



April 22, 2020

## **SPORTS BETTING INDUSTRY BULLETIN 5**

### **RE: Rule 6.9 - Sports Betting Payment of Winner - Reserves**

The following guidance is being provided to clarify requirements found in Regulation 1 CCR 207-2 and Sports Betting Rule 6.9.

#### **Reserve Requirements**

Sports Betting Operators are required to have available, at all times, sufficient financial reserves to pay those sports bets accepted, calculated, and settled by that Sports Betting Operation. Proposed reserve amounts must be submitted to the Director or his designee for approval, along with the method of establishing the required reserve. The following methods are acceptable forms of establishing reserves:

- Cash or cash equivalents segregated from operational funds.
- Irrevocable Letters of Credit
- Payment processor reserves and receivables
- Surety Bonds
- A combination of the above-listed methods of reserve

#### **Reserve by Bond**

Bonds obtained to satisfy Sports Betting Rule 6.9 reserve requirements must contain the following components:

1. The bond must designate the Colorado Limited Gaming Control Commission as the Obligee and must indicate the amount for which the bond is held. *(Note: The amount of the bond may need to be increased or separate bonds may need to be obtained to cover the Sports Betting Operation's current outstanding liability.)*
2. The bond must indicate the gaming license type for which the Principal has applied.
3. The bond must state that pursuant to Colorado Limited Gaming Control Sports Betting Rule 6.9 the bond is being maintained in an amount necessary to cover the outstanding sports wagering liability.
4. The bond must be for a term of at least one year.
5. The bond must indicate that upon demand of payment by the Director of the Colorado Division of Gaming, or the director's designee, the Principal shall provide an updated listing of outstanding patron accounts due and owed funds held on deposit or as winnings that form the basis of the Reserve.
6. The bond must indicate that upon receipt the Obligee will commence a review of the list of outstanding patron accounts within twenty-four (24) hours.
7. The bond must state that the Obligee will commence the orderly processing of payment to the listed patrons within five (5) business days and that all such payments will issue within thirty (30) days of the demand made by the Director of the Colorado Division of Gaming, or the director's designee.

8. The bond must indicate that the bond may be extended for additional one-year terms at the sole option of the Surety, by Continuation Certificate executed by the Surety and the Principal.
9. The bond must state that no right of action shall accrue on this bond to or for the use of any entity other than the named Obligee or their heirs, executors, administrators.

All proposed methods of establishing reserves created for the purpose of meeting the reserve requirements found under Rule 6.9 must be submitted to the Director and/or his designee prior to the finalization of the agreement. Failure to submit and obtain approval for your chosen method of the reserve as required by the rule could result in a delay or suspension of sports betting operations, in addition to disciplinary action.