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Recommendations on the future of horse racing in New Jersey / Governor's Advisory Commission on Gaming, Sports and Entertainment.
by New Jersey. Governor's Gaming, Sports and Entertainment Advisory Commission.

LAW/KR

P.L.2011, CHAPTER 15, *approved January 28, 2011*
Assembly, No. 2926 (*Second Reprint*)

1 AN ACT concerning the placement of wagers on the results of horse
2 races ¹, amending P.L.2002, c.89,¹ and supplementing chapter 5
3 of Title 5 of the Revised Statutes.

4
5 **BE IT ENACTED** *by the Senate and General Assembly of the State*
6 *of New Jersey:*

7
8 1. This act shall be known and may be cited as the “Exchange
9 Wagering Act.”

10
11 2. The Legislature finds and declares that:

12 a. The horse racing industry is economically important to this
13 State, and the general welfare of the people of the State will be
14 promoted by the advancement of horse racing and related projects
15 and facilities in the State.

16 b. It is the intent of the Legislature, by authorizing exchange
17 wagering in this State, to promote the economic future of the horse
18 racing industry in this State, to foster the potential for increased
19 commerce, employment and recreational opportunities in this State
20 and to preserve the State's open spaces.

21 c. It is the further intent of the Legislature that exchange
22 wagers may be taken in person, by direct telephone call, or by
23 communication through other electronic media from residents of
24 this State on horse races conducted within and outside of this State
25 and may be matched and pooled on an exchange.

26 d. The Legislature has determined that the New Jersey Racing
27 Commission is best suited to oversee, license and regulate exchange
28 wagering in the State.

29
30 3. As used in this act:

31 "Authority" means the New Jersey Sports and Exposition
32 Authority created by section 4 of P.L.1971, c.137 (C.5:10-4).

33 “Back” means to wager on a selected outcome occurring in a
34 given market.

35 "Commission" means the New Jersey Racing Commission
36 created by section 1 of P.L.1940, c.17 (C.5:5-22).

37 “Corrective wager” means an exchange wager placed by the
38 exchange wagering licensee in a given market, under circumstances

EXPLANATION – Matter enclosed in bold-faced brackets [thus] in the above bill is
not enacted and is intended to be omitted in the law.

Matter underlined thus is new matter.

Matter enclosed in superscript numerals has been adopted as follows:

¹Assembly ABU committee amendments adopted June 24, 2010.

²Senate SSG committee amendments adopted November 8, 2010.

1 approved by the commission, in order to address the impact on that
2 market of the cancellation or voiding of a given matched wager or
3 given part of a matched wager.

4 “Exchange” means a system operated by the exchange wagering
5 licensee in which the exchange wagering licensee maintains one or
6 more markets in which persons may back or lay a selected outcome.

7 “Exchange revenues” means all charges and fees of any kind
8 assessed or collected by the exchange wagering licensee in
9 connection with the submission of any exchange wagers to the
10 exchange wagering licensee by residents of this State.

11 “Exchange wagers” means wagers submitted to the exchange
12 wagering licensee to be posted in a market on an exchange.

13 “Exchange wagering” means a form of parimutuel wagering in
14 which two or more persons place identically opposing wagers in a
15 given market.

16 “Exchange wagering account” means the account established
17 with the exchange wagering licensee by a person participating in
18 exchange wagering and may include an account wagering account
19 established with the exchange wagering licensee pursuant to
20 applicable law.

21 “Exchange wagering licensee” means the authority, provided that
22 the commission has granted its approval for the authority to
23 establish an exchange as provided for in this act.

24 “Exchange wagering system” means a system through which
25 exchange wagers are processed.

26 “Identically opposing wagers” means wagers in which one or
27 more persons offer to lay a selected outcome at the same price at
28 which one or more persons offer to back that same outcome, with
29 the amount subject to the lay being proportionately commensurate
30 to the amount subject to the back.

31 “Interstate Exchange Pool” means an exchange wagering system
32 established within this State or in another state or foreign nation
33 within which is combined unmatched wagers on one or more horse
34 races in order to form identically opposing wagers.

35 “Lay” means to wager on a selected outcome not occurring in a
36 given market.

37 “Market” means, in relation to a given horse race or a given set
38 of horse races, a particular outcome that is subject to exchange
39 wagering as determined by the exchange wagering licensee.

40 “Matched wager” means the wager that is formed when two or
41 more persons are confirmed by the exchange operator as having
42 placed identically opposing wagers in a given market on the
43 exchange.

44 “Net winnings” means the aggregate amounts payable to a
45 person as a result of that person’s winning matched wagers in a
46 pool less the aggregate amount paid by that person as a result of
47 that person’s losing matched wagers in that pool.

1 “Parimutuel” means any system whereby wagers with respect to
2 the outcome of a horse race are placed with, or in, a wagering pool
3 conducted by an authorized person, and in which the participants
4 are wagering with each other and not against the person conducting
5 the wagering pool.

6 “Pool” means the total of all matched wagers in a given market.

7 “Price” means the odds for a given exchange wager.

8 “State” means the State of New Jersey.

9 “Unmatched Wager” means a wager or portion of a wager placed
10 in a given market within an exchange that does not become part of a
11 matched wager because there are not one or more available
12 exchange wagers in that market with which to form one or more
13 identically opposing wagers.

14
15 4. Notwithstanding any law, rule, or regulation to the contrary,
16 exchange wagering by residents of this State on the results of horse
17 races conducted in this State or jurisdictions outside of this State
18 shall be lawful provided that:

19 a. exchange wagering shall only be conducted by the exchange
20 wagering licensee pursuant to a valid exchange wagering license
21 issued by the commission as provided for in this act;

22 b. exchange wagering shall be conducted pursuant to and in
23 compliance with the provisions of the Interstate Horse Racing Act
24 of 1978, 15U.S.C. §§ 3001 – 3007, as amended, this act, and rules
25 and regulations promulgated by the commission pursuant to this act;

26 c. ¹[the exchange wagering licensee shall first enter into a
27 written agreement with each racetrack conducting the races on
28 which exchange wagers are made prior to conducting exchange
29 wagering on such races] the commission has approved a contract or
30 agreement, if any, with a person or entity to conduct or operate the
31 exchange and to act as the agent for the authority in all exchange
32 wagering matters approved by the commission, pursuant to section
33 5 of this act, P.L. , c. (C.) (pending before the Legislature as this
34 bill), including but not limited to the portion of exchange revenues
35 payable to such person or entity conducting or operating the
36 exchange¹;

37 d. exchange wagers are submitted to and accepted by the
38 exchange wagering licensee in person, by direct telephone call, or
39 by communication through other electronic media; and

40 e. exchange wagers are placed through the exchange wagering
41 system authorized in accordance with the provisions of this act,
42 P.L. , c. (C.) (pending before the Legislature as this bill), and
43 in accordance with commission rules, regulations, and conditions
44 established therefor.

45
46 5. The commission is hereby authorized to issue a license to
47 the authority to establish an exchange in accordance with the
48 provisions of this act, P.L. , c. (C.) (pending before the

1 Legislature as this bill). The licensing process shall include the
2 filing by the authority of an exchange wagering license application
3 developed by the commission.

4 At the time of filing an application for licensure under this
5 section, the authority shall submit to the commission a non
6 refundable filing fee in an amount established by regulation by the
7 commission, and a certification in a form prescribed by the
8 commission which specifies, but is not limited to, information about
9 the operation of the exchange and the authority's participation
10 therein.

11 Within 14 days of receipt of a completed application,
12 certification and applicable fees, the commission's executive
13 director shall determine whether the same is in due form and meets
14 the requirements of law in all respects. No later than 60 days
15 following the receipt of the application, the commission shall make
16 a final determination on the application. The commission shall
17 approve the application if it determines that the authority has
18 demonstrated by clear and convincing evidence that wagers placed
19 through the proposed exchange wagering system will be accurately
20 processed and that there will be sufficient safeguards to maintain
21 the integrity of the horse racing industry in this State.

22 The commission's determination shall be submitted to the
23 Attorney General for review and approval. The determination of the
24 commission shall be deemed approved by the Attorney General if
25 affirmatively approved or not disapproved by the Attorney General
26 within 14 days of the date of submission. The decision of the
27 Attorney General shall be deemed a final decision. Upon approval
28 by the Attorney General, the commission shall issue to the authority
29 a license to establish the exchange. The exchange wagering license
30 shall be valid for a term of one year, and shall be subject to renewal
31 annually, unless a different timeframe is otherwise prescribed by
32 regulation of the commission.

33 With the approval of the commission, the authority may enter
34 into a contract or agreement with a person or entity to conduct or
35 operate the exchange and to act as the agent of the authority in all
36 exchange wagering matters approved by the commission. The
37 exchange wagering license may not be transferred or assigned to a
38 successor in interest without the approval of the commission and
39 the Attorney General, which approval may not be unreasonably
40 withheld.

41

42 6. a. The commission shall have full power to prescribe rules,
43 regulations, and conditions under which exchange wagering may be
44 conducted in this State, consistent with this act, P.L. , c. (C.)
45 (pending before the Legislature as this bill), including the manner in
46 which exchange wagers may be accepted, the requirements for any
47 person to participate in exchange wagering, and the reasonable
48 approval of any and all agreements made pursuant to subsections b.

1 and c. of section 4 of this act, P.L. , c. (C.) (pending before the
2 Legislature as this bill).

3 b. The commission shall have full power to prescribe rules,
4 regulations and conditions under which the exchange wagering
5 license is issued or renewed in this State, including requiring an
6 annual audit of the exchange wagering licensee's books and records
7 pertaining to exchange wagering, and to revoke, suspend or refuse
8 to renew the license if in the opinion of the commission the
9 revocation of, suspension of or refusal to renew such license is in
10 the public interest; provided, however, that such rules, regulations
11 and conditions shall be uniform in their application.

12 c. The commission shall have no right or power to determine
13 who shall be officers, directors or employees of any exchange
14 wagering licensee, or the salaries thereof; provided, however, that
15 the commission may compel the discharge of any official or
16 employee of the exchange wagering licensee or the exchange who:
17 (1) fails or refuses for any reason to comply with the rules or
18 regulations of the commission; (2) fails or refuses for any reason to
19 comply with any of the provisions of this act; (3) fails to establish
20 by clear and convincing evidence in the opinion of the commission
21 good character, honesty, competency and integrity; or (4) has been
22 convicted of a crime involving fraud, dishonesty or moral turpitude.

23
24 7. a. A person within this State shall not be permitted to open
25 an exchange wagering account, or place an exchange wager through
26 the exchange wagering system, except in accordance with federal
27 law and this act, and through the exchange wagering licensee, and
28 no entity, other than the exchange wagering licensee, shall accept
29 an exchange wager from a person within this State. A person may
30 not place an exchange wager unless the person has established an
31 exchange wagering account with the exchange wagering licensee.
32 To establish an exchange wagering account, a person shall be at
33 least 18 years of age, and a resident of this State ¹, except that any
34 person on the self-exclusion list established pursuant to section 1 of
35 P.L.2002, c.89 (C.5:5-65.1) shall be prohibited from establishing an
36 exchange wagering account¹.

37 b. The exchange wagering account shall be in the name of a
38 natural person and may not be in the name of any beneficiary,
39 custodian, joint trust, corporation, partnership or other organization
40 or entity.

41 c. An exchange wagering account may be established in
42 person, by mail, telephone, or other electronic media, by a person
43 completing an application form approved by the commission. The
44 form shall include the address of the principal residence of the
45 prospective exchange wagering account holder and a statement that
46 a false statement made in regard to an application may subject the
47 applicant to prosecution. The exchange wagering licensee must
48 verify the identification, residence, and age of the exchange

1 wagering account holder using methods and technologies approved
2 by the commission.

3 d. The prospective exchange wagering account holder shall
4 submit the completed application in person, by mail, telephone, or
5 other electronic media, including the Internet and wireless devices,
6 to the exchange wagering licensee or such other person or entity as
7 may be approved by the commission. The exchange wagering
8 licensee may accept or reject an application after receipt and review
9 of the application and certification, or other proof, of age and
10 residency for compliance with this act.

11 e. Any prospective exchange wagering account holder who
12 provides false or misleading information on the application is
13 subject to rejection of the application or cancellation of the
14 exchange wagering account by the exchange wagering licensee
15 without notice.

16 f. The exchange wagering licensee shall have the right to
17 suspend or close any exchange wagering account at its discretion.

18 g. Any person not in good standing with the commission shall
19 not be entitled to maintain an exchange wagering account.

20 h. The address provided by the applicant in the application
21 shall be deemed the proper address for the purposes of mailing
22 checks, exchange wagering account withdrawals, notices and other
23 materials.

24 i. An exchange wagering account shall not be assignable or
25 otherwise transferable.

26 j. The exchange wagering licensee may cancel or allow to be
27 cancelled, any unmatched wagers, without cause, at any time.
28 Except as otherwise provided in this act or in regulations which the
29 commission may adopt hereunder, all matched wagers shall be final
30 and no wager shall be canceled by the exchange wagering account
31 holder at any time after the wager has been matched by the
32 exchange wagering licensee.

33 k. The commission may prescribe rules governing when an
34 exchange wagering licensee may cancel or void a matched wager or
35 part of a matched wager, and the actions which an exchange
36 wagering licensee may take when all or part of a matched wager is
37 cancelled or voided. Such rules may include, but are not limited to,
38 permitting the exchange wagering licensee to place corrective
39 wagers under circumstances approved in the rules adopted by the
40 commission.

41 l. The exchange wagering licensee may at any time declare the
42 exchange wagering system closed for receiving any wagers on any
43 race or closed for all exchange wagering.

44
45 8. a. Credits to an exchange wagering account shall be made as
46 follows:

47 (1) The exchange wagering account holder's deposits to the
48 exchange wagering account shall be submitted by the exchange

1 wagering account holder to the exchange wagering licensee and
2 shall be in the form of one of the following:

- 3 (a) cash given to the exchange wagering licensee;
4 (b) check, money order, negotiable order of withdrawal, or wire
5 or electronic transfer, payable and remitted to the exchange
6 wagering licensee; or
7 (c) charges made to an exchange wagering account holder's
8 debit or credit card upon the exchange wagering account holder's
9 direct and personal instruction, which instruction may be given by
10 telephone communication or other electronic means to the exchange
11 wagering licensee or its agent by the exchange wagering account
12 holder if the use of the card has been approved by the exchange
13 wagering licensee.

14 (2) Credit for winnings from wagers placed with funds in an
15 exchange wagering account shall be posted to the exchange
16 wagering account by the exchange wagering licensee.

17 (3) The exchange wagering licensee shall have the right to
18 refuse for any reason all or part of any exchange wager or deposit to
19 the exchange wagering account.

20 (4) Funds deposited in the exchange wagering account shall not
21 bear interest to the exchange wagering account holder.

22 b. Debits to an exchange wagering account shall be made as
23 follows:

24 (1) Upon receipt by the exchange wagering licensee of an
25 exchange wager properly placed pursuant to section 9 of this act,
26 P.L. , c. (C.)(pending before the legislature as this bill), the
27 exchange wagering licensee shall determine whether there are
28 sufficient funds in the exchange wagering account holder's
29 exchange wagering account to cover the total liability resulting
30 from the exchange wager, taking into consideration other exchange
31 wagers made by the exchange wagering account holder in the same
32 market, and any additional applicable transaction or other fees due
33 to the exchange wagering licensee under the commission's rules
34 and regulations, and deduct such amounts from the exchange
35 wagering account holder's exchange wagering account. Following
36 the matching of the exchange wager to an identically opposing
37 wager or wagers, and determination of the outcome of the horse
38 race or races on which the exchange wagers were placed by two or
39 more exchange wagering account holders, the amounts due shall be
40 paid accordingly to the exchange wagering account of the exchange
41 wagering account holder who won the wager, and any applicable
42 transaction or other fees on the exchange wagering accounts shall
43 be additionally deducted and retained by the exchange wagering
44 licensee for use and distribution pursuant to the commission's rules
45 and regulations.

46 (2) The exchange wagering licensee may authorize a withdrawal
47 from an exchange wagering account when the exchange wagering
48 account holder submits to the exchange wagering licensee, the

1 exchange wagering licensee's agent, or such other entity as may be
2 approved by the commission, his or her exchange wagering account
3 number and proper means of identification pursuant to procedures
4 approved by the commission. Exchange wagering account holders
5 may request a withdrawal in person, by mail, by telephone, or by
6 other electronic means. If there are sufficient funds in the exchange
7 wagering account to cover the withdrawal, after taking into
8 consideration any existing exchange wagers made by the exchange
9 wagering account holder, the exchange wagering licensee shall
10 make payment within three business days of receipt of the exchange
11 wagering account holder's withdrawal request. Notwithstanding the
12 foregoing, the exchange wagering licensee may decline or delay
13 fulfilling a withdrawal request if the exchange wagering licensee
14 reasonably suspects: (a) fraud; (b) that the exchange wagering
15 account holder was ineligible to make one or more of the exchange
16 wagers made from the exchange wagering account; or (c) any other
17 conditions which the commission may prescribe or approve. At the
18 discretion of the exchange wagering licensee, withdrawals may be
19 payable in cash, by a check sent to the exchange wagering account
20 holder's verified residence address, by wire transfer, or by other
21 electronic transfer. Withdrawals shall be made payable only to the
22 holder of the exchange wagering account and in no more than the
23 amount of the requested withdrawal.

24

25 9. The exchange wagering licensee may accept exchange
26 wagers from residents of this State only in accordance with this act,
27 federal law, and as follows:

28 a. A wager to back or lay a particular outcome in a given
29 market, specifying the price of the wager, shall be placed directly
30 with the exchange wagering licensee by the holder of the exchange
31 wagering account.

32 b. The exchange wagering account holder placing the wager
33 shall provide the exchange wagering licensee with the correct
34 personal identification number of the holder of the exchange
35 wagering account.

36 c. A exchange wagering licensee may not accept an exchange
37 wager, or series of exchange wagers, where the results of which
38 would create a liability for the exchange wagering account holder in
39 excess of funds on deposit in the exchange wagering account of that
40 holder.

41 d. Only the holder of an exchange wagering account shall place
42 a wager. Unless otherwise approved by the commission, no person,
43 corporation or other entity shall directly or indirectly act as an
44 intermediary, transmitter or agent in the placing of wagers for a
45 holder of an exchange wagering account; provided, however, that
46 the use of credit or debit cards specifically approved by the
47 exchange wagering licensee or the use of checks, money orders or
48 negotiable orders of withdrawal or the use of telephonic, computer

1 or electronic means by the exchange wagering account holder to
2 place such wagers shall not be prohibited.

3 e. The exchange wagering account holder may place a wager in
4 person, by direct telephone call or by communication through other
5 electronic media.

6
7 10. Subject to federal law and notwithstanding any law, rule, or
8 regulation of this State to the contrary, the exchange wagering
9 licensee shall be permitted to post exchange wagers submitted by
10 residents of this State in an interstate exchange pool in order to
11 form identically opposing wagers, and to treat any resulting
12 matched wagers as part of one or more common pools with any
13 other matched wagers in the interstate exchange pool.

14
15 11. Notwithstanding any other law, rule or regulation to the
16 contrary, the exchange wagering licensee shall not be required to
17 include any pools of exchange wagers in the wagering pools at the
18 track conducting the races, nor shall the exchange wagering
19 licensee be required to retain, withhold, or take out any amounts
20 from any exchange wagers.

21
22 12. Subject to the approval of the commission, the exchange
23 wagering licensee shall be permitted to collect exchange revenues
24 in the manner and amounts determined by the exchange wagering
25 licensee, including but not limited to assessing a surcharge on any
26 person's net winnings.

27
28 13. Notwithstanding any other law, rule or regulation to the
29 contrary, the commission ¹~~may~~ shall¹ require each exchange
30 wagering licensee to:

31 a. pay such portions of the exchange wagering licensee's
32 exchange revenues as may be required pursuant to subsections b.
33 and c. of section 4 of this act, P.L. , c. (C.) (pending before the
34 Legislature as this bill); ²~~and~~²

35 b. ¹~~pay 50% of monies due to any racetrack in this State~~
36 ~~pursuant to any agreement required under subsection c. of section 4~~
37 ~~of this act, P.L. , c. (C.) (pending before the Legislature as this~~
38 ~~bill), to overnight purses] pay to overnight purses in this State 50%
39 of exchange revenues retained by the exchange wagering licensee
40 after the payments required pursuant to subsection a. of this section
41 are made, and after deducting all reasonable and necessary expenses
42 incurred by the licensee in administering, marketing and operating
43 the exchange wagering system^{1 2}; and~~

44 c. reach a business agreement with all permit holders within this
45 State, within one year from the date when the exchange wagering
46 system becomes operational, for the distribution of the net exchange
47 wagering revenues remaining after the payments are made pursuant

1 to subsections a. and b. of this section and after the payment of
2 operating expenses, pursuant to approval by the commission;
3 provided that, if an agreement is not reach within that time frame,
4 the commission shall distribute the exchange wagering revenues
5 among the exchange wagering licensees and the permit holders in
6 this State as it deems appropriate².
7

8 14. Of the monies distributed to overnight purses pursuant to
9 subsection b. of section 13 of this act, P.L. , c. (C.) (pending
10 before the Legislature as this bill), all moneys derived from
11 exchange wagering on thoroughbred races shall be paid to overnight
12 purses for thoroughbred races and all monies derived from
13 exchange wagering on standardbred races shall be paid to overnight
14 purses for standardbred races. On or after January 1, 2014, the
15 formula for allocating overnight purse monies from exchange
16 wagering to overnight purses set forth in this section may be
17 modified by the mutual agreement of the Standardbred Breeders and
18 Owners Association of New Jersey and the New Jersey
19 Thoroughbred Horsemen's Association. Nothing contained in this
20 section shall be construed as a precedent for establishing the
21 division of overnight purse amounts between standardbred races
22 and thoroughbred races.
23

24 15. All amounts remaining in exchange wagering accounts
25 inactive or dormant for such period and under such conditions as
26 established by regulation shall be distributed in accordance with the
27 commission's rules and regulations.
28

29 16. All persons engaged in conducting wagering-related
30 activities through the exchange, whether employed directly by the
31 exchange wagering licensee or by a person or entity conducting or
32 operating the exchange pursuant to a contract or agreement with the
33 exchange wagering licensee, shall be licensed or registered in
34 accordance with such regulations as may be promulgated by the
35 commission hereunder. All other employees of the exchange shall
36 be licensed or registered in accordance with regulations of the
37 commission. The commission shall have full power to prescribe
38 rules, regulations and conditions under which all such licenses are
39 issued, or registrations made, in this State and to revoke or refuse to
40 issue a license, or revoke or refuse to accept a registration, if in the
41 opinion of the commission the revocation or refusal is in the public
42 interest, provided, however, that such rules, regulations and
43 conditions shall be uniform in their application, and further
44 provided that no fee shall be in excess of \$50 for each license so
45 granted or registration accepted.
46

47 17. The provisions of this act shall be deemed to be severable,
48 and if any phrase, clause, sentence or provision of this act is

1 declared to be unconstitutional or the applicability thereof to any
2 person is held invalid, the remainder of this act shall not thereby be
3 deemed to be unconstitutional or invalid.

4
5 18. The commission shall promulgate rules and regulations
6 pursuant to the "Administrative Procedure Act," P.L.1968, c.410
7 (C.52:14B-1 et seq.), to effectuate the purposes of this act,
8 P.L. , c. (C.) (pending before the Legislature as this bill).

9
10 19. Section 1 of P.L.2002, c.89 (C.5:5-65.1) is amended to read
11 as follows:

12 1. a. The commission shall provide by regulation for the
13 establishment of a list of persons who voluntarily seek to be
14 excluded from entry into permitted racetracks and licensed off-track
15 wagering facilities located in this State and from opening or
16 maintaining a wagering account with the account wagering system
17 or with the exchange wagering system established in this State. A
18 person may request placement on the self-exclusion list by
19 acknowledging in a manner to be established by the commission
20 that the person is a problem gambler and by agreeing that, during a
21 period of voluntary exclusion, the person may not collect winnings
22 or recover losses resulting from wagering at a racetrack or off-track
23 wagering facility or from account wagering or exchange wagering.

24 b. The commission shall promulgate regulations to: (1)
25 establish procedures for placements on, and removals from, the list
26 of self-excluded persons; (2) establish procedures for the transmittal
27 to the permitted racetracks, licensed off-track wagering facilities
28 **[and]**, the account wagering system, and the exchange wagering
29 licensee of identifying information concerning persons on the self-
30 exclusion list; and (3) require permitted racetracks, licensed off-
31 track wagering facilities **[and]**, the account wagering system, and
32 the exchange wagering licensee to establish procedures designed, at
33 a minimum, to remove persons on the self-exclusion list from
34 targeted mailings or other forms of advertising or promotions and
35 deny such persons access to credit, complementaries, check cashing
36 privileges, club programs, and other similar benefits.

37 c. The commission, a permitted racetrack, a licensed off-track
38 wagering facility, the account wagering system, the exchange
39 wagering licensee, or an employee thereof shall not be liable to a
40 person on the self-exclusion list or to another party in a judicial
41 proceeding for harm, monetary or otherwise, which may arise as a
42 result of:

43 (1) the failure of a permitted racetrack, licensed off-track
44 wagering facility or the account wagering system or the exchange
45 wagering licensee to withhold wagering privileges from, or restore
46 wagering privileges to, a person on the self-exclusion list; or

47 (2) permitting a person on the self-exclusion list to engage in
48 wagering activity at a permitted racetrack or licensed off-track

1 wagering facility, or through the account wagering system, or
2 through the exchange wagering system.

3 d. Notwithstanding the provisions of section 8 of P.L.1940,
4 c.17 (C.5:5-28), the commission's self-exclusion list shall be
5 privileged and confidential and shall not be accessible to the public
6 pursuant to P.L.1963, c.73 (C.47:1A-1 et seq.), as amended and
7 supplemented .

8 e. The commission, a permitted racetrack, a licensed off-track
9 wagering facility, the account wagering system, the exchange
10 wagering licensee, or an employee thereof shall not be liable to a
11 person on the self-exclusion list or to another party in a judicial
12 proceeding for harm, monetary or otherwise, which may arise as a
13 result of disclosure or publication, other than a willfully unlawful
14 disclosure or publication, of the identity of a self-excluded person.¹
15 (cf: P.L.2002, c.89, s.1)

16

17 ¹20. Section 2 of P.L.2002, c.89 (C.5:5-65.2) is amended to read
18 as follows:

19 2. a. A person on the self-exclusion list established pursuant to
20 section 1 of P.L.2002, c.89 (C.5:5-65.1), shall not collect, in any
21 manner or proceeding, winnings or recover losses arising as a result
22 of wagering activity at a permitted racetrack or licensed off-track
23 wagering facility, or through the account wagering system, or
24 through the exchange wagering system.

25 b. Money or a thing of value which has been obtained by, or is
26 owed to, a person on the self-exclusion list from a permitted
27 racetrack, licensed off-track wagering facility or account wagering
28 system or exchange wagering system as a result of wagers made by
29 that person shall be subject to forfeiture by order of the executive
30 director of the commission, following notice to the person on the
31 self-exclusion list and opportunity to be heard.

32 Money or a thing of value forfeited shall be deposited into the
33 State General Fund for appropriation by the Legislature to the
34 Department of **Health and Senior Services** Human Services to
35 provide funds for compulsive gambling treatment and prevention
36 programs in the State.

37 c. In a proceeding brought by the commission against a live
38 racing permit holder, the off-track wagering licensee **[or]**, the
39 account wagering licensee, or the exchange wagering licensee for a
40 willful violation of the commission's self-exclusion regulations, the
41 commission may order in addition to a permit or license suspension,
42 a fine not to exceed \$5,000 per wagering incident, the forfeiture of
43 money or a thing of value obtained by the permit holder, off-track
44 wagering licensee **[or]**, account wagering licensee, or exchange
45 wagering licensee from a person on the self-exclusion list and other
46 remedial conditions the commission deems appropriate. Money or a
47 thing of value so forfeited shall be disposed of in the same manner

1 as money or a thing of value forfeited pursuant to subsection b. of
2 this section.¹

3 (cf: P.L.2002, c.89, s.2)

4

5 ¹[19.] 21.¹ This act shall take effect immediately.

6

7

8

9

10 Authorizes exchange wagering on results of in-State and out-of-
11 State horse races through exchange wagering system.

ASSEMBLY, No. 2926

STATE OF NEW JERSEY 214th LEGISLATURE

INTRODUCED JUNE 14, 2010

Sponsored by:

Assemblywoman CONNIE WAGNER

District 38 (Bergen)

Assemblyman CRAIG J. COUGHLIN

District 19 (Middlesex)

Assemblywoman CAROLINE CASAGRANDE

District 12 (Mercer and Monmouth)

Assemblyman JOHN J. BURZICHELLI

District 3 (Salem, Cumberland and Gloucester)

Assemblywoman ANNETTE QUIJANO

District 20 (Union)

SYNOPSIS

Authorizes exchange wagering on results of in-State and out-of-State horse races through exchange wagering system.

CURRENT VERSION OF TEXT

As introduced.



(Sponsorship Updated As Of: 6/18/2010)

1 AN ACT concerning the placement of wagers on the results of horse
2 races and supplementing chapter 5 of Title 5 of the Revised
3 Statutes.

4
5 **BE IT ENACTED** *by the Senate and General Assembly of the State*
6 *of New Jersey:*

7
8 1. This act shall be known and may be cited as the “Exchange
9 Wagering Act.”

10
11 2. The Legislature finds and declares that:

12 a. The horse racing industry is economically important to this
13 State, and the general welfare of the people of the State will be
14 promoted by the advancement of horse racing and related projects
15 and facilities in the State.

16 b. It is the intent of the Legislature, by authorizing exchange
17 wagering in this State, to promote the economic future of the horse
18 racing industry in this State, to foster the potential for increased
19 commerce, employment and recreational opportunities in this State
20 and to preserve the State's open spaces.

21 c. It is the further intent of the Legislature that exchange
22 wagers may be taken in person, by direct telephone call, or by
23 communication through other electronic media from residents of
24 this State on horse races conducted within and outside of this State
25 and may be matched and pooled on an exchange.

26 d. The Legislature has determined that the New Jersey Racing
27 Commission is best suited to oversee, license and regulate exchange
28 wagering in the State.

29
30 3. As used in this act:

31 "Authority" means the New Jersey Sports and Exposition
32 Authority created by section 4 of P.L.1971, c.137 (C.5:10-4).

33 “Back” means to wager on a selected outcome occurring in a
34 given market.

35 "Commission" means the New Jersey Racing Commission
36 created by section 1 of P.L.1940, c.17 (C.5:5-22).

37 “Corrective wager” means an exchange wager placed by the
38 exchange wagering licensee in a given market, under circumstances
39 approved by the commission, in order to address the impact on that
40 market of the cancellation or voiding of a given matched wager or
41 given part of a matched wager.

42 “Exchange” means a system operated by the exchange wagering
43 licensee in which the exchange wagering licensee maintains one or
44 more markets in which persons may back or lay a selected outcome.

45 “Exchange revenues” means all charges and fees of any kind
46 assessed or collected by the exchange wagering licensee in
47 connection with the submission of any exchange wagers to the
48 exchange wagering licensee by residents of this State.

1 “Exchange wagers” means wagers submitted to the exchange
2 wagering licensee to be posted in a market on an exchange.

3 “Exchange wagering” means a form of parimutuel wagering in
4 which two or more persons place identically opposing wagers in a
5 given market.

6 “Exchange wagering account” means the account established
7 with the exchange wagering licensee by a person participating in
8 exchange wagering and may include an account wagering account
9 established with the exchange wagering licensee pursuant to
10 applicable law.

11 “Exchange wagering licensee” means the authority, provided that
12 the commission has granted its approval for the authority to
13 establish an exchange as provided for in this act.

14 “Exchange wagering system” means a system through which
15 exchange wagers are processed.

16 “Identically opposing wagers” means wagers in which one or
17 more persons offer to lay a selected outcome at the same price at
18 which one or more persons offer to back that same outcome, with
19 the amount subject to the lay being proportionately commensurate
20 to the amount subject to the back.

21 “Interstate Exchange Pool” means an exchange wagering system
22 established within this State or in another state or foreign nation
23 within which is combined unmatched wagers on one or more horse
24 races in order to form identically opposing wagers.

25 “Lay” means to wager on a selected outcome not occurring in a
26 given market.

27 “Market” means, in relation to a given horse race or a given set
28 of horse races, a particular outcome that is subject to exchange
29 wagering as determined by the exchange wagering licensee.

30 “Matched wager” means the wager that is formed when two or
31 more persons are confirmed by the exchange operator as having
32 placed identically opposing wagers in a given market on the
33 exchange.

34 “Net winnings” means the aggregate amounts payable to a
35 person as a result of that person’s winning matched wagers in a
36 pool less the aggregate amount paid by that person as a result of
37 that person’s losing matched wagers in that pool.

38 “Parimutuel” means any system whereby wagers with respect to
39 the outcome of a horse race are placed with, or in, a wagering pool
40 conducted by an authorized person, and in which the participants
41 are wagering with each other and not against the person conducting
42 the wagering pool.

43 “Pool” means the total of all matched wagers in a given market.

44 “Price” means the odds for a given exchange wager.

45 “State” means the State of New Jersey.

46 “Unmatched Wager” means a wager or portion of a wager placed
47 in a given market within an exchange that does not become part of a
48 matched wager because there are not one or more available

1 exchange wagers in that market with which to form one or more
2 identically opposing wagers.

3

4 4. Notwithstanding any law, rule, or regulation to the contrary,
5 exchange wagering by residents of this State on the results of horse
6 races conducted in this State or jurisdictions outside of this State
7 shall be lawful provided that:

8 a. exchange wagering shall only be conducted by the exchange
9 wagering licensee pursuant to a valid exchange wagering license
10 issued by the commission as provided for in this act;

11 b. exchange wagering shall be conducted pursuant to and in
12 compliance with the provisions of the Interstate Horse Racing Act
13 of 1978, 15 U.S.C. §§ 3001 – 3007, as amended, this act, and rules
14 and regulations promulgated by the commission pursuant to this act;

15 c. the exchange wagering licensee shall first enter into a
16 written agreement with each racetrack conducting the races on
17 which exchange wagers are made prior to conducting exchange
18 wagering on such races;

19 d. exchange wagers are submitted to and accepted by the
20 exchange wagering licensee in person, by direct telephone call, or
21 by communication through other electronic media; and

22 e. exchange wagers are placed through the exchange wagering
23 system authorized in accordance with the provisions of this act,
24 P.L. ,c. (C.) (pending before the Legislature as this bill), and
25 in accordance with commission rules, regulations, and conditions
26 established therefor.

27

28 5. The commission is hereby authorized to issue a license to
29 the authority to establish an exchange in accordance with the
30 provisions of this act, P.L. ,c. (C.) (pending before the
31 Legislature as this bill). The licensing process shall include the
32 filing by the authority of an exchange wagering license application
33 developed by the commission.

34 At the time of filing an application for licensure under this
35 section, the authority shall submit to the commission a non
36 refundable filing fee in an amount established by regulation by the
37 commission, and a certification in a form prescribed by the
38 commission which specifies, but is not limited to, information about
39 the operation of the exchange and the authority's participation
40 therein.

41 Within 14 days of receipt of a completed application,
42 certification and applicable fees, the commission's executive
43 director shall determine whether the same is in due form and meets
44 the requirements of law in all respects. No later than 60 days
45 following the receipt of the application, the commission shall make
46 a final determination on the application. The commission shall
47 approve the application if it determines that the authority has
48 demonstrated by clear and convincing evidence that wagers placed

1 through the proposed exchange wagering system will be accurately
2 processed and that there will be sufficient safeguards to maintain
3 the integrity of the horse racing industry in this State.

4 The commission's determination shall be submitted to the
5 Attorney General for review and approval. The determination of the
6 commission shall be deemed approved by the Attorney General if
7 affirmatively approved or not disapproved by the Attorney General
8 within 14 days of the date of submission. The decision of the
9 Attorney General shall be deemed a final decision. Upon approval
10 by the Attorney General, the commission shall issue to the authority
11 a license to establish the exchange. The exchange wagering license
12 shall be valid for a term of one year, and shall be subject to renewal
13 annually, unless a different timeframe is otherwise prescribed by
14 regulation of the commission.

15 With the approval of the commission, the authority may enter
16 into a contract or agreement with a person or entity to conduct or
17 operate the exchange and to act as the agent of the authority in all
18 exchange wagering matters approved by the commission. The
19 exchange wagering license may not be transferred or assigned to a
20 successor in interest without the approval of the commission and
21 the Attorney General, which approval may not be unreasonably
22 withheld.

23

24 6. a. The commission shall have full power to prescribe rules,
25 regulations, and conditions under which exchange wagering may be
26 conducted in this State, consistent with this act, P.L. , c. (C.)
27 (pending before the Legislature as this bill), including the manner in
28 which exchange wagers may be accepted, the requirements for any
29 person to participate in exchange wagering, and the reasonable
30 approval of any and all agreements made pursuant to subsections b.
31 and c. of section 4 of this act, P.L. , c. (C.) (pending before the
32 Legislature as this bill).

33 b. The commission shall have full power to prescribe rules,
34 regulations and conditions under which the exchange wagering
35 license is issued or renewed in this State, including requiring an
36 annual audit of the exchange wagering licensee's books and records
37 pertaining to exchange wagering, and to revoke, suspend or refuse
38 to renew the license if in the opinion of the commission the
39 revocation of, suspension of or refusal to renew such license is in
40 the public interest; provided, however, that such rules, regulations
41 and conditions shall be uniform in their application.

42 c. The commission shall have no right or power to determine
43 who shall be officers, directors or employees of any exchange
44 wagering licensee, or the salaries thereof; provided, however, that
45 the commission may compel the discharge of any official or
46 employee of the exchange wagering licensee or the exchange who:
47 (1) fails or refuses for any reason to comply with the rules or
48 regulations of the commission; (2) fails or refuses for any reason to

1 comply with any of the provisions of this act; (3) fails to establish
2 by clear and convincing evidence in the opinion of the commission
3 good character, honesty, competency and integrity; or (4) has been
4 convicted of a crime involving fraud, dishonesty or moral turpitude.

5
6 7. a. A person within this State shall not be permitted to open
7 an exchange wagering account, or place an exchange wager through
8 the exchange wagering system, except in accordance with federal
9 law and this act, and through the exchange wagering licensee, and
10 no entity, other than the exchange wagering licensee, shall accept
11 an exchange wager from a person within this State. A person may
12 not place an exchange wager unless the person has established an
13 exchange wagering account with the exchange wagering licensee.
14 To establish an exchange wagering account, a person shall be at
15 least 18 years of age, and a resident of this State.

16 b. The exchange wagering account shall be in the name of a
17 natural person and may not be in the name of any beneficiary,
18 custodian, joint trust, corporation, partnership or other organization
19 or entity.

20 c. An exchange wagering account may be established in
21 person, by mail, telephone, or other electronic media, by a person
22 completing an application form approved by the commission. The
23 form shall include the address of the principal residence of the
24 prospective exchange wagering account holder and a statement that
25 a false statement made in regard to an application may subject the
26 applicant to prosecution. The exchange wagering licensee must
27 verify the identification, residence, and age of the exchange
28 wagering account holder using methods and technologies approved
29 by the commission.

30 d. The prospective exchange wagering account holder shall
31 submit the completed application in person, by mail, telephone, or
32 other electronic media, including the Internet and wireless devices,
33 to the exchange wagering licensee or such other person or entity as
34 may be approved by the commission. The exchange wagering
35 licensee may accept or reject an application after receipt and review
36 of the application and certification, or other proof, of age and
37 residency for compliance with this act.

38 e. Any prospective exchange wagering account holder who
39 provides false or misleading information on the application is
40 subject to rejection of the application or cancellation of the
41 exchange wagering account by the exchange wagering licensee
42 without notice.

43 f. The exchange wagering licensee shall have the right to
44 suspend or close any exchange wagering account at its discretion.

45 g. Any person not in good standing with the commission shall
46 not be entitled to maintain an exchange wagering account.

47 h. The address provided by the applicant in the application
48 shall be deemed the proper address for the purposes of mailing

1 checks, exchange wagering account withdrawals, notices and other
2 materials.

3 i. An exchange wagering account shall not be assignable or
4 otherwise transferable.

5 j. The exchange wagering licensee may cancel or allow to be
6 cancelled, any unmatched wagers, without cause, at any time.
7 Except as otherwise provided in this act or in regulations which the
8 commission may adopt hereunder, all matched wagers shall be final
9 and no wager shall be canceled by the exchange wagering account
10 holder at any time after the wager has been matched by the
11 exchange wagering licensee.

12 k. The commission may prescribe rules governing when an
13 exchange wagering licensee may cancel or void a matched wager or
14 part of a matched wager, and the actions which an exchange
15 wagering licensee may take when all or part of a matched wager is
16 cancelled or voided. Such rules may include, but are not limited to,
17 permitting the exchange wagering licensee to place corrective
18 wagers under circumstances approved in the rules adopted by the
19 commission.

20 l. The exchange wagering licensee may at any time declare the
21 exchange wagering system closed for receiving any wagers on any
22 race or closed for all exchange wagering.

23

24 8. a. Credits to an exchange wagering account shall be made as
25 follows:

26 (1) The exchange wagering account holder's deposits to the
27 exchange wagering account shall be submitted by the exchange
28 wagering account holder to the exchange wagering licensee and
29 shall be in the form of one of the following:

30 (a) cash given to the exchange wagering licensee;

31 (b) check, money order, negotiable order of withdrawal, or wire
32 or electronic transfer, payable and remitted to the exchange
33 wagering licensee; or

34 (c) charges made to an exchange wagering account holder's
35 debit or credit card upon the exchange wagering account holder's
36 direct and personal instruction, which instruction may be given by
37 telephone communication or other electronic means to the exchange
38 wagering licensee or its agent by the exchange wagering account
39 holder if the use of the card has been approved by the exchange
40 wagering licensee.

41 (2) Credit for winnings from wagers placed with funds in an
42 exchange wagering account shall be posted to the exchange
43 wagering account by the exchange wagering licensee.

44 (3) The exchange wagering licensee shall have the right to
45 refuse for any reason all or part of any exchange wager or deposit to
46 the exchange wagering account.

47 (4) Funds deposited in the exchange wagering account shall not
48 bear interest to the exchange wagering account holder.

1 b. Debits to an exchange wagering account shall be made as
2 follows:

3 (1) Upon receipt by the exchange wagering licensee of an
4 exchange wager properly placed pursuant to section 9 of this act,
5 P.L. , c. (C.)(pending before the legislature as this bill), the
6 exchange wagering licensee shall determine whether there are
7 sufficient funds in the exchange wagering account holder's
8 exchange wagering account to cover the total liability resulting
9 from the exchange wager, taking into consideration other exchange
10 wagers made by the exchange wagering account holder in the same
11 market, and any additional applicable transaction or other fees due
12 to the exchange wagering licensee under the commission's rules
13 and regulations, and deduct such amounts from the exchange
14 wagering account holder's exchange wagering account. Following
15 the matching of the exchange wager to an identically opposing
16 wager or wagers, and determination of the outcome of the horse
17 race or races on which the exchange wagers were placed by two or
18 more exchange wagering account holders, the amounts due shall be
19 paid accordingly to the exchange wagering account of the exchange
20 wagering account holder who won the wager, and any applicable
21 transaction or other fees on the exchange wagering accounts shall
22 be additionally deducted and retained by the exchange wagering
23 licensee for use and distribution pursuant to the commission's rules
24 and regulations.

25 (2) The exchange wagering licensee may authorize a withdrawal
26 from an exchange wagering account when the exchange wagering
27 account holder submits to the exchange wagering licensee, the
28 exchange wagering licensee's agent, or such other entity as may be
29 approved by the commission, his or her exchange wagering account
30 number and proper means of identification pursuant to procedures
31 approved by the commission. Exchange wagering account holders
32 may request a withdrawal in person, by mail, by telephone, or by
33 other electronic means. If there are sufficient funds in the exchange
34 wagering account to cover the withdrawal, after taking into
35 consideration any existing exchange wagers made by the exchange
36 wagering account holder, the exchange wagering licensee shall
37 make payment within three business days of receipt of the exchange
38 wagering account holder's withdrawal request. Notwithstanding the
39 foregoing, the exchange wagering licensee may decline or delay
40 fulfilling a withdrawal request if the exchange wagering licensee
41 reasonably suspects: (a) fraud; (b) that the exchange wagering
42 account holder was ineligible to make one or more of the exchange
43 wagers made from the exchange wagering account; or (c) any other
44 conditions which the commission may prescribe or approve. At the
45 discretion of the exchange wagering licensee, withdrawals may be
46 payable in cash, by a check sent to the exchange wagering account
47 holder's verified residence address, by wire transfer, or by other
48 electronic transfer. Withdrawals shall be made payable only to the

1 holder of the exchange wagering account and in no more than the
2 amount of the requested withdrawal.

3

4 9. The exchange wagering licensee may accept exchange
5 wagers from residents of this State only in accordance with this act,
6 federal law, and as follows:

7 a. A wager to back or lay a particular outcome in a given
8 market, specifying the price of the wager, shall be placed directly
9 with the exchange wagering licensee by the holder of the exchange
10 wagering account.

11 b. The exchange wagering account holder placing the wager
12 shall provide the exchange wagering licensee with the correct
13 personal identification number of the holder of the exchange
14 wagering account.

15 c. A exchange wagering licensee may not accept an exchange
16 wager, or series of exchange wagers, where the results of which
17 would create a liability for the exchange wagering account holder in
18 excess of funds on deposit in the exchange wagering account of that
19 holder.

20 d. Only the holder of an exchange wagering account shall place
21 a wager. Unless otherwise approved by the commission, no person,
22 corporation or other entity shall directly or indirectly act as an
23 intermediary, transmitter or agent in the placing of wagers for a
24 holder of an exchange wagering account; provided, however, that
25 the use of credit or debit cards specifically approved by the
26 exchange wagering licensee or the use of checks, money orders or
27 negotiable orders of withdrawal or the use of telephonic, computer
28 or electronic means by the exchange wagering account holder to
29 place such wagers shall not be prohibited.

30 e. The exchange wagering account holder may place a wager in
31 person, by direct telephone call or by communication through other
32 electronic media.

33

34 10. Subject to federal law and notwithstanding any law, rule, or
35 regulation of this State to the contrary, the exchange wagering
36 licensee shall be permitted to post exchange wagers submitted by
37 residents of this State in an interstate exchange pool in order to
38 form identically opposing wagers, and to treat any resulting
39 matched wagers as part of one or more common pools with any
40 other matched wagers in the interstate exchange pool.

41

42 11. Notwithstanding any other law, rule or regulation to the
43 contrary, the exchange wagering licensee shall not be required to
44 include any pools of exchange wagers in the wagering pools at the
45 track conducting the races, nor shall the exchange wagering
46 licensee be required to retain, withhold, or take out any amounts
47 from any exchange wagers.

1 12. Subject to the approval of the commission, the exchange
2 wagering licensee shall be permitted to collect exchange revenues
3 in the manner and amounts determined by the exchange wagering
4 licensee, including but not limited to assessing a surcharge on any
5 person's net winnings.

6

7 13. Notwithstanding any other law, rule or regulation to the
8 contrary, the commission may require each exchange wagering
9 licensee to:

10 a. pay such portions of the exchange wagering licensee's
11 exchange revenues as may be required pursuant to subsections b.
12 and c. of section 4 of this act, P.L. , c. (C.) (pending before the
13 Legislature as this bill); and

14 b. pay 50% of monies due to any racetrack in this State
15 pursuant to any agreement required under subsection c. of section 4
16 of this act, P.L. , c. (C.) (pending before the Legislature as this
17 bill), to overnight purses.

18

19 14. Of the monies distributed to overnight purses pursuant to
20 subsection b. of section 13 of this act, P.L. , c. (C.) (pending
21 before the Legislature as this bill), all moneys derived from
22 exchange wagering on thoroughbred races shall be paid to overnight
23 purses for thoroughbred races and all monies derived from
24 exchange wagering on standardbred races shall be paid to overnight
25 purses for standardbred races. On or after January 1, 2014, the
26 formula for allocating overnight purse monies from exchange
27 wagering to overnight purses set forth in this section may be
28 modified by the mutual agreement of the Standardbred Breeders and
29 Owners Association of New Jersey and the New Jersey
30 Thoroughbred Horsemen's Association. Nothing contained in this
31 section shall be construed as a precedent for establishing the
32 division of overnight purse amounts between standardbred races
33 and thoroughbred races.

34

35 15. All amounts remaining in exchange wagering accounts
36 inactive or dormant for such period and under such conditions as
37 established by regulation shall be distributed in accordance with the
38 commission's rules and regulations.

39

40 16. All persons engaged in conducting wagering-related
41 activities through the exchange, whether employed directly by the
42 exchange wagering licensee or by a person or entity conducting or
43 operating the exchange pursuant to a contract or agreement with the
44 exchange wagering licensee, shall be licensed or registered in
45 accordance with such regulations as may be promulgated by the
46 commission hereunder. All other employees of the exchange shall
47 be licensed or registered in accordance with regulations of the
48 commission. The commission shall have full power to prescribe

1 rules, regulations and conditions under which all such licenses are
2 issued, or registrations made, in this State and to revoke or refuse to
3 issue a license, or revoke or refuse to accept a registration, if in the
4 opinion of the commission the revocation or refusal is in the public
5 interest, provided, however, that such rules, regulations and
6 conditions shall be uniform in their application, and further
7 provided that no fee shall be in excess of \$50 for each license so
8 granted or registration accepted.

9
10 17. The provisions of this act shall be deemed to be severable,
11 and if any phrase, clause, sentence or provision of this act is
12 declared to be unconstitutional or the applicability thereof to any
13 person is held invalid, the remainder of this act shall not thereby be
14 deemed to be unconstitutional or invalid.

15
16 18. The commission shall promulgate rules and regulations
17 pursuant to the "Administrative Procedure Act," P.L.1968, c.410
18 (C.52:14B-1 et seq.), to effectuate the purposes of this act,
19 P.L. , c. (C.) (pending before the Legislature as this bill).

20
21 19. This act shall take effect immediately.

22
23
24 STATEMENT

25
26 This bill authorizes exchange wagering on the results of horse
27 races, and provides that the New Jersey Racing Commission may
28 issue a license to the New Jersey Sports and Exposition Authority to
29 establish an exchange. Under the bill, exchange wagering may be
30 conducted through an exchange wagering system by exchange
31 wagering account holders who must be residents of this State.

32 Under the bill, "exchange wagering" is defined as a form of
33 parimutuel wagering in which two or more persons place directly
34 opposing wagers on the outcome of a horse race or races. Exchange
35 wagering allows a bettor to "back" or wager on a selected outcome
36 occurring, and another bettor to "lay" or wager on that same
37 outcome not occurring. A back and a lay become identically
38 opposing wagers, and are matched, when a bettor lays a selected
39 outcome at the same price at which another bettor backs that same
40 outcome, with the amount subject to the lay being proportionately
41 commensurate to the amount subject to the back. These identically
42 opposing wagers, which may involve at least two persons wagering,
43 become matched wagers and part of the exchange wagering pool
44 when matched through the exchange wagering system. Once the
45 outcome of the race or races is determined, funds would be
46 transferred from the exchange wagering pool to the bettor or bettors
47 that won wagers in that pool, and applicable transaction or other

1 fees would be levied by the exchange wagering licensee for use and
2 distribution as provided by the commission's rules and regulations.

3 The bill authorizes the commission to consider an application by
4 the authority to establish the exchange. The commission is to issue
5 the license if it determines that the authority has demonstrated, by
6 clear and convincing evidence, that wagers placed through the
7 proposed exchange will be accurately processed, and that the
8 exchange wagering system would contain sufficient safeguards to
9 maintain the integrity of the horse racing industry in this State. The
10 issuance of the license is subject to the approval of the New Jersey
11 Attorney General. The bill further provides that the authority may
12 enter into a contract or agreement with a person or entity to conduct
13 or operate the exchange, and may transfer the license to a successor
14 in interest upon approval of the commission and the Attorney
15 General.

16 The bill also prescribes certain conditions for the establishment
17 of the exchange, including, but not limited to, the requirement for:
18 (a) an exchange wagering account holder to be at least 18 years of
19 age, and a resident of this State; (b) necessary documentation to be
20 submitted by an applicant for an exchange wagering account in
21 order to open the exchange wagering account and place wagers
22 through the exchange wagering system; (c) the types of credits and
23 debits that may be made to an exchange wagering account by the
24 authority and the exchange wagering account holder; and (d) the
25 manner in which wagers may be placed, in person, by direct
26 telephone call, or by communication through other electronic
27 media.

28 The bill further provides that exchange wagers submitted to be
29 posted in a given market on the exchange in this State may, under
30 approved conditions, be matched with exchange wagers on the same
31 horse race or set of horse races submitted by residents of
32 jurisdictions outside this State to an authorized exchange operator
33 in such jurisdictions.

34 The bill further provides that the commission may promulgate
35 the necessary rules and regulations with respect to exchange
36 wagering, including, but not limited to, the manner in which
37 exchange wagers may be accepted; the requirements for any person
38 to participate in exchange wagering; conditions under which the
39 exchange wagering license is issued or renewed in this State;
40 performance of an annual audit of the exchange wagering licensee's
41 books and records pertaining to exchange wagering; and the
42 licensing of employees engaged in conducting wagering related
43 activities.

ASSEMBLY REGULATORY OVERSIGHT AND GAMING
COMMITTEE

STATEMENT TO

ASSEMBLY, No. 2926

STATE OF NEW JERSEY

DATED: JUNE 17, 2010

The Assembly Regulatory Oversight and Gaming Committee reports favorably Assembly Bill No. 2926.

This bill authorizes exchange wagering on the results of horse races, and provides that the New Jersey Racing Commission may issue a license to the New Jersey Sports and Exposition Authority to establish an exchange. Under the bill, exchange wagering may be conducted through an exchange wagering system by exchange wagering account holders who must be residents of this State.

Under the bill, “exchange wagering” is defined as a form of parimutuel wagering in which two or more persons place directly opposing wagers on the outcome of a horse race or races. Exchange wagering allows a bettor to “back” or wager on a selected outcome occurring, and another bettor to “lay” or wager on that same outcome not occurring. A back and a lay become identically opposing wagers, and are matched, when a bettor lays a selected outcome at the same price at which another bettor backs that same outcome, with the amount subject to the lay being proportionately commensurate to the amount subject to the back. These identically opposing wagers, which may involve at least two persons wagering, become matched wagers and part of the exchange wagering pool when matched through the exchange wagering system. Once the outcome of the race or races is determined, funds would be transferred from the exchange wagering pool to the bettor or bettors that won wagers in that pool, and applicable transaction or other fees would be levied by the exchange wagering licensee for use and distribution as provided by the commission’s rules and regulations.

The bill authorizes the commission to consider an application by the authority to establish the exchange. The commission is to issue the license if it determines that the authority has demonstrated, by clear and convincing evidence, that wagers placed through the proposed exchange will be accurately processed, and that the exchange wagering system would contain sufficient safeguards to maintain the integrity of the horse racing industry in this State. The issuance of the license is subject to the approval of the New Jersey Attorney General. The bill further provides that the authority may enter into a contract or

agreement with a person or entity to conduct or operate the exchange, and may transfer the license to a successor in interest upon approval of the commission and the Attorney General.

The bill also prescribes certain conditions for the establishment of the exchange, including, but not limited to, the requirement for: (a) an exchange wagering account holder to be at least 18 years of age, and a resident of this State; (b) necessary documentation to be submitted by an applicant for an exchange wagering account in order to open the exchange wagering account and place wagers through the exchange wagering system; (c) the types of credits and debits that may be made to an exchange wagering account by the authority and the exchange wagering account holder; and (d) the manner in which wagers may be placed, in person, by direct telephone call, or by communication through other electronic media.

The bill further provides that exchange wagers submitted to be posted in a given market on the exchange in this State may, under approved conditions, be matched with exchange wagers on the same horse race or set of horse races submitted by residents of jurisdictions outside this State to an authorized exchange operator in such jurisdictions.

The bill further provides that the commission may promulgate the necessary rules and regulations with respect to exchange wagering, including, but not limited to, the manner in which exchange wagers may be accepted; the requirements for any person to participate in exchange wagering; conditions under which the exchange wagering license is issued or renewed in this State; performance of an annual audit of the exchange wagering licensee's books and records pertaining to exchange wagering; and the licensing of employees engaged in conducting wagering related activities.

ASSEMBLY BUDGET COMMITTEE

STATEMENT TO

ASSEMBLY, No. 2926

with committee amendments

STATE OF NEW JERSEY

DATED: JUNE 24, 2010

The Assembly Budget Committee reports favorably Assembly Bill No. 2926, with committee amendments.

The bill, as amended, authorizes exchange wagering on the results of horse races, and provides that the New Jersey Racing Commission may issue a license to the New Jersey Sports and Exposition Authority to establish an exchange. Under the bill, exchange wagering may be conducted through an exchange wagering system by exchange wagering account holders who must be residents of this State.

Under the bill, “exchange wagering” is defined as a form of parimutuel wagering in which two or more persons place directly opposing wagers on the outcome of a horse race or races. Exchange wagering allows a bettor to “back” or wager on a selected outcome occurring, and another bettor to “lay” or wager on that same outcome not occurring. A back and a lay become identically opposing wagers, and are matched, when a bettor lays a selected outcome at the same price at which another bettor backs that same outcome, with the amount subject to the lay being proportionately commensurate to the amount subject to the back. These identically opposing wagers, which may involve at least two persons wagering, become matched wagers and part of the exchange wagering pool when matched through the exchange wagering system. Once the outcome of the race or races is determined, funds will be transferred from the exchange wagering pool to the bettor or bettors that won wagers in that pool, and applicable transaction or other fees will be levied by the exchange wagering licensee for use and distribution as provided by the commission’s rules and regulations.

The bill authorizes the commission to consider an application by the authority to establish the exchange. The bill directs the commission is to issue the license if the commission determines that the authority has demonstrated, by clear and convincing evidence, that wagers placed through the proposed exchange will be accurately processed, and that the exchange wagering system would contain sufficient safeguards to maintain the integrity of the horse racing industry in this State. The issuance of the license is subject to the approval of the New Jersey Attorney General. The bill further

provides that the authority may enter into a contract or agreement with a person or entity to conduct or operate the exchange, and may transfer the license to a successor in interest upon approval of the commission and the Attorney General.

The bill prescribes certain conditions for the establishment of the exchange, including, but not limited to, the requirement for: (a) an exchange wagering account holder to be at least 18 years of age, and a resident of this State; (b) necessary documentation to be submitted by an applicant for an exchange wagering account in order to open the exchange wagering account and place wagers through the exchange wagering system; (c) the types of credits and debits that may be made to an exchange wagering account by the authority and the exchange wagering account holder; and (d) the manner in which wagers may be placed, in person, by direct telephone call, or by communication through other electronic media.

The bill provides that exchange wagers submitted to be posted in a given market on the exchange in this State may, under approved conditions, be matched with exchange wagers on the same horse race or set of horse races submitted by residents of jurisdictions outside this State to an authorized exchange operator in such jurisdictions.

The bill provides that the commission may promulgate the necessary rules and regulations with respect to exchange wagering, including, but not limited to, the manner in which exchange wagers may be accepted; the requirements for any person to participate in exchange wagering; conditions under which the exchange wagering license is issued or renewed in this State; performance of an annual audit of the exchange wagering licensee's books and records pertaining to exchange wagering; and the licensing of employees engaged in conducting wagering related activities.

FISCAL IMPACT:

This bill was not certified as requiring a fiscal note.

COMMITTEE AMENDMENTS:

The amendments:

- delete language that requires the exchange wagering licensee to first enter into a written agreement with each racetrack conducting the races on which exchange wagers are made prior to conducting exchange wagering on such races, and provide instead that the commission must approve a contract or agreement, if any, with a person or entity to conduct or operate the exchange and to act as the agent for the authority in all exchange wagering matters approved by the commission, including but not limited to the portion of exchange revenues payable to such person or entity conducting or operating the exchange;

- revise the way in which exchange wagering revenues are to be distributed. The amendments delete language that authorizes the New Jersey Racing Commission to require 50% of monies due to any racetrack in this State, pursuant to any agreement with the exchange wagering licensee to permit wagering through the exchange on races conducted at such racetrack, to be paid to overnight purses. Instead, the amendments provide that the commission must require 50% of the exchange revenues retained by the exchange wagering licensee, after the payments of its contractual obligations to other racetracks and to any approved exchange operator, and after deduction of all reasonable and necessary expenses incurred by the licensee in administering, marketing and operating the exchange wagering system, to be paid to overnight purses in this State;
- extend to exchange wagering the existing protections in current law for persons with a compulsive gambling problem. Among other protections, the amendments require that persons on the self-exclusion list be prohibited from opening an exchange wagering account, be removed from targeted mailings and promotional advertisements by the exchange wagering licensee, and be prohibited from collecting any winnings from wagering activity they engaged in while on the self-exclusion list. The amendments subject the exchange wagering licensee to the fines and penalties established for willful violation of the licensee's obligations in enforcing the self-exclusion provisions. Also, the amendments make a technical correction to reflect the current Department of Human Services responsibility for compulsive gambling treatment and prevention programs.

SENATE STATE GOVERNMENT, WAGERING, TOURISM &
HISTORIC PRESERVATION COMMITTEE

STATEMENT TO

[First Reprint]
ASSEMBLY, No. 2926

with committee amendments

STATE OF NEW JERSEY

DATED: NOVEMBER 8, 2010

The Senate State Government, Wagering, Tourism & Historic Preservation Committee reports favorably and with committee amendments Assembly, No. 2926 (1R).

This bill, as amended, authorizes exchange wagering on the results of horse races, and provides that the New Jersey Racing Commission may issue a license to the New Jersey Sports and Exposition Authority to establish an exchange. Under the bill, exchange wagering may be conducted through an exchange wagering system by exchange wagering account holders who must be residents of this State.

Under the bill, “exchange wagering” is defined as a form of parimutuel wagering in which two or more persons place directly opposing wagers on the outcome of a horse race or races. Exchange wagering allows a bettor to “back” or wager on a selected outcome occurring, and another bettor to “lay” or wager on that same outcome not occurring. A back and a lay become identically opposing wagers, and are matched, when a bettor lays a selected outcome at the same price at which another bettor backs that same outcome, with the amount subject to the lay being proportionately commensurate to the amount subject to the back. These identically opposing wagers, which may involve at least two persons wagering, become matched wagers and part of the exchange wagering pool when matched through the exchange wagering system. Once the outcome of the race or races is determined, funds will be transferred from the exchange wagering pool to the bettor or bettors that won wagers in that pool, and applicable transaction or other fees will be levied by the exchange wagering licensee for use and distribution as provided by the commission’s rules and regulations.

The bill authorizes the commission to consider an application by the authority to establish the exchange. The bill directs the commission to issue the license if the commission determines that the authority has demonstrated, by clear and convincing evidence, that wagers placed through the proposed exchange will be accurately

processed, and that the exchange wagering system would contain sufficient safeguards to maintain the integrity of the horse racing industry in this State. The issuance of the license is subject to the approval of the New Jersey Attorney General. The bill further provides that the authority may enter into a contract or agreement with a person or entity to conduct or operate the exchange, and may transfer the license to a successor in interest upon approval of the commission and the Attorney General.

The bill prescribes certain conditions for the establishment of the exchange, including, but not limited to, the requirement for: (a) an exchange wagering account holder to be at least 18 years of age, and a resident of this State; (b) necessary documentation to be submitted by an applicant for an exchange wagering account in order to open the exchange wagering account and place wagers through the exchange wagering system; (c) the types of credits and debits that may be made to an exchange wagering account by the authority and the exchange wagering account holder; and (d) the manner in which wagers may be placed, in person, by direct telephone call, or by communication through other electronic media.

The bill provides that exchange wagers submitted to be posted in a given market on the exchange in this State may, under approved conditions, be matched with exchange wagers on the same horse race or set of horse races submitted by residents of jurisdictions outside this State to an authorized exchange operator in such jurisdictions.

The bill also provides that the commission may promulgate the necessary rules and regulations with respect to exchange wagering, including, but not limited to, the manner in which exchange wagers may be accepted; the requirements for any person to participate in exchange wagering; conditions under which the exchange wagering license is issued or renewed in this State; performance of an annual audit of the exchange wagering licensee's books and records pertaining to exchange wagering; and the licensing of employees engaged in conducting wagering related activities.

Furthermore, under the bill, the commission must require 50% of the exchange revenues retained by the exchange wagering licensee to be paid to overnight purses in this State, after the payments of its contractual obligations to other racetracks and to any approved exchange operator, and after deduction of all reasonable and necessary expenses incurred by the licensee in administering, marketing and operating the exchange wagering system. Under the bill, as amended, the exchange wagering licensee must reach a business agreement with all permit holders within this State, within one year from the date when the exchange wagering system becomes operational, for the distribution of the net exchange wagering revenues remaining after those payments are made and after the payment of operating expenses, pursuant to approval by the commission; provided that, if an agreement is not reached within that time frame, the commission shall

distribute the exchange wagering revenues among the exchange wagering licensees and the permit holders in this State as it deems appropriate. The bill also extends to exchange wagering the existing protections in current law for persons with a compulsive gambling problem.

COMMITTEE AMENDMENTS:

The committee amended the bill to require each exchange wagering licensee to reach a business agreement with all permit holders within this State, within one year from the date when the exchange wagering system becomes operational, for the distribution of the net exchange wagering revenues remaining after payments required under the bill are made and after the payment of operating expenses, pursuant to approval by the commission; provided that, if an agreement is not reach within that time frame, the commission shall distribute the exchange wagering revenues among the exchange wagering licensees and the permit holders in this State as it deems appropriate.

These amendments make this bill identical to Senate Committee Substitute for Senate, No. 829.

SENATE, No. 829

STATE OF NEW JERSEY 214th LEGISLATURE

INTRODUCED JANUARY 19, 2010

Sponsored by:

Senator RICHARD J. CODEY

District 27 (Essex)

Senator JENNIFER BECK

District 12 (Mercer and Monmouth)

SYNOPSIS

Authorizes exchange wagering on results of in-State and out-of-State horse races through exchange wagering system.

CURRENT VERSION OF TEXT

As introduced.



(Sponsorship Updated As Of: 6/4/2010)

1 AN ACT concerning the placement of wagers on the results of horse
2 races and supplementing chapter 5 of Title 5 of the Revised
3 Statutes.

4
5 **BE IT ENACTED** *by the Senate and General Assembly of the State*
6 *of New Jersey:*

7
8 1. This act shall be known and may be cited as the “Exchange
9 Wagering Act.”

10
11 2. The Legislature finds and declares that:

12 a. The horse racing industry is economically important to this
13 State, and the general welfare of the people of the State will be
14 promoted by the advancement of horse racing and related projects
15 and facilities in the State.

16 b. It is the intent of the Legislature, by authorizing exchange
17 wagering in this State, to promote the economic future of the horse
18 racing industry in this State, to foster the potential for increased
19 commerce, employment and recreational opportunities in this State
20 and to preserve the State's open spaces.

21 c. It is the further intent of the Legislature that exchange
22 wagers may be taken in person, by direct telephone call, or by
23 communication through other electronic media, and that, subject to
24 federal law, exchange wagers may be taken from residents of
25 jurisdictions other than this State.

26 d. The Legislature has determined that the New Jersey Racing
27 Commission is best suited to oversee, license and regulate exchange
28 wagering in the State.

29
30 3. As used in this act:

31 "Authority" means the New Jersey Sports and Exposition
32 Authority created by section 4 of P.L.1971, c.137 (C.5:10-4).

33 “Back” means to wager on a selected outcome occurring in a
34 given market.

35 "Commission" means the New Jersey Racing Commission
36 created by section 1 of P.L.1940, c.17 (C.5:5-22).

37 “Exchange wagers” means wagers formed when two or more
38 persons are confirmed as having placed identically opposing wagers
39 in a given market.

40 “Exchange wagering” means a form of wagering in which two or
41 more persons place directly opposing wagers on the outcome of a
42 horse race in a given market.

43 "Exchange wagering licensee" means the New Jersey Sports and
44 Exposition Authority, provided that the commission has granted its
45 approval for the authority to establish an exchange wagering system
46 as provided for in this act.

1 “Exchange wagering system” means the system through which
2 exchange wagers are processed by the exchange wagering licensee
3 pursuant to this act.

4 “Identically opposing wagers” means wagers formed when a
5 bettor lays a selected outcome at the same price at which another
6 bettor backs that same outcome, with the total amount subject to the
7 lay being wholly commensurate to the total amount subject to the
8 back.

9 “Lay” means to wager on a selected outcome not occurring in a
10 given market.

11 “Market” means a particular outcome of a horse race or set of
12 horse races that is subject to exchange wagering.

13 “Price” means the odds at which an exchange wager is matched.

14 “State” means each State of the United States, the District of
15 Columbia, the Commonwealth of Puerto Rico, and any territory or
16 possession of the United States.

17

18 4. Notwithstanding any law, rule, or regulation to the contrary,
19 exchange wagering on the results of horse races conducted in this
20 State or at jurisdictions outside of this State shall be lawful,
21 provided the wagers are placed through the exchange wagering
22 system authorized in accordance with the provisions of this act,
23 P.L. , c. (C.) (pending before the Legislature as this bill), and in
24 accordance with commission rules, regulations, and conditions
25 established therefor.

26

27 5. The commission is hereby authorized to issue a license to the
28 authority to establish an exchange wagering system in accordance
29 with the provisions of this act, P.L. , c. (C.) (pending before the
30 Legislature as this bill). The licensing process shall include the
31 filing by the authority of an exchange wagering license application
32 developed by the commission.

33 At the time of filing an application for licensure under this
34 section, the authority shall submit to the commission a non-
35 refundable filing fee in an amount established by regulation by the
36 commission, and a certification in a form prescribed by the
37 commission which specifies, but is not limited to, information about
38 the operation of the exchange wagering system and the authority's
39 participation therein.

40 Within 14 days of receipt of a completed application,
41 certification and applicable fees, the commission's executive
42 director shall determine whether the same is in due form and meets
43 the requirements of law in all respects. No later than 60 days
44 following the receipt of the application, the commission shall make
45 a final determination on the application. The commission shall
46 approve the application if it determines that the authority has
47 demonstrated by clear and convincing evidence that wagers placed
48 through the proposed exchange wagering system will be accurately

1 processed and that there will be sufficient safeguards to maintain
2 the integrity of the horse racing industry in this State.

3 The commission's determination shall be submitted to the
4 Attorney General for review and approval. The determination of
5 the commission shall be deemed approved by the Attorney General
6 if affirmatively approved or not disapproved by the Attorney
7 General within 14 days of the date of submission. The decision of
8 the Attorney General shall be deemed a final decision. Upon
9 approval by the Attorney General, the commission shall issue to the
10 authority a license to establish the exchange wagering system. The
11 exchange wagering license shall be valid for a term of one year, and
12 shall be subject to renewal annually, unless a different timeframe is
13 otherwise prescribed by regulation of the commission.

14 With the approval of the commission, the authority may enter
15 into a contract or agreement with a person or entity to conduct or
16 operate the exchange wagering system and to act as the agent of the
17 authority in all exchange wagering matters approved by the
18 commission. The exchange wagering license may not be transferred
19 or assigned to a successor in interest without the approval of the
20 commission and the Attorney General, which approval may not be
21 unreasonably withheld.

22
23 6. a. The commission shall have full power to prescribe rules,
24 regulations, and conditions under which exchange wagering may be
25 conducted in this State, consistent with this act, P.L. , c. (C.)
26 (pending before the Legislature as this bill), including, but not
27 limited to the manner in which exchange wagers may be accepted,
28 the requirements for any person to participate in exchange
29 wagering, the distribution of winnings, and the distribution of other
30 sums involved in exchange wagers.

31 b. The commission shall have full power to prescribe rules,
32 regulations and conditions under which the exchange wagering
33 license is issued or renewed in this State, including requiring an
34 annual audit of the exchange wagering licensee's books and records
35 pertaining to exchange wagering, and to revoke, suspend or refuse
36 to renew the license if in the opinion of the commission the
37 revocation of, suspension of or refusal to renew such license is in
38 the public interest; provided, however, that such rules, regulations
39 and conditions shall be uniform in their application.

40 c. The commission shall have no right or power to determine
41 who shall be officers, directors or employees of any exchange
42 wagering licensee, or the salaries thereof; provided, however, that
43 the commission may compel the discharge of any official or
44 employee of the licensee or the exchange wagering system who: (1)
45 fails or refuses for any reason to comply with the rules or
46 regulations of the commission; (2) fails or refuses for any reason to
47 comply with any of the provisions of this act; (3) fails to establish
48 by clear and convincing evidence in the opinion of the commission

1 good character, honesty, competency and integrity; or (4) has been
2 convicted of a crime involving fraud, dishonesty or moral turpitude.

3
4 7. a. A person shall not be permitted to open an exchange
5 wagering account, or place an exchange wager through the
6 exchange wagering system, except in accordance with federal law
7 and this act, through the exchange wagering licensee, and no entity,
8 other than the exchange wagering licensee, shall accept an exchange
9 wager from a person within this State or from another state. A
10 person may not place an exchange wager unless the person has
11 established an exchange wagering account with the exchange
12 wagering licensee. To establish an exchange wagering account, a
13 person shall be at least 18 years of age, and a resident of this State,
14 or of another state within which the placement of wagers on the
15 results of horse races would not be unlawful under federal law or
16 the laws of that state.

17 b. The account shall be in the name of a natural person and
18 may not be in the name of any beneficiary, custodian, joint trust,
19 corporation, partnership or other organization or entity.

20 c. An account may be established by a person completing an
21 application form approved by the commission and submitting it
22 together with a certification, or other proof, of age and residency.
23 The form shall include the address of the principal residence of the
24 prospective account holder and a statement that a false statement
25 made in regard to an application may subject the applicant to
26 prosecution.

27 d. The prospective account holder shall submit the completed
28 application to the exchange wagering licensee or such other person
29 or entity as may be approved by the commission. The exchange
30 wagering licensee may accept or reject an application after receipt
31 and review of the application and certification, or other proof, of
32 age and residency for compliance with this act.

33 e. Any prospective account holder who provides false or
34 misleading information on the application is subject to rejection of
35 the application or cancellation of the account by the exchange
36 wagering licensee without notice.

37 f. The exchange wagering licensee shall have the right to
38 suspend or close any exchange wagering account at its discretion.

39 g. Any person not in good standing with the commission shall
40 not be entitled to maintain an exchange wagering account.

41 h. The address provided by the applicant in the application
42 shall be deemed the proper address for the purposes of mailing
43 checks, account withdrawals, notices and other materials.

44 i. An exchange wagering account shall not be assignable or
45 otherwise transferable.

46 j. Except as otherwise provided in this act or in regulations
47 which the commission may adopt hereunder, all exchange wagers
48 shall be final and no wager shall be canceled by the account holder

1 at any time after the wager has been accepted by the exchange
2 wagering licensee.

3 k. The exchange wagering licensee may at any time declare the
4 system closed for receiving any wagers on any race or closed for all
5 exchange wagering.

6

7 8. a. Credits to an exchange wagering account shall be made as
8 follows:

9 (1) The account holder's deposits to the exchange wagering
10 account shall be submitted by the account holder to the exchange
11 wagering licensee and shall be in the form of one of the following:

12 (a) cash given to the exchange wagering licensee;

13 (b) check, money order, negotiable order of withdrawal, or wire
14 or electronic transfer, payable and remitted to the exchange
15 wagering licensee; or

16 (c) charges made to an account holder's debit or credit card
17 upon the account holder's direct and personal instruction, which
18 instruction may be given by telephone communication or other
19 electronic means to the exchange wagering licensee or its agent by
20 the account holder if the use of the card has been approved by the
21 exchange wagering licensee.

22 (2) Credit for winnings from wagers placed with funds in an
23 exchange wagering account shall be posted to the account by the
24 exchange wagering licensee.

25 (3) The exchange wagering licensee shall have the right to
26 refuse for any reason all or part of any wager or deposit to the
27 account.

28 (4) Funds deposited in the account shall not bear interest to the
29 account holder.

30 b. Debits to a wagering account shall be made as follows:

31 (1) Upon receipt by the account wagering licensee of an account
32 wager properly placed pursuant to section 9 of this act, P.L. ,

33 c. (C.) (pending before the legislature as this bill), the exchange
34 wagering licensee shall determine whether there are sufficient funds
35 in the holder's wagering account to cover the amount of the wager
36 and any additional applicable transaction or other fees due to the
37 licensee under the commission's rules and regulations. If so, the
38 wager shall be accepted. Following the matching of the wager to an
39 identically opposing wager or wagers, and determination of the
40 outcome of the horse race or races on which the exchange wagers
41 were placed by two or more exchange wagering account holders,
42 the amounts due shall be deducted from the exchange wagering
43 account of an account holder who lost the wager, and paid
44 accordingly to the exchange wagering account of the account holder
45 who won the wager, and any applicable transaction or other fees on
46 the exchange wagering accounts shall be additionally deducted and
47 retained by the licensee for use and distribution pursuant to the
48 commission's rules and regulations.

1 (2) The exchange wagering licensee may authorize a withdrawal
2 from an exchange wagering account when the account holder
3 submits to the licensee, the licensee's agent, or such other entity as
4 may be approved by the commission the following:

- 5 (i) proper identification;
- 6 (ii) the correct personal identification number; and
- 7 (iii) a properly completed and executed withdrawal slip on a
8 form approved by the commission.

9 Upon receipt of a properly completed and executed withdrawal
10 form, and if there are sufficient funds in the account to cover the
11 withdrawal, the licensee shall send, within three business days of
12 receipt, a check to the holder at the address specified in the
13 application for the exchange wagering account. The check shall be
14 made payable only to the holder of the exchange wagering account
15 and in the amount of the requested withdrawal.

16

17 9. The exchange wagering licensee may accept exchange wagers
18 from residents of New Jersey and other states, only in accordance
19 with this act, federal law, and the laws of the account holder's state,
20 and as follows:

21 a. A wager to back or lay a particular market, specifying the
22 price of the wager, shall be placed directly with the exchange
23 wagering licensee by the holder of the exchange wagering account.

24 b. The account holder placing the wager shall provide the
25 licensee with the correct personal identification number of the
26 holder of the exchange wagering account.

27 c. A licensee may not accept a wager, or series of wagers, in an
28 amount in excess of funds on deposit in the wagering account of the
29 holder placing the wager. Funds on deposit include amounts
30 credited under section 8 of this act and in the account at the time the
31 wager is placed.

32 d. Only the holder of an exchange wagering account shall place
33 a wager. Unless otherwise approved by the commission, no person,
34 corporation or other entity shall directly or indirectly act as an
35 intermediary, transmitter or agent in the placing of wagers for a
36 holder of an exchange wagering account; provided, however, that
37 the use of credit or debit cards specifically approved by the licensee
38 or the use of checks, money orders or negotiable orders of
39 withdrawal or the use of telephonic, computer or electronic means
40 by the account holder to place such wagers shall not be prohibited.

41 e. The account holder may place a wager in person, by direct
42 telephone call or by communication through other electronic media,
43 as may be lawful under federal law and the laws of the account
44 holder's state.

45

46 10. All amounts remaining in exchange wagering accounts
47 inactive or dormant for such period and under such conditions as

1 established by regulation shall be distributed in accordance with the
2 commission's rules and regulations.

3
4 11. All persons engaged in conducting wagering-related
5 activities through the exchange wagering system, whether employed
6 directly by the licensee or by a person or entity conducting or
7 operating the exchange wagering system pursuant to a contract or
8 agreement with the licensee, shall be licensed or registered in
9 accordance with such regulations as may be promulgated by the
10 commission hereunder. All other employees of the exchange
11 wagering system shall be licensed or registered in accordance with
12 regulations of the commission. The commission shall have full
13 power to prescribe rules, regulations and conditions under which all
14 such licenses are issued, or registrations made, in this State and to
15 revoke or refuse to issue a license, or revoke or refuse to accept a
16 registration, if in the opinion of the commission the revocation or
17 refusal is in the public interest, provided, however, that such rules,
18 regulations and conditions shall be uniform in their application, and
19 further provided that no fee shall be in excess of \$50 for each
20 license so granted or registration accepted.

21
22 12. The provisions of this act shall be deemed to be severable,
23 and if any phrase, clause, sentence or provision of this act is
24 declared to be unconstitutional or the applicability thereof to any
25 person is held invalid, the remainder of this act shall not thereby be
26 deemed to be unconstitutional or invalid.

27
28 13. The commission shall promulgate rules and regulations
29 pursuant to the "Administrative Procedure Act," P.L.1968, c.410
30 (C.52:14B-1 et seq.), to effectuate the purposes of this act.

31
32 14. This act shall take effect immediately.

33

34

35

STATEMENT

36

37 This bill authorizes exchange wagering on the results of horse
38 races, and provides that the New Jersey Racing Commission may
39 issue a license to the New Jersey Sports and Exposition Authority to
40 establish an exchange wagering system. Under the bill, exchange
41 wagering may be conducted through that system by exchange
42 wagering account holders who may be residents of this State, or of
43 other jurisdictions in the United States within which wagering on
44 the results of horse races is not unlawful under the laws of that
45 jurisdiction and federal law.

46 Under the bill, "exchange wagering" is defined as a form of
47 wagering in which two or more persons place directly opposing
48 wagers on the outcome of a horse race or races. Exchange

1 wagering allows a bettor to “back” or wager on a selected outcome
2 occurring, and another bettor to “lay” or wager on that same
3 outcome not occurring. A back and a lay become identically
4 opposing wagers, and are matched, when a bettor lays a selected
5 outcome at the same price at which another bettor backs that same
6 outcome, with the total amount subject to the lay being wholly
7 commensurate to the total amount subject to the back. These
8 identically opposing wagers, which may involve at least two
9 persons wagering, become exchange wagers when matched through
10 the exchange wagering system. Under the bill, once the outcome of
11 the race or races is determined, funds would be transferred from the
12 exchange wagering account of the bettor who lost the wager to that
13 of the bettor who won the wager, and applicable transaction or other
14 fees would be levied by the exchange wagering licensee for use and
15 distribution as provided by the commission’s rules and regulations.

16 The bill authorizes the commission to consider an application by
17 the authority to establish the exchange wagering system. The
18 commission is to issue the license if it determines that the authority
19 has demonstrated, by clear and convincing evidence, that wagers
20 placed through the proposed exchange wagering system will be
21 accurately processed, and that the system would contain sufficient
22 safeguards to maintain the integrity of the horse racing industry in
23 this State. The issuance of the license is subject to the approval of
24 the New Jersey Attorney General. The bill further provides that the
25 authority may enter into a contract or agreement with a person or
26 entity to conduct or operate the exchange wagering system, and
27 may transfer the license to a successor in interest upon approval of
28 the commission and the Attorney General.

29 The bill also prescribes certain conditions for the establishment
30 of the exchange wagering system, including, but not limited to, the
31 requirement for: (a) an exchange wagering account holder to be at
32 least 18 years of age, and a resident of this State or of another
33 United States jurisdiction within which the placement of wagers on
34 the results of horse races would not be considered unlawful under
35 the laws of that jurisdiction and federal law; (b) necessary
36 documentation to be submitted by an applicant for an exchange
37 wagering account in order to open the account and place wagers
38 through the exchange wagering system; (c) the types of credits and
39 debits that may be made to an exchange wagering account by the
40 authority and the account holder; and (d) the manner in which
41 wagers may be placed, in person, by direct telephone call, or by
42 communication through other electronic media, as may be lawful
43 under federal law and the laws of the account holder’s jurisdiction.

44 The bill further provides that the commission may promulgate
45 the necessary rules and regulations with respect to exchange
46 wagering, including, but not limited to, the manner in which
47 exchange wagers may be accepted; the requirements for any person
48 to participate in exchange wagering; the distribution of winnings

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1 and other sums involved in exchange wagers; conditions under
2 which the exchange wagering license is issued or renewed in this
3 State; performance of an annual audit of the exchange wagering
4 licensee's books and records pertaining to exchange wagering; and
5 the licensing of employees engaged in conducting wagering related
6 activities.

SENATE STATE GOVERNMENT, WAGERING, TOURISM &
HISTORIC PRESERVATION COMMITTEE

STATEMENT TO

SENATE COMMITTEE SUBSTITUTE FOR
SENATE, No. 829

STATE OF NEW JERSEY

DATED: NOVEMBER 8, 2010

The Senate State Government, Wagering, Tourism & Historic Preservation Committee reports favorably Senate Committee Substitute for Senate, No. 829.

This bill authorizes exchange wagering on the results of horse races, and provides that the New Jersey Racing Commission may issue a license to the New Jersey Sports and Exposition Authority to establish an exchange. Under the bill, exchange wagering may be conducted through an exchange wagering system by exchange wagering account holders who must be residents of this State.

Under the bill, “exchange wagering” is defined as a form of parimutuel wagering in which two or more persons place directly opposing wagers on the outcome of a horse race or races. Exchange wagering allows a bettor to “back” or wager on a selected outcome occurring, and another bettor to “lay” or wager on that same outcome not occurring. A back and a lay become identically opposing wagers, and are matched, when a bettor lays a selected outcome at the same price at which another bettor backs that same outcome, with the amount subject to the lay being proportionately commensurate to the amount subject to the back. These identically opposing wagers, which may involve at least two persons wagering, become matched wagers and part of the exchange wagering pool when matched through the exchange wagering system. Once the outcome of the race or races is determined, funds will be transferred from the exchange wagering pool to the bettor or bettors that won wagers in that pool, and applicable transaction or other fees will be levied by the exchange wagering licensee for use and distribution as provided by the commission’s rules and regulations.

The bill authorizes the commission to consider an application by the authority to establish the exchange. The bill directs the commission to issue the license if the commission determines that the authority has demonstrated, by clear and convincing evidence, that wagers placed through the proposed exchange will be accurately processed, and that the exchange wagering system would contain sufficient safeguards to maintain the integrity of the horse racing

industry in this State. The issuance of the license is subject to the approval of the New Jersey Attorney General. The bill further provides that the authority may enter into a contract or agreement with a person or entity to conduct or operate the exchange, and may transfer the license to a successor in interest upon approval of the commission and the Attorney General.

The bill prescribes certain conditions for the establishment of the exchange, including, but not limited to, the requirement for: (a) an exchange wagering account holder to be at least 18 years of age, and a resident of this State; (b) necessary documentation to be submitted by an applicant for an exchange wagering account in order to open the exchange wagering account and place wagers through the exchange wagering system; (c) the types of credits and debits that may be made to an exchange wagering account by the authority and the exchange wagering account holder; and (d) the manner in which wagers may be placed, in person, by direct telephone call, or by communication through other electronic media.

The bill provides that exchange wagers submitted to be posted in a given market on the exchange in this State may, under approved conditions, be matched with exchange wagers on the same horse race or set of horse races submitted by residents of jurisdictions outside this State to an authorized exchange operator in such jurisdictions.

The bill also provides that the commission may promulgate the necessary rules and regulations with respect to exchange wagering, including, but not limited to, the manner in which exchange wagers may be accepted; the requirements for any person to participate in exchange wagering; conditions under which the exchange wagering license is issued or renewed in this State; performance of an annual audit of the exchange wagering licensee's books and records pertaining to exchange wagering; and the licensing of employees engaged in conducting wagering related activities.

Furthermore, under the bill, the commission must require 50% of the exchange revenues retained by the exchange wagering licensee to be paid to overnight purses in this State, after the payments of its contractual obligations to other racetracks and to any approved exchange operator, and after deduction of all reasonable and necessary expenses incurred by the licensee in administering, marketing and operating the exchange wagering system. The exchange wagering licensee must also reach a business agreement with all permit holders within this State, within one year from the date when the exchange wagering system becomes operational, for the distribution of the net exchange wagering revenues remaining after those payments are made and after the payment of operating expenses, pursuant to approval by the commission; provided that, if an agreement is not reach within that time frame, the commission shall distribute the exchange wagering revenues among the exchange wagering licensees and the permit holders in this State as it deems appropriate. The bill also extends to

exchange wagering the existing protections in current law for persons with a compulsive gambling problem.

This bill is identical to Assembly, No. 2926 (2R).



Governor Christie Takes Action on Legislation to Ensure Future Viability of Horse Racing in New Jersey

Monday, January 31, 2011 Tags: [Bill Action](#)

New measures move forward Christie Administration goals of securing a future for horseracing in New Jersey without taxpayer subsidy

Trenton, NJ – Furthering his commitment to ensuring a self-sustaining horse racing industry in New Jersey, Governor Chris Christie today signed two bills that provide additional tools for horse racing to operate successfully without taxpayer subsidy. These measures include allowing for “exchange wagering” at New Jersey’s horse racing venues as well as establishing a single pari-mutuel pool for every horse race. Governor Christie also proposed revisions by conditional veto of the “Off Track and Account Wagering Act” that will help facilitate self-sustaining operations at both the Meadowlands Racetrack and Monmouth Park.

“These measures represent the next steps in following through on my Administration’s commitment to securing a strong, independent, self-sufficient horse-racing industry in New Jersey,” Governor Christie said. “We are providing new tools to help the industry implement new strategies, generate additional revenue and capitalize on interest in horse racing around the state. Along with our ongoing efforts to transform racing at the Meadowlands and Monmouth Park through private management, these measures will place horseracing on a path to economic stability and sustainability without public subsidy that New Jersey taxpayers can simply no longer afford.”

By signing, A-2926 authorizing “exchange wagering,” New Jersey will follow California as only the second state in the country where this type of wagering is permitted. Exchange wagering will provide opportunities to increase revenue for the racing industry by attracting new bettors.

In addition, the enactment of S-2229 will permit racetrack permit holders to provide a single pari-mutuel pool for every horse race, resulting in the attraction of new bettors and increased racing revenues. This will reduce the adverse effect that large wagers have on the payoff odds of winning bets by pooling all bets together.

Governor Christie also conditionally vetoed A-1705, which provided for revisions to the “Off Track and Account Wagering Act” to expedite the development of off track wagering facilities throughout the State.

“While I wholeheartedly endorse the objectives behind A-1705, a conditional veto is necessary to give us the necessary flexibility and latitude in negotiations, as it relates to the assignment of Off Track Wagering locations, and that any future OTW locations not be hampered out of the gate with additional fees on their operations,” Governor Christie said. “While we continue to progress in a dialogue to develop a self-sustaining thoroughbred racing industry in New Jersey, it is critical that we have all tools available to reach an agreement that protects taxpayers and the needs of industry partners.”

On December 17, 2010, Governor Christie announced a plan to preserve live Standardbred racing at the Meadowlands Racetrack through the lease of that facility to the Standardbred Breeders and Owners Association (SBOA). The assignment of four off-track wagering locations to the SBOA is a critical component of that agreement.

Consistent with the Governor’s commitment to ease the burden borne by taxpayers in subsidizing New Jersey’s horseracing industry and the recommendations of the supplementary report of the Hanson Commission issued on November 15th, the Christie Administration today also announced that the New Jersey Sports and Exposition Authority will issue in the near future a Request for Proposals for the sale of Monmouth Park, including assignment of additional off-track wagering operations.

A copy of the Governor Christie’s conditional veto letter is attached.

- [Governor Christie’s conditional veto letter \[pdf 140kB\]](#)

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ASSEMBLY BILL NO. 1705
(Second Reprint)

To the General Assembly:

Pursuant to Article V, Section I, Paragraph 14 of the New Jersey Constitution, I am returning Assembly Bill No. 1705 (Second Reprint) with my recommendations for reconsideration.

This bill revises the "Off-Track and Account Wagering Act" to expedite the establishment of off-track wagering facilities in this State. Specifically, the bill would permit entities other than racetrack operators to obtain licenses from the New Jersey Racing Commission to establish and operate off-track wagering facilities provided that they meet certain requirements, standards and criteria. Under the bill's provisions, current racetrack operators will have the opportunity to demonstrate to the satisfaction of the Commission that they have made progress towards establishing their share of the off-track wagering facilities authorized by law. If a licensee fails to establish the foregoing by January 1, 2012, all unused licenses will be forfeited and offered first to horsemen's organizations, and subsequently to any well-suited entity that meets the bill's requirements.

While I commend the sponsors for their interest in enhancing the horse racing industry and wholeheartedly support the expeditious development of off-track wagering facilities in this State, I am concerned that some of the bill's provisions may impede the Administration's progress in developing a self-sustaining horse racing industry. Specifically, on December 17, 2010, in an effort to preserve live Standardbred racing at the Meadowlands I directed the Sports and Exposition Authority to negotiate with the Standardbred Breeders and Owners Association (SBOA) for the lease of the Meadowlands Racetrack. Moreover, because the full development of the State's off-track wagering

network is essential to the future economic viability of the horse racing industry, I further directed the Authority to assign up to four off-track wagering locations as a component of any such lease agreement.

Moreover, in furtherance of our efforts to develop a self-sustaining horse racing industry, my Administration is also pursuing the sale or lease of Monmouth Park Racetrack. In connection with these proposed transactions, the assignment of additional off-track wagering locations by the Authority may be necessary. Thus, it is essential that the Administration and the Authority retain the flexibility to assign off-track wagering licenses in connection with the sale or lease of Monmouth Park.

Based upon the foregoing, I am concerned that the bill's provision requiring the forfeiture of off-track wagering licenses absent a showing of "progress" toward the development of such facilities may adversely impact the Authority's ability to assign off track wagering locations pursuant to an agreement with the SBOA or its designee in connection with the Meadowlands Racetrack or with a potential purchaser or operator of Monmouth Park. Accordingly, I am recommending that the legislation be revised to clarify that negotiations concerning the transfer or assignment of off-track wagering licenses in the context of a potential sale or lease of a racetrack shall be deemed "progress" toward the establishment of such facilities. Moreover, I am recommending that the bill be revised to require the Racing Commission to adhere to the standard set forth above in its development of progress benchmarks for licensees and to permit the Commission to adopt administrative regulations on an expedited basis.

In addition, I am concerned that the bill's provision requiring licensees to pay annually to their host municipality an amount equal to 1% of profits will be a barrier to the development of off-track wagering facilities. While I fully support the sponsors' efforts to provide economic incentives for municipalities where off-track wagering facilities are being considered, existing law already requires facility operators to pay property taxes and, as such, this new fee would be an additional form of taxation that may discourage the development of new locations. While I am recommending through this conditional veto that the 1% fee be eliminated, I pledge to work with the sponsors to find alternatives to defray any additional cost burdens that host municipalities may incur.

Accordingly, I herewith return Assembly Bill No. 1705 (Second Reprint) and recommend that it be amended as follows:

Page 3, Section 1, Lines 7-8:

Delete ", and additional compensation as provided in this act,"

Page 3, Section 1, Lines 13-15:

Delete "and be further required to pay a portion of its wagering revenues to its host municipality²[pursuant to the terms of this act] as provided by law²"

Page 7, Section 3, Line 43:

After "basis.", insert "For the purposes of this section, a permit holder shall be deemed to have made progress toward establishing its share of off-track wagering facilities if it has entered into an agreement, in connection with good faith negotiations over the sale or lease of a racetrack under the permit holder's control, to transfer allocated off-track wagering licenses or facilities to an individual or entity that is a bona fide prospective purchaser or lessee, or has demonstrated to the satisfaction of the Commission that the

execution of such an agreement is imminent based upon the portions of such an agreement agreed upon in principle by the parties as evidenced by a memorandum of understanding or similar accord."

Page 10, Section 3, Line 1:

After "facility.", insert "Such benchmarks shall provide that a permit holder shall be deemed to have made progress toward establishing its share of off-track wagering facilities if it has entered into an agreement, in connection with good faith negotiations over the sale or lease of a racetrack under the permit holder's control, to transfer allocated off-track wagering licenses or facilities to an individual or entity that is a bona fide prospective purchaser or lessee, or has demonstrated to the satisfaction of the Commission that the execution of such an agreement is imminent based upon the portions of such an agreement agreed upon in principle by the parties as evidenced by a memorandum of understanding or similar accord."

Page 15, Section 7, Line 35:

Delete "a. An off-track wagering licensee, or its"

Page 15, Section 7, Lines 36-47:

Delete Lines 36-47 in their entirety

Page 16, Section 7, Lines 1-15:

Delete Lines 1-15 in their entirety

Page 16, Section 7, Line 16:

Delete "d."

Page 16, Line 45:

Insert new section 8:
 "8. (New Section) Notwithstanding any provision of P.L.1968, c.410 (C.52:14B-1 et seq.) to the contrary, the Commission may adopt immediately upon filing with the Office of Administrative Law such regulations as the

Commission deems
necessary to implement
the provisions of this
act, which shall be
effective for a period
not to exceed 180 days
and may thereafter be
amended, adopted or
readopted by the
Commission in accordance
with the requirements of
P.L.1968, c.410."

Page 16, Line 46:

Re-number Section 8 as
Section 9

Respectfully,

/s/ Chris Christie

Governor

[seal]

Attest:

/s/ Jeffrey S. Chiesa

Chief Counsel to the Governor