

SENATE SUBSTITUTE FOR
HOUSE BILL NO. 6420

A bill to regulate the conduct of fantasy contests; to protect Michigan participants in fantasy contests; to require licensing of the operators of fantasy contests; to impose fees on the operators of fantasy contests; to provide for the powers and duties of certain state governmental officers and entities; to prohibit violations of this act; to prescribe civil sanctions; and to prescribe penalties.

THE PEOPLE OF THE STATE OF MICHIGAN ENACT:

1 Sec. 1. This act shall be known and may be cited as the
2 "fantasy contests consumer protection act".

3 Sec. 2. As used in this act:

4 (a) "Athletic event" means a real world professional,
5 collegiate, or nationally recognized sports game, contest, or
6 competition that involves the physical exertion and skill of the

1 participating individual athletes, as to which each participant is
2 physically present at the location in which the sports game,
3 contest, or competition occurs, and the outcome of the sports game,
4 contest, or competition is directly dependent on the performance of
5 the participating athletes.

6 (b) "Board" means the Michigan gaming control board created
7 under section 4 of the Michigan gaming control and revenue act,
8 1996 IL 1, MCL 432.204.

9 (c) "Entry fee" means a cash or cash equivalent amount that a
10 fantasy contest operator requires to be paid by a fantasy contest
11 player to participate in a fantasy contest.

12 (d) "Fantasy contest" means a simulated game or contest with
13 an entry fee that meets all of the following conditions:

14 (i) No fantasy contest team is composed of the entire roster
15 of a real world sports team.

16 (ii) No fantasy contest team is composed entirely of
17 individual athletes who are members of the same real world sports
18 team.

19 (iii) Each prize and award or the value of all prizes and
20 awards offered to winning fantasy contest players is made known to
21 the fantasy contest players in advance of the fantasy contest.

22 (iv) Each winning outcome reflects the relative knowledge and
23 skill of the fantasy contest players and are determined by the
24 aggregated statistical results of the performance of multiple
25 individual athletes selected by the fantasy contest player to form
26 the fantasy contest team, whose individual performances in the
27 fantasy contest directly correspond with the actual performance of

1 those athletes in the athletic event in which those individual
2 athletes participated.

3 (v) A winning outcome is not based on randomized or historical
4 events, or on the score, point spread, or performance in an
5 athletic event of a single real-world sports team, a single
6 athlete, or any combination of real-world sports teams.

7 (vi) The fantasy contest does not constitute or involve and is
8 not based on any of the following:

9 (A) Racing involving animals.

10 (B) A game or contest ordinarily offered by a horse track or
11 casino for money, credit, or any representative of value, including
12 any races, games, or contests involving horses or that are played
13 with cards or dice.

14 (C) A slot machine or other mechanical, electromechanical, or
15 electronic device, equipment, or machine, including computers and
16 other cashless wagering systems.

17 (D) Poker, blackjack, faro, monte, keno, bingo, fan tan,
18 twenty one, seven and a half, Klondike, craps, chuck a luck,
19 Chinese chuck a luck, Wheel of Fortune, Chemin de Fer, Baccarat,
20 Pai Gow, Beat the Banker, Panguingui, roulette, or other banking or
21 percentage games.

22 (E) Any other game or device authorized by the board under the
23 Michigan gaming control and revenue act, 1996 IL 1, MCL 432.201 to
24 432.226.

25 (vii) A fantasy contest must not be based on a high school or
26 youth sporting event or any event that is not an athletic event.

27 (viii) A fantasy contest must not be conducted in a manner

1 that involves or results in betting on a race, game, contest, or on
2 sports.

3 (e) "Fantasy contest operator" means a person that operates,
4 carries on, conducts, maintains, exposes, or offers for play
5 fantasy contests and awards prizes of value.

6 (f) "Fantasy contest platform" means any digital or online
7 method through which a fantasy contest operator provides access to
8 a fantasy contest.

9 (g) "Fantasy contest player" means an individual who
10 participates in a fantasy contest offered by a fantasy contest
11 operator.

12 (h) "Fantasy contest team" means the simulated team composed
13 of multiple individual athletes, each of whom is a member of a real
14 world sports team, that a fantasy contest player selects to compete
15 in a fantasy contest.

16 (i) "Highly experienced player" means a fantasy contest player
17 who has done at least 1 of the following:

18 (i) Entered more than 1,000 fantasy contests offered by a
19 single fantasy contest operator.

20 (ii) Won more than 3 prizes valued at \$1,000.00 each or more
21 from a single fantasy contest operator.

22 (j) "Holding company" means a corporation, firm, partnership,
23 limited partnership, limited liability company, trust, or other
24 form of business organization that is not an individual and that
25 directly or indirectly does either of the following:

26 (i) Holds an ownership interest of 5% or more, as determined
27 by the board, in a fantasy contest operator.

1 (ii) Holds voting rights with the power to vote 5% or more of
2 the outstanding voting rights of a fantasy contest operator.

3 (k) "Key employee" means an employee of a fantasy contest
4 operator who has the power to exercise significant influence over
5 decisions concerning the fantasy contest operator.

6 (l) "Licensed fantasy contest operator" means a fantasy
7 contest operator that is licensed by the board under this act.

8 (m) "Management company" means a person retained by a fantasy
9 contest operator to manage a fantasy contest platform and provide
10 general administration and other operational services.

11 (n) "Person" means an individual, partnership, corporation,
12 association, or other legal entity. Person includes a sovereign
13 tribal government and its business entities.

14 (o) "Protected information" means information related to the
15 playing of fantasy contests by fantasy contest players that is
16 obtained by a fantasy contest operator.

17 (p) "Script" means a list of commands that a fantasy-contest-
18 related computer program can execute and that is created by a
19 fantasy contest player, or by a third party for a fantasy contest
20 player, to automate processes on a fantasy contest platform.

21 Sec. 3. (1) Except as otherwise provided in this section, a
22 person shall not offer fantasy contests in this state unless the
23 person is a licensed fantasy contest operator.

24 (2) An individual may offer, solely from his or her private
25 residence, 1 or more fantasy contests, if none of the contests are
26 made available to the general public, each of the contests is
27 limited to no more than 15 total fantasy contest players, and the

1 individual collects no more than \$10,000.00 in total entry fees for
2 all fantasy contests offered in a calendar year, at least 95% of
3 which entry fees are awarded to the fantasy contest players.

4 (3) A person that met the definition of fantasy contest
5 operator in this state on May 1, 2017 may continue offering fantasy
6 contests until the fantasy contest operator is issued or denied a
7 license under this act if the person applies for a license within
8 60 days after the date the application for the license is made
9 available by the board.

10 (4) A casino licensee licensed by the board under the Michigan
11 gaming control and revenue act, 1996 IL 1, MCL 432.201 to 432.226,
12 may offer and conduct fantasy contests without applying for or
13 holding a license under this act.

14 (5) To ensure the integrity of fantasy contests, the board has
15 jurisdiction over each person involved in the conduct of a fantasy
16 contest. The board may promulgate rules related to the conduct of
17 fantasy contests, including rules setting forth penalties for
18 violations of this act or any rules promulgated under this act.

19 (6) A person seeking to be licensed as a fantasy contest
20 operator shall submit an application, with the applicable fee, to
21 the board. The applicant shall provide sufficient documentation to
22 the board to ensure that the applicant meets the requirements for
23 licensure as determined by the board, including, but not limited
24 to, documentation of all of the following:

25 (a) The name of the applicant.

26 (b) The location of the applicant's principal place of
27 business.

1 (c) The applicant's telephone number.

2 (d) The applicant's Social Security number or, if applicable,
3 the applicant's federal tax identification number.

4 (e) The name and address of each person that holds a 5% or
5 greater ownership interest in the applicant or in shares of the
6 applicant.

7 (f) The applicant's criminal record, if any, or, if the
8 applicant is a business entity, any criminal record of an
9 individual who is a director, officer, or key employee of, or who
10 has a 5% or greater ownership interest in, the applicant.

11 (g) Any ownership interest that a director, officer, key
12 employee, or individual owner of 5% or greater of the applicant
13 holds in a person that is or was a fantasy contest operator or
14 similar entity in any jurisdiction.

15 (h) An identification of any business, including, if
16 applicable, the state of incorporation or registration, in
17 which an applicant, director, officer, key employee, or individual
18 owner of 5% or greater, has an equity interest of 5% or more.

19 (i) Whether an applicant, director, officer, key employee, or
20 individual owner of 5% or greater has ever applied for or been
21 granted any license, registration, or certificate issued by a
22 licensing authority in this state or any other jurisdiction.

23 (j) Whether an applicant, director, officer, key employee, or
24 individual owner of 5% or greater has filed, or been served with, a
25 complaint or other notice filed by a public body regarding the
26 delinquency in payment of, or dispute over filings concerning, the
27 payment of any tax required under federal, state, or local law,

1 including the amount, the type of tax, the taxing agency, and the
2 time periods involved.

3 (k) A description of any physical facility operated by the
4 applicant in this state, the employees who work at the facility,
5 and the nature of the business conducted at the facility.

6 (l) Information sufficient to show, as determined by the
7 board, that the applicant can meet the requirements of procedures
8 submitted by the applicant under this act and under any rules
9 promulgated under this act.

10 (7) The board may require licensure of a holding company,
11 management company, or any other person it considers sufficiently
12 connected to the fantasy contest operator if that licensure is
13 necessary to preserve the integrity of fantasy contests and protect
14 fantasy contest players.

15 (8) A license issued under this section is valid for 1 year.
16 The board shall renew a license each year if the applicant
17 demonstrates continued eligibility for licensure under this act and
18 pays the renewal fee. Notwithstanding this subsection, the board
19 may investigate a licensee at any time the board determines it is
20 necessary to ensure that the licensee remains in compliance with
21 this act and the rules promulgated under this act.

22 (9) The initial license fee is \$50,000.00. The annual license
23 renewal fee is \$20,000.00. The board may assess investigative costs
24 if the cost of a licensure investigation exceeds the amount of the
25 license or renewal fee.

26 Sec. 4. (1) As a condition of licensure, a fantasy contest
27 operator must submit to, and receive approval from, the board

1 commercially reasonable procedures and internal controls intended
2 to accomplish all of the following:

3 (a) Prevent the fantasy contest operator, its owners,
4 directors, officers, and employees, and any relative of any of
5 these individuals living in the same household, from participating
6 in a fantasy contest other than a fantasy contest offered by the
7 fantasy contest operator for which participation is limited to the
8 persons described in this subdivision.

9 (b) Prevent the employees or agents of the fantasy contest
10 operator from sharing protected information with third parties
11 unless the protected information is otherwise made publicly
12 available.

13 (c) Prevent participants and officials in an athletic event
14 from participating in a fantasy contest that is based on the
15 athletic event.

16 (d) Establish the number of entries a single fantasy contest
17 player may enter in a single fantasy contest and take reasonable
18 steps to prevent fantasy contest players from submitting more than
19 the allowable number of entries.

20 (e) Identify each highly experienced fantasy contest player by
21 a symbol attached to the highly experienced fantasy contest
22 player's username.

23 (f) Offer some fantasy contests that are open only to players
24 other than highly experienced fantasy contest players.

25 (g) Either of the following:

26 (i) Segregate the deposits in the fantasy contest players'
27 accounts from operational money.

1 (ii) Maintain a reserve in the form of cash, cash equivalents,
2 an irrevocable letter of credit, a bond, or a combination of these,
3 the aggregate amount of which exceeds the total dollar value amount
4 of deposits in the fantasy contest players' accounts, and which
5 reserve must not be used for operational activities.

6 (h) Ensure compliance with the applicable state and federal
7 requirements to protect the privacy and online security of a
8 fantasy contest player and the fantasy contest player's account.

9 (i) Otherwise ensure the integrity of fantasy contests.

10 (2) A licensed fantasy contest operator shall comply with the
11 procedures and internal controls that are submitted to the board
12 under subsection (1) and approved by the board. A licensed fantasy
13 contest operator may make technical adjustments to its procedures
14 and internal controls if the adjustments are not material and it
15 notifies the board in advance and continues to meet or exceed the
16 standards required by this act and any rules promulgated by the
17 board.

18 (3) Procedures submitted to the board under subsection (1) are
19 confidential and privileged, are not subject to disclosure under
20 the freedom of information act, 1976 PA 442, MCL 15.231 to 15.246,
21 are not subject to subpoena, and are not subject to discovery or
22 admissible in evidence in a private civil action.

23 Sec. 5. By July 1 of each year, a licensed fantasy contest
24 operator shall contract with a certified public accountant to
25 perform an independent audit in accordance with generally accepted
26 accounting principles of the financial condition of the licensed
27 fantasy contest operator's total operations for the previous fiscal

1 year and to ensure compliance with section 4(1)(g) and for any
2 other purpose the board considers appropriate. A licensed fantasy
3 contest operator shall submit the audit results under this section
4 to the board not later than 180 days after the end of the fantasy
5 contest operator's fiscal year. The results of an audit submitted
6 to the board under this section is confidential and privileged, is
7 not subject to disclosure under the freedom of information act,
8 1976 PA 442, MCL 15.231 to 15.246, is not subject to subpoena, and
9 is not subject to discovery or admissible in evidence in a private
10 civil action.

11 Sec. 6. A fantasy contest operator shall prohibit an
12 individual who is less than 18 years of age from participating in a
13 fantasy contest.

14 Sec. 7. A licensed fantasy contest operator shall not do any
15 of the following:

16 (a) Allow the use of a script unless the script is made
17 readily available to all fantasy contest players.

18 (b) Employ false, deceptive, or misleading advertising, or
19 advertising that is not based on fact.

20 (c) Target, in advertising or promotions, either of the
21 following:

22 (i) Individuals who have restricted themselves from entering a
23 fantasy contest under the procedures established by the board.

24 (ii) Individuals who are less than 18 years of age.

25 Sec. 8. (1) A fantasy contest must not be offered on, at, or
26 from any of the following:

27 (a) A kiosk or machine physically located in a retail business

1 location, bar, restaurant, or other commercial establishment.

2 (b) A place of public accommodation.

3 (c) A facility owned, operated, or occupied by a private club,
4 association, or similar membership-based organization.

5 (2) This section does not apply to a casino licensee licensed
6 by the board under the Michigan gaming control and revenue act,
7 1996 IL 1, 432.201 to 432.226.

8 Sec. 9. (1) A licensed fantasy contest operator shall make
9 available on the licensed fantasy contest operator's website
10 information about resources relating to compulsive gaming behavior
11 including a telephone number or link to information on compulsive
12 gaming behavior and where to seek assistance for compulsive gaming
13 behavior.

14 (2) A licensed fantasy contest operator shall make available,
15 by website, telephone, or online chat, a means to allow an
16 individual to irrevocably restrict the individual's ability to
17 enter a fantasy contest and to select the length of time the
18 restriction will be in effect.

19 (3) A licensed fantasy contest operator shall offer a fantasy
20 contest player access to the fantasy contest player's playing
21 history, including a summary of entry fees expended, games played,
22 previous lineups, and prizes awarded.

23 Sec. 10. The board shall promulgate rules to implement this
24 act under the administrative procedures act of 1969, 1969 PA 306,
25 MCL 24.201 to 24.328, including, but not limited to, rules that
26 address all of the following:

27 (a) Requiring a fantasy contest operator to implement

1 commercially reasonable procedures to prohibit access to both of
2 the following:

3 (i) Individuals who request to restrict themselves from
4 playing fantasy contests.

5 (ii) Individuals who are less than 18 years of age.

6 (b) Prescribing requirements related to beginning players and
7 highly experienced players.

8 (c) Suspending the account of a fantasy contest player who
9 violates this act or a rule promulgated under this act.

10 (d) Providing a fantasy contest player with access to
11 information on playing responsibly and how to ask for assistance
12 for compulsive gaming behavior.

13 (e) Requiring an applicant for a fantasy contest operator
14 license to designate at least 1 key employee as a condition for
15 obtaining a license.

16 (f) Any other rule the board determines is necessary to ensure
17 the integrity of fantasy contests.

18 Sec. 11. (1) A licensed fantasy contest operator shall retain
19 and maintain in a place secure from theft, loss, or destruction all
20 of the records required to be maintained under this act and the
21 rules promulgated under this act for at least 3 years after the
22 date of the record's creation.

23 (2) A licensed fantasy contest operator shall organize all
24 records under subsection (1) in a manner that enables the licensed
25 fantasy contest operator to provide the board with the records.

26 (3) Information obtained under this section is confidential
27 and privileged, is not subject to disclosure under the freedom of

1 information act, 1976 PA 442, MCL 15.231 to 15.246, is not subject
2 to subpoena, and is not subject to discovery or admissible as
3 evidence in a private civil action.

4 Sec. 12. (1) The board may suspend, revoke, or restrict the
5 license of a fantasy contest operator that violates this act, a
6 rule promulgated under this act, or an order of the board.

7 (2) The board may impose a civil fine of not more than
8 \$20,000.00 for a violation of this act, a rule promulgated under
9 this act, or an order of the board.

10 (3) A fine imposed under this section is payable to this state
11 and may be recovered in a civil action brought by the board.

12 Sec. 13. (1) A person shall not do any of the following:

13 (a) Except as otherwise provided in section 4, offer a fantasy
14 contest in this state unless the person is licensed by the board.

15 (b) Knowingly make a false statement on an application for a
16 license to be issued under this act.

17 (c) Knowingly provide false testimony to the board or any
18 authorized representative of the board while under oath.

19 (2) The board shall not issue a license under this act to a
20 person that violates subsection (1).

21 (3) A person that violates subsection (1)(a) is guilty of a
22 crime as follows:

23 (a) For the first or second violation, the person is guilty of
24 a misdemeanor punishable by imprisonment for not more than 1 year
25 or a fine of not more than \$10,000.00, or both.

26 (b) For a third or subsequent violation, the person is guilty
27 of a felony punishable by imprisonment for not more than 5 years or

1 a fine of not more than \$50,000.00, or both.

2 (4) The board may issue a cease and desist order and obtain
3 injunctive relief against a person that violates this act.

4 Sec. 14. A fantasy contest conducted under this act does not
5 violate the Michigan penal code, 1931 PA 328, MCL 750.1 to 750.568.
6 This act does not create an exemption to a violation of chapter
7 XLIV of the Michigan penal code, 1931 PA 328, MCL 750.301 to
8 750.315a.

9 Enacting section 1. This act takes effect 90 days after the
10 date it is enacted into law.