



*State of New Jersey*

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June 9, 2014

**Director's Advisory Bulletin: 2014-01**

RE: Licensing of Internet Marketing Companies

Several internet gaming platform providers and internet gaming marketing companies have raised issues about how the Division of Gaming Enforcement ("Division") licenses internet marketing companies ("affiliates"). Currently, the Division licenses these affiliates as either vendor registrants (pursuant to N.J.S.A. 5:12-92c(1)) or ancillary casino service industry enterprises (CSIE) (pursuant to N.J.S.A. 5:12-92a(3)) depending on how the affiliate is compensated. Affiliates that are paid a flat fee for simply directing traffic to a site are eligible for vendor registration while affiliates whose compensation is tied to player activity require an ancillary CSIE.

The Division recognizes that affiliate marketing companies are important to the growth of internet gaming and has reevaluated its initial licensing determinations. The Division has approved the following list of compensation models, categorized by the type of licensure required. These are the only compensation models approved by the Division at this time. Should an affiliate desire to utilize a different compensation model, it should notify the Division in advance so that a determination can be made about the type of licensure required, or, alternatively, the company could move forward and file for an ancillary CSIE. These companies should contact DAG Michael Golub ([michael.golub@njdge.org](mailto:michael.golub@njdge.org)) or DAG Louis Rogacki ([louis.rogacki@njdge.org](mailto:louis.rogacki@njdge.org)).

Vendor Registration Required

**1. Cost Per Click (CPC or PPC):** An affiliate gets paid a flat amount of money every time a user clicks on a banner or link on its website and is taken to a licensed New Jersey gaming site.



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**2. Cost Per Impression (CPM) or Cost Per View (CPV):** Affiliates receive a flat fee for advertising based upon the number of people projected to view the advertisement or that actually view it.

**3. Sponsorship Deals:** Gaming platforms pay a flat fee to an entity (e.g. a sports team, concert venue) to be their official partner.

**4. Cost Per Action (CPA) Flat Rate Deals:** Affiliate gets paid based upon a defined user non-gaming action:

A. *Sign Up Fee:* Affiliate gets paid a defined flat fee for every coded user that signs up through it. (Also known as Cost Per Lead (CPL)).

B. *Deposit Fee:* Affiliate gets paid a defined flat fee for every coded user that deposits a defined amount of money.

C. *Download Fee:* Affiliate gets paid a defined flat fee for every coded user that downloads a gaming app. (Also known as Cost Per Install (CPI)).

D. *Betting Fee:* Affiliate gets paid a defined flat fee for every coded user that makes a certain number of bets on a gaming site.

#### Ancillary CSIE Required

**1. Cost Per Action (CPA):** Affiliate gets paid based upon a defined user gaming action and/or compensation is tied to a variable, like the amount the player deposits or total bets:

A. *Deposit Percentage Fee:* An affiliate gets a certain percentage of the deposit for every coded user it signs up.

B. *Betting Fee:* An affiliate gets paid once a coded user plays a certain amount of money or wins/loses a certain amount of money on a gaming site.

**2. Revenue Share:** Affiliate is paid a percentage of net gaming revenue of a coded user.

**3. Hybrid CPA and Revenue Share:** Affiliate earns both a CPA and revenue share for a coded user.

Additional Information

1. **Refer a Friend:** A current user refers a friend to use a licensed New Jersey gaming site and the platform provider compensates the current user a defined flat fee for each referral. The Division has determined that no licensure will be required provided that the current user receives less than \$2,500 in a calendar year.

2. **Sub-affiliates:** If a "master affiliate" has an agreement with a platform provider or casino through which the master affiliate receives compensation for referring sub-affiliates to the casino or platform provider, the master affiliate's licensure is based upon the type of compensation it receives. For example, if the master affiliate receives a revenue share based upon the compensation of a sub-affiliate, it will require an ancillary CSIE. However, if the master affiliate receives a defined flat fee per user that the sub-affiliate refers, the master affiliate would require a vendor registration. Similarly, a sub-affiliate's licensure is based upon the type of compensation it receives.

All sub-affiliates are required to submit their contracts to the Division and obtain the appropriate level of licensure. All affiliates are required to ensure that any sub-affiliate that they do business with are appropriately licensed and that the contract is filed with the Division. Therefore, payment by a master affiliate to an unlicensed sub-affiliate or payments by an unlicensed sub-affiliate to a master affiliate, could result in the Division taking regulatory action against the master affiliate or the sub-affiliate, including the revocation of a registration or license.

3. An affiliate is permitted to switch its compensation models between models in the same licensing class. All new agreements are still required to be submitted to the Division though pre-approval is not required before proceeding. The Division reserves the right to reopen an affiliate's licensure based upon a newly submitted contract.

4. The Division will require the Internet Gaming Permit Holders and their platform providers to produce a monthly report to the Division's Service Industry Licensing Bureau, Intake Unit, detailing any monies or other compensation paid to affiliates, including refer a friend payments or other compensation.

5. All compensation for New Jersey business must be based on the contract that the affiliate submits to the Division for review. Affiliates may not receive compensation for New Jersey business through contracts or relationships that are based outside of New Jersey. Any circumvention of this by any party will result in a Division investigation to determine whether there are violations of New Jersey law, and may result in the Division taking regulatory action, including the revocation of a registration or license.

Dated:

June 9, 2014



David L. Rebeck  
Director