

(e) A licensee shall, in addition to complying with state and federal law pertaining to the protection of the private, personal information of registered bettors, use all other commercially and technologically reasonable means to protect such information consistent with industry standards.

(f) Once a bettor account is created, a bettor may only fund the account through:

(1) Electronic bank transfer of funds, including such transfers through third parties;

(2) Debit cards;

(3) Online and mobile payment systems that support online money transfers; and

(4) Any other method approved by the rule of the board that is initiated with cash.

(g)

(1) Each financial transaction with respect to an account between a bettor and licensee must be confirmed by email, telephone, text message, or other means agreed upon by the account holder. A licensee shall use all commercially and technologically reasonable means to independently verify the identity of the bettor making a deposit or withdrawal.

(2) If a licensee determines that the information provided by a bettor to make a deposit or process a withdrawal is inaccurate or incapable of verification, or violates the policies and procedures of the licensee, the licensee shall, within ten (10) days, require the submission of additional information that can be used to verify the identity of the bettor.

(3) If such information is not provided or does not result in verification of the bettor's identity, the licensee shall:

(A) Immediately suspend the bettor's account and not allow the bettor to place wagers;

(B) Retain any winnings attributable to the bettor;

(C) Refund the balance of deposits made to the account to the source of such deposit or by issuance of a check; and

(D) Deactivate the account.

(h) A licensee shall utilize geo-location or geo-fencing technology to ensure that interactive sports wagering is only available to bettors who are physically located in this state.

(i) A licensee shall clearly and conspicuously display on the website page a statement indicating that it is illegal for a person under twenty-one (21) years of age to engage in sports wagering in this state.

(j) The board shall promulgate rules for purposes of regulating sports wagering via interactive sports wagering.

4-51-326. Violations of part – Hearings – Administrative fines.

(a) A person may file a complaint with the board alleging a violation of this part. Upon receipt of a credible complaint, the board shall conduct a hearing in accordance with rules adopted by the board.

(b) If the board determines that a licensee has violated any provision of this part or rule of the board, the board may:

(1) Suspend, revoke, or refuse to renew a license; and

(2) For any violation by a licensee, impose an administrative fine not to exceed twenty-five thousand dollars (\$25,000) per violation.

(c) Except as provided in § 4-51-327, the board shall promulgate rules establishing a schedule of administrative fines that may be assessed in accordance with subsection (b) for each violation of this part.

(d) Fines assessed under this section must be accounted for separately for use by the board in a manner consistent with rules of the board.

(e) The board may issue subpoenas to compel the attendance of witnesses and the production of relevant books, accounts, records, and documents for purposes of carrying out its duties under this part.

4-51-327. Investigations by board.

(a) The board, utilizing security personnel of the corporation, shall conduct investigations to determine whether:

(1) A licensee is accepting wagers from minors or other persons ineligible to place wagers in this state; and

(2) A person is unlawfully accepting wagers from another person without a license or at a location in violation of this part.

(b) After a proceeding under § 4-51-326, if the board finds that:

(1) A licensee is accepting wagers from minors or other persons ineligible to place wagers in this state, the board shall impose a fine against the licensee in the following amount:

- (A) For a first offense, one thousand dollars (\$1,000);
- (B) For a second offense, two thousand dollars (\$2,000); and
- (C) For a third or subsequent offense, five thousand dollars (\$5,000); and

(2) A person is unlawfully accepting wagers from another person without a license, the board shall impose a fine against the person in the following amount:

- (A) For a first offense, ten thousand dollars (\$10,000);
- (B) For a second offense, fifteen thousand dollars (\$15,000); and
- (C) For a third or subsequent offense, twenty-five thousand dollars (\$25,000).

4-51-328. Appealing final actions of the board.

(a) A licensee or other person aggrieved by a final action of the board may appeal that decision to the chancery court of Davidson County.

(b) The chancery court of Davidson County shall hear appeals from decisions of the board and, based upon the record of the proceedings before the board, may reverse the decision of the board only if the appellant proves the decision to be:

- (1) Clearly erroneous;
- (2) Arbitrary and capricious;
- (3) Procured by fraud;
- (4) A result of substantial misconduct by the board; or

(5) Contrary to the United States Constitution or the Constitution of Tennessee or this part.

(c) The chancery court may remand an appeal to the board to conduct further hearings.

4-51-329. Civil penalties.

Any licensee or other person who violates this part is liable for a civil penalty of not more than five thousand dollars (\$5,000) per violation, not to exceed fifty thousand dollars (\$50,000) for violations arising out of the same transaction or occurrence, which must accrue to the corporation and may be recovered in a civil action brought by the office of the attorney general and reporter or its designee in the name of the corporation. No costs may be taxed against the office of the attorney general and reporter or this state for actions brought under this section.

4-51-330. Liability of corporation.

The corporation is immune from all tort causes of action. Notwithstanding any other law to the contrary, the corporation shall be considered a state agency for purposes of title 9, chapter 8, parts 3 and 4; provided, that the corporation shall not be considered a state agency for purposes of contract and workers' compensation actions. Actions for workers' compensation and contract actions, as provided in this chapter, may be brought against the corporation only in the chancery court for Davidson County.

SECTION 2. Tennessee Code Annotated, Section 39-17-501(1), is amended by adding the following new subdivision (E):

(E) Lawfully accepting or placing a wager on a sporting event in accordance with the Tennessee Sports Gaming Act, compiled in title 4, chapter 51, part 3.

SECTION 3. Tennessee Code Annotated, Section 4-51-103(g), is amended by deleting the second sentence and substituting instead the following:

Notwithstanding this section, at the end of a director's term, the director shall continue to serve until a replacement is appointed by the governor.

SECTION 4. Tennessee Code Annotated, Section 4-29-242(a), is amended by inserting the following as a new subdivision:

() Lottery corporation gaming advisory council, created by § 4-51-305;

SECTION 5. If any provision of this act or its application to any person or circumstance is held invalid, then the invalidity does not affect other provisions or applications of the act that can be given effect without the invalid provision or application, and to that end the provisions of this act are severable.

SECTION 6. The headings to sections, chapters, and parts in this act are for reference purposes only and do not constitute a part of the law enacted by this act. However, the Tennessee Code Commission is requested to include the headings in any compilation or publication containing this act.

SECTION 7. This act shall take effect upon becoming a law for purposes of promulgating rules, and on July 1, 2019, for all other purposes, the public welfare requiring it.