



CHRIS CHRISTIE
Governor

KIM GUADAGNO
Lt. Governor

State of New Jersey
OFFICE OF THE ATTORNEY GENERAL
DEPARTMENT OF LAW AND PUBLIC SAFETY
DIVISION OF NEW JERSEY RACING COMMISSION
PO Box 088
TRENTON, NJ 08625-0088

JOHN J. HOFFMAN
Acting Attorney General

PAMELA J. CLYNE
Chairman

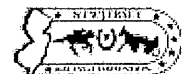
ANTHONY T. ABBATIello
MANNY E. APONTE
MICHAEL J. ARNONE, D.D.S.
PETER J. COFRANCESCO, III
ANTHONY G. DEPAOLA
DAVID C. GRUSKOS
FRANCIS KEEGAN, JR.
PETER T. ROSELLE
Commissioners

FRANCESCO ZANZUCCI
Executive Director

**FINAL DETERMINATION AND ORDER
OF THE NEW JERSEY RACING COMMISSION**

**IN THE MATTER OF THE APPLICATIONS OF
THE NEW JERSEY SPORTS AND EXPOSITION
AUTHORITY FOR AN INITIAL EXCHANGE
WAGERING LICENSE, OF DARBY
DEVELOPMENT LLC FOR AN EXCHANGE
MANAGEMENT AGENT LICENSE, OF BETFAIR
US LLC FOR AN EXCHANGE SERVICES AGENT
LICENSE AND RELATED MATTERS**

The New Jersey Sports and Exposition Authority ("Authority"), having filed an application with the New Jersey Racing Commission ("Commission") for the issuance of an initial exchange wagering license, pursuant to the Exchange Wagering Act, N.J.S.A. 5:5-168 et seq. ("Act"), and the Commission's rules at N.J.A.C. 13:74C-1.1 et seq. ("Chapter 74C"); and Darby Development LLC ("Darby"), having filed an application for the issuance of an exchange management agent license; and Betfair US LLC ("Betfair"), having filed an application for the issuance of an exchange services agent license; and the Authority and Darby, having filed a joint petition seeking approval of the proposed Second Amendment to the Account Wagering Management Agreement ("Account and Exchange Wagering Management Agreement") pursuant to which Darby will act as the exchange management agent for the Authority (the "Management Agent Petition"); and the Authority, Darby, and Betfair, having filed a joint petition seeking approval of an Exchange Wagering Agreement between Betfair and Darby (the "Exchange Wagering Agreement") pursuant to which Betfair will provide an exchange wagering system to New Jersey residents who establish exchange wagering accounts (the "Services Agent Petition"); and the Authority, Darby, and Betfair, having filed a further joint petition seeking a waiver of the requirement that all exchange wagering business activities be conducted and situated in New Jersey (the "Waiver Petition"); and the Authority, Darby, and Betfair, having filed a further joint petition seeking approval of markets for the New Jersey exchange wagering system (the "Markets Petition");



AND, the respective applications of the Authority, Darby and Betfair, having each been accompanied by the required filing fee;

AND, the Commission, having conducted investigations into each application and joint petition;

AND, the Authority, Darby and Betfair, having supplemented their applications and joint petitions with information during the course of the Commission's investigation and review;

AND, the Commission's Executive Director, having appointed Gaming Laboratories International, LLC ("GLI") as his designee and authorized GLI to conduct investigative on-site inspections and testing of the proposed exchange wagering system;

AND, the Commission, having received and considered GLI's "Report of Findings for the Evaluation of the Betfair Exchange Wagering Platform for the New Jersey Racing Commission" and GLI's "Risk Assessment Report for Control Review of Anti-Money Laundering Compliance System;"

AND, the Commission's Executive Director, in accordance with N.J.A.C. 13:74C-2.1, having determined, on October 7, 2015, that the respective applications of the Authority, Darby and Betfair were complete and, upon legal review, were in due form and consistent with the requirements of law;

AND, the following Commissioners, having attended the November 18, 2015 public meeting: Anthony T. Abbatiello, Manny E. Aponte, Michael J. Arnone, D.D.S., Peter J. Cofrancesco, III, Pamela J. Clyne, Francis Keegan, Jr., David C. Gruskos and Peter T. Roselle;

AND, the Commissioners, having considered a draft Final Determination and Order addressing the applications and joint petitions;

AND, the Commissioners, having carefully considered the record before them which included, but was not limited to, the applications, attachments and supplemental submissions of the applicants and joint petitioners, investigative reports, testing evaluation reports and other documents submitted by staff;

AND THE COMMISSION FINDING THAT the Authority has demonstrated that it and its employees are qualified in all respects to receive the exchange wagering license, subject to conditions which include the approval of the Attorney General, by establishing the criteria set forth at N.J.A.C. 13:74C-2.1(d) through clear and convincing evidence;

AND THE COMMISSION FINDING THAT Darby has demonstrated that it and its employees are suitable, in terms of background and qualifications, to perform the functions set forth in the proposed Account and Exchange Wagering Management Agreement, and to hold an exchange management agent license, subject to conditions, by establishing the criteria set forth in N.J.A.C. 13:74C-3.2(a) through clear and convincing evidence;

AND THE COMMISSION FINDING THAT subject to conditions, the Authority and Darby, through their Management Agent Petition, have demonstrated the requirements of N.J.A.C. 13:74C-3.2(a) through clear and convincing evidence, and that the proposed Account and Exchange Wagering Management Agreement will provide that Darby will act as the agent of the Authority with respect to all exchange wagering system matters, Darby will have no final decision making authority, the Authority retains ultimate control and decision-making authority, and the Authority shall oversee and manage Darby in all matters approved by the Commission;

AND THE COMMISSION FINDING THAT Betfair has demonstrated that it and its employees are suitable, in terms of background and qualifications, to perform the functions set forth in the Exchange Wagering Agreement and to hold an exchange services agent license, subject to conditions, by establishing the criteria set forth in N.J.A.C. 13:74C-3.2(c) through clear and convincing evidence;

AND THE COMMISSION FINDING THAT subject to conditions, the Authority, Darby and Betfair, through their Services Agent Petition, have demonstrated the requirements of N.J.A.C. 13:74C-3.2(c) through clear and convincing evidence, which requirements include, but are not limited to, the submission of the internal control procedures of the exchange services agent, certification by Darby that Betfair's internal control procedures have been incorporated within its own internal control procedures and certification by the Authority that Betfair's internal control procedures are sufficient;

AND THE COMMISSION FINDING THAT subject to conditions, the Authority, Darby and Betfair, through their Waiver Petition, have demonstrated each of the requirements of N.J.A.C. 13:74C-3.3(a)(1) through (6) through clear and convincing evidence, which requirements include, but are not limited to, that the business activity and functions proposed to be conducted outside this State may be conducted at such location consistent with law in all respects, will not prevent or negatively implicate the accurate processing of wagers and will not be inconsistent with the Commission's ability to readily investigate the exchange wagering system;

AND THE COMMISSION FINDING THAT subject to conditions, the Authority, Darby and Betfair, through their Markets Petition, have demonstrated

each of the requirements of N.J.A.C. 13:74C-5.2(b) with respect to the Off-Time, Finish, and Antepost win, place, and show markets detailed in the Market Petition;

AND THE COMMISSION FINDING THAT subject to conditions, the Authority, Darby and Betfair have demonstrated through clear and convincing evidence each of the requirements of N.J.A.C. 13:74C-5.1(a)(4) which include, but are not limited to, the proposed markets comply with the Act and Chapter 74C, the wagers will be accurately processed, all aspects of wagering integrity and recordkeeping will be maintained and the markets will not be inimical to the best interests of racing;

AND THE COMMISSION FINDING THAT subject to conditions, the Authority, Darby and Betfair have demonstrated through clear and convincing evidence that the interstate exchange pools that the Authority proposes to offer, or otherwise participate in, with Betfair and its affiliates would be consistent with law;

IT IS THEREFORE ORDERED that the application of the Authority for the exchange wagering license is approved subject to the conditions set forth in Schedule A, which conditions are attached hereto and incorporated herein in their entirety.

IT IS FURTHER ORDERED that the relief sought by the Authority and Darby in the Management Agent Petition, that is, that Darby be authorized to provide exchange management services for the New Jersey exchange wagering system, is approved subject to the conditions set forth in Schedule A.

IT IS FURTHER ORDERED that the application of Darby for an exchange management agent license is approved subject to the conditions set forth in Schedule A.

IT IS FURTHER ORDERED that the relief sought by the Authority, Darby and Betfair in the Services Agent Petition, that is, that Betfair be authorized to provide exchange services for the New Jersey exchange wagering system, is approved subject to the conditions set forth in Schedule A.

IT IS FURTHER ORDERED that the application of Betfair for an exchange services agent license is approved subject to the conditions set forth in Schedule A.

IT IS FURTHER ORDERED that the relief sought by the Authority, Darby and Betfair in the Waiver Petition, that is, that exchange services specified in paragraph 9 of the Waiver Petition be permitted to be conducted outside of the

State of New Jersey, is approved subject to the conditions set forth in Schedule A.

IT IS FURTHER ORDERED that the relief sought by the Authority, Darby and Betfair in the Markets Petition, that is, that the Off-time, Finish, and Antepost win, place, and show markets detailed in the Markets Petition be permitted to be offered on horse races conducted within and outside New Jersey is approved subject to the conditions set forth in Schedule A.

IT IS FURTHER ORDERED that the Authority, and Darby and Betfair (on behalf of the Authority) are approved to offer interstate exchange pools as described in the Authority's application subject to the conditions set forth in Schedule A.

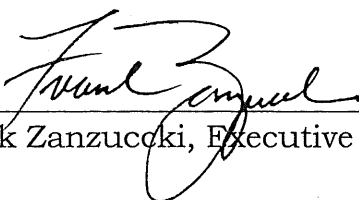
IT IS FURTHER ORDERED that the Commission reserves its right and ability, consistent with its broad regulatory authority, to modify these conditions and to impose additional conditions with regard to the approvals set forth in this "Final Determination and Order."

IT IS FURTHER ORDERED that the Commission delegates full authority to its Executive Director to execute this "Final Determination and Order" on the Commission's behalf, to modify the conditions set forth in Schedule A and to impose additional conditions with regard to the approvals set forth herein as he deems necessary and appropriate during the course of the license year.

This Order reflects the actions taken by the Racing Commission at its public meeting on November 18, 2015.

NEW JERSEY RACING COMMISSION

By:



Frank Zanzucchi, Executive Director

Dated: November 19, 2015

Schedule A - Conditions

- 1) The Commission's Final Determination and Order shall be subject to the review and approval of the Attorney General as required by N.J.S.A. 5:5-172 and N.J.A.C. 13:74C-2.1.
- 2) The Commission's Final Determination and Order shall be subject to the approval of any other governmental entity necessary to the establishment and operation of the exchange wagering system.
- 3) The Authority, as the exchange wagering licensee, Darby, as the exchange management agent licensee, and Betfair, as the exchange services agent licensee, shall comply with the Act, the rules of the Commission, the Commission's Final Determination and Order, including these conditions, any directives or other orders of the Commission and all additional laws that may be applicable.
- 4) The Authority shall maintain meaningful and adequate oversight controls with respect to the exchange wagering system and its exchange wagering license.
- 5) The Authority shall maintain meaningful and adequate oversight controls over Darby as concerns Darby's management of the exchange wagering system and Darby's oversight of Betfair's operation of the exchange wagering system. The Authority and Darby shall maintain meaningful and adequate oversight controls over Betfair.
- 6) The Authority shall file an executed copy of the Second Amendment to the proposed Account and Exchange Wagering Management Agreement with the Commission prior to the opening of the New Jersey exchange wagering system to the public.
- 7) The exchange wagering system may not open to the public unless and until the Commission's Executive Director or his designee authorizes the exchange wagering licensee to do so in writing upon finding that the system complies with the Act, Chapter 74C and the Commission's Final Determination and Order.
- 8) The Commission, its agents and representatives, in furtherance of its regulatory responsibilities, shall have unrestricted access to the exchange wagering system.

- 9) All employees of the exchange wagering licensee, exchange management agent licensee and exchange services agent licensee, including those with supervisory or oversight responsibilities, regardless of location, shall apply for and obtain an exchange identification license as required by N.J.A.C. 13:74C-6.1.
- 10) All vendors of the proposed exchange wagering system shall be licensed by the Commission as required by N.J.A.C. 13:74C-6.1 unless an exemption is granted.
- 11) The internal control procedures submitted by the Authority, Darby and Betfair are approved on a conditional basis.
- 12) Prior to the opening of the exchange wagering system, if not included in its original application submission, the Authority shall submit for approval to the Commission's Executive Director an internal control procedure establishing a "self-exclusion list" pursuant to N.J.A.C. 13:74-12.1 and N.J.A.C. 13:74A-1.1 et seq.
- 13) Prior to the opening of the exchange wagering system, the Authority shall ensure that Betfair corrects the three issues which GLI identified as BUS-4 (incorrect logged time of transfer in TVG Account History/Account Summary), BUS-8 ("My Wagers" hyperlink errors) and BUS-10 (incorrect rounding of transfers of less than one cent) on page 19 of its August 18, 2015 "Report of Findings for the Evaluation of Betfair Exchange Wagering Platform" to the satisfaction of the Commission's Executive Director.
- 14) Prior to the opening of the exchange wagering system, the Authority shall ensure that Betfair is able to provide all reports required by the Commission's rules to the Commission in a format acceptable to the Commission's Executive Director.
- 15) Prior to the opening of the exchange wagering system, the Authority shall ensure that Betfair effectively modifies the Off-time, Finish and Antepost markets to be offered to New Jersey account holders to ensure that wagering and the matching of wagers cease when the first horse in each race in each market crosses the finish line.
- 16) Prior to the opening of the exchange wagering system, the Authority shall ensure that Betfair cooperates and pays the costs of any necessary interfacing between the exchange wagering system and the Commission's computer system.

- 17) Prior to the opening of the exchange wagering system, the Authority shall cause to be implemented testing of all equipment and software associated with the proposed exchange wagering system to ensure that wagers placed through the proposed exchange will be accurately processed and that there will be sufficient safeguards to maintain the integrity of the horse racing industry. Prior to the opening of the proposed exchange wagering system, the Authority shall provide the Commission with written evidence that such testing has been successfully accomplished to the satisfaction of the Commission's Executive Director.
- 18) Prior to offering, or otherwise participating in, interstate or international exchange pools, the Authority shall provide the Commission with a detailed request which includes the particular tracks involved and any supporting documentation.
- 19) Betfair shall make available its facilities outside the State of New Jersey available for visitation and inspection on demand and Betfair shall be responsible for the payment of all costs associated therewith to the Commission.
- 20) No markets shall be offered to New Jersey residents other than the markets identified in the Markets Petition, as approved by the Commission, without first receiving Commission approval in accordance with N.J.A.C. 13:74C-5.2.
- 21) No exchange wagering services or functions shall be provided or take place outside the State of New Jersey for the New Jersey exchange wagering system other than those set forth in the Waiver Petition without following the procedures required by N.J.A.C. 13:74C-3.3.
- 22) The Authority shall ensure that Betfair does not offer the core functions of the exchange wagering platform to external third parties through the use of an Advanced Programming Interface thereby allowing high volumes of wagering or high speed wagering.
- 23) The exchange wagering license may not be transferred or assigned to a successor in interest absent the prior approval of the Commission and Attorney General.
- 24) The issuance of any exchange wagering license shall not constitute precedent in terms of any other application filed with the Commission for the issuance of an exchange wagering license.

- 25) In the event the Commission's Executive Director determines that all of the applicable conditions set forth in the Final Determination and Order are satisfied, the Executive Director shall issue a conditional exchange wagering license to the Authority which license shall specify the date upon which the Authority may commence the conduct of exchange wagering to New Jersey residents who establish exchange wagering accounts.
- 26) In the event the Commission's Executive Director determines that all of the applicable conditions set forth in the Final Determination and Order are satisfied, the Executive Director shall issue a conditional exchange management agent license to Darby authorizing it to assume management functions for the New Jersey exchange wagering system.
- 27) In the event the Commission's Executive Director determines that all of the applicable conditions set forth in the Final Determination and Order are satisfied, the Executive Director shall issue a conditional exchange services agent license to Betfair authorizing it to assume services functions for the New Jersey exchange wagering system.
- 28) The Authority and Darby shall ensure that Betfair complies with its internal control procedures and Betfair's Proposed Procedure for Geolocation Matters, submitted to the Commission on August 25, 2015, to ensure that customers placing exchange wagers are doing so from a location within the State of New Jersey.
- 29) Within six months after the issuance of this Final Determination and Order, the Authority shall ensure that Betfair, at their sole expense, installs and implements advanced geo-location software and controls to the New Jersey exchange wagering system beyond the IP address-based controls currently in place in a manner that is satisfactory to the Commission's Executive Director. In considering the sufficiency of the advanced geo-location software and controls, the Commission's Executive Director shall ensure that the software and controls are tested and evaluated by GLI, at the sole expense of the Authority and Betfair.
- 30) Once the New Jersey exchange wagering system becomes operational, the Authority and Betfair shall cooperate and provide GLI the opportunity and ability to test and conduct a detailed functional evaluation of the "Cash Out" feature to the satisfaction of the Commission's Executive Director.

- 31) Betfair shall continue to make its BETMON (Bet Monitor) platform tools available to Commission staff.
- 32) The Authority shall inform the Commission as soon as is reasonably practicable but in no event later than 24 hours from when Betfair first becomes aware that any exchange activity is inconsistent with the integrity of racing and/or the provisions of the Act and Chapter 74C.
- 33) No change may be made to the New Jersey exchange wagering hardware or software infrastructure components unless the Authority complies with the requirements of N.J.A.C. 13:74C-5.12. Before approving the implementation of any equipment or software, the Commission's Executive Director may require such additional testing and changes to the equipment and software as he determines appropriate.
- 34) No funds shall be made available for wagering in an exchange wagering account until the funds deposited into the account have satisfied any banker's or other required clearance and the funds are actually available within the exchange wagering account.
- 35) The Authority shall be responsible for the payment of all of the costs to date related to the Commission's investigation and review of the exchange wagering applications, attachments and supplemental submissions and of the exchange wagering system.
- 36) The Authority shall be responsible for the payment of all costs related to the Commission's continuing investigation, review, testing and regulation of the exchange wagering system.
- 37) The Commission's Executive Director shall order periodic testing and review of the New Jersey exchange wagering system for continued regulatory compliance, correct functionality, vulnerability assessment and information security and the Authority shall be responsible for the payment of such costs.