



HOUSE OF REPRESENTATIVES
TWENTY-FIRST NORTHERN MARIANAS COMMONWEALTH LEGISLATURE
P.O. BOX 500586, SAIPAN, MP 96950

Ralph N. Yumul
Chairman
Gaming Committee

Recomm - 4/29/19
STANDING COMMITTEE REPORT NO. 21-5
DATE: APRIL 05, 2019
RE: H.B. NO. 21-31

The Honorable Blas Jonathan "BJ" T. Attao
Speaker of the House of Representatives
Twenty-First Northern Marianas
Commonwealth Legislature
Capitol Hill
Saipan, MP 96950

Dear Mr. Speaker:

Your Committee on Gaming, to which House Bill No. 21-31 was referred, entitled:

"To allow Senatorial Districts to establish and regulate internet gaming; and for other purposes."

begs leave to report as follows:

I. RECOMMENDATION:

After reasonable discussion and deliberation on the bill, the Committee recommends that the House pass House Bill No. 21-31 in the form of House Draft 1.

II. ANALYSIS:

A. Purpose:

The purpose of House Bill No. 21-31 is to allow Senatorial Districts to establish and regulate internet gaming and for other purposes.

HOUSE CLERK'S OFFICE
RECEIVED BY *[Signature]*
DATE *4/23/19* TIME *4:10am*



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DATE 4/23/19 TME II. 4/10/19

B. Amendments:

In addition to non-substantive technical amendments, the Committee made the following amendments to strengthen the intent of House Bill No. 21-31.

- Page 2 Line 18 DELETED the word “minor and”
- Page 3 Line 17 DELETED the word “minor and”

C. Committee Findings:

Your Committee finds that pursuant to Article XXI (Gambling) of the CNMI Constitution, gambling is prohibited except as provided by law or established through initiative in the Commonwealth or in any senatorial district. With that being stated, internet gaming, which can be construed as a form of gambling, can be authorized either as a Commonwealth-wide law or on a local level by each respective senatorial district. Furthermore, your Committee finds that internet gaming does not pose any form of risk, either health safety or welfare, if it is properly regulated. This proposed legislation aims to set a foundation that allows for our senatorial districts to implement and enforce internet gaming within each respective district.

Your Committee further finds that other U.S. jurisdictions, such as Nevada, West Virginia, Pennsylvania, Mississippi, New Jersey, New York, etc., have implemented laws regarding internet gaming. Similar to the other U.S. jurisdictions, our beloved Commonwealth and its respective Senatorial Districts will be able properly regulate a variation of gambling that will provide another source of revenue that will benefit out islands. Such revenue can be used by each respective senatorial district to improve the services provided to the respective constituents given the economic uncertainty that the future holds. By allowing internet gaming, we will provide our tourists with another form of entertainment and interaction that will allow for our beloved Commonwealth to benefit.

Your Committee further finds that 31 U.S.C §5362(10)(B) provides security measures pertaining to interstate transaction such as state wagers, age and location verifications, data security measures, and so forth. The proposed legislation, in accordance with appropriate federal laws, aims to amend certain statutes in our criminal code (6 CMC §3151 *et seq.*) to allow for municipalities to carry out their authority in enforcing the provisions set forth in the proposed legislation. Such amendments are needed to ensure that all internet gaming operators are in accordance with the laws set for by each Senatorial District. In addition, your Committee further finds that individuals is a term that means a single person as distinguished from a group or class, and also, very commonly, a private or natural person as distinguished from a partnership, corporation, or association. Thus, the committee felt the need to exclude the term minors because the term individuals includes everyone that basically is a person. Therefore, your Committee agrees with the intent and purpose of House Bill No. 21-31 and recommends its passage in the form of House Draft 1.

D. Public Comments:

Comment(s) were received from:

- Charlie Atalig, Acting Executive Director, Commonwealth Casino Commission

E. Legislative History:

Senate Bill No. 20-109 was formally introduced to the full body of the Senate on August 30, 2018 by Sen. Steve K. Mesngon and was subsequently referred to your Senate Standing Committee on Gaming for disposition. No further action was taken by the respective Senate Standing Committee.

House Bill No. 21-31 was formally introduced to the full body of the House on March 12, 2019 by Rep. Lorenzo I. Deleon Guerrero and was subsequently referred to your House Standing Committee on Gaming for disposition.

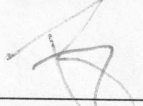
F. Cost Benefit:

The enactment of House Bill No. 21-31, HD1 will not result in additional costs to the CNMI Government due to the fact that the Marianas Visitors Authority is a self-funded agency.

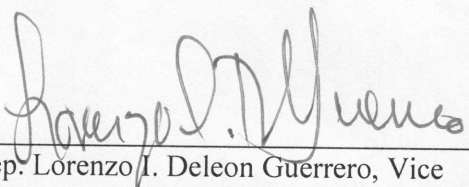
III. CONCLUSION:

The Committee is in full accord with the provisions of House Bill No. 21-31 and recommends the passage of this legislation in the form of House Draft 1.


Respectfully submitted,



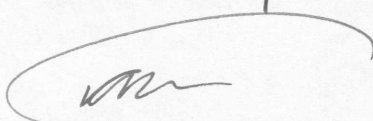
Rep. Ralph N. Yumul, Chairman



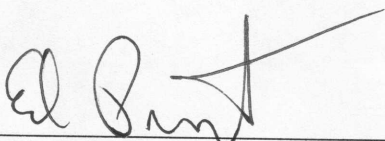
Rep. Lorenzo I. Deleon Guerrero, Vice
Chairman



Rep. Roman C. Benavente, Member



Rep. Ivan A. Blanco, Member

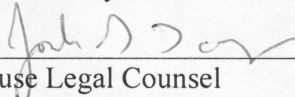


Rep. Edwin K. Propst, Member

Rep. Joseph Lee Pan T. Guerrero, Member

Rep. Edmund S. Villagomez, Member

Reviewed by:


House Legal Counsel

Attachments:

- Letter dated April 04, 2019 from the Acting Executive Director of the Commonwealth Casino Commission.



COMMONWEALTH CASINO COMMISSION
 Commonwealth of the Northern Mariana Islands
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 P.O. Box 500237, Saipan, MP 96950
 Telephone: +1 (670) 233-1857/58
 Facsimile: +1 (670) 233-1856
 E-mail: info@cnmicasinocommission.com



April 4, 2019

Hon. Blas Jonathan Attao
 Speaker, The CNMI House of Representatives
 21st Northern Marianas Commonwealth Legislature
 P.O. Box 500129
 Saipan, MP 96950

Re: House Bill 21-31

Dear Speaker Attao:

Greetings from the Commonwealth Casino Commission (“Commission”)!

The Commission is providing the CNMI House of Representatives with our comments on House Bill 21-31: *“To allow Senatorial Districts to establish and regulate internet gaming; and for other purposes”* or “The Internet Gaming Act of 2019” (the “Bill”).

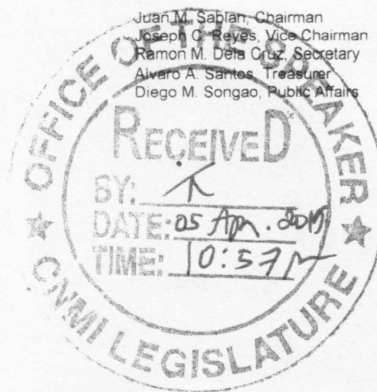
The Commission has concerns with the issue of internet gaming at the moment and urges study of the issue prior to enactment of any legislation regarding the topic. The Commission’s main concerns include issues of money laundering and problem gambling. With proper regulation, these issues can be addressed and mitigated, but this can only occur after study and the development of best practices. These best practices may not yet be in place.

That said, the Commission understands that the Legislature is responsible for making the policy choices which will govern the gaming industry which is so crucial to the Commonwealth’s fiscal survival and the continued payment of obligations; most importantly, the pension payments due the manãmko. Accordingly, the Commission offers the following to help the House of Representatives in its deliberations.

Generally speaking, since the intent of the Bill is to increase revenues for the general fund, the Bill should be amended to require internet gaming operators to have a business license in the CNMI, a physical presence in the CNMI, and utilize banks headquartered in either the CNMI or the United States of America. So doing will help minimize money laundering concerns while also helping maximize tax auditing and collections.

Section One contains the short name of the Bill and is unobjectionable.

Section Two contains the legislative findings. The Commission does question the statement that “internet gaming, when properly regulated, does not pose any greater risk to health safety or welfare than other forms of properly licensed gambling” has been adequately studied. Problem gaming is a medical condition dealing with uncontrollable impulses. Having the ability to immediately wager on a cellphone is, in the Commission’s present understanding, riskier than casino gaming which would require physical presence in the casino. Accordingly, the



Juan M. Sablan, Chairman
 Joseph C. Reyes, Vice Chairman
 Ramon M. Dela Cruz, Secretary
 Alvaro A. Santos, Treasurer
 Diego M. Songao, Public Affairs

Commission urges further study on this issue either before passage of the Bill or during its implementation.

Section Three amends 1 CMC §1402(a) which provides the definition of a “local bill.” This section of the Bill appears to apply to the First, Second, and Third Senatorial Districts, as all have established gaming in a manner contemplated by Article XXI, §1 of the Constitution.

Section Four adds language to 6 CMC §3154 to add a definition in the criminal code. As this involves the definition of a crime, the Commission defers completely to any thoughts the Attorney General may have regarding the content or advisability of the section.

Section Five Section Four adds language to 6 CMC §3156 to add a definition in the criminal code. As this involves the definition of a crime, the Commission defers completely to any thoughts the Attorney General may have regarding the content or advisability of the section.

The Commission does note an error which requires immediate fixing. Page 3 line 15-16 states “...to ensure that the internet gaming can only be accessed by minors...” This is clearly a drafting error. This Bill should be amended to prevent minors from gambling.

This section requires geolocation and membership restrictions, which likely will require extensive black listing (firewalls) and Virtual Private Network (VPN) restrictions. Block-chain technology will likely be utilized. The Commission has begun investigating these issues.

Commission staff has met with one local internet service provider (ISP). Commission staff learned that, although it is possible to identify IP addresses coming out of Rota, at the moment, Tinian and Saipan are assigned IP addresses from the same “IP pool”. This means that Tinian and Saipan IP addresses cannot be distinguished. The IP pool will need to be split into different sub-nets in order to identify the location of the end user. The Commission staff have not yet met with the other ISP, but the Commission assumes that the location identification is possible should there be additional funding to cover the costs of supporting the ISPs’ need for location identification.

Operators running the front-end of a venture like this will likely have to establish a full-on data center that can handle potentially millions of queries, operations and transactions at a time in addition to monitoring and controlling access (potentially a full-time job in its own) from incoming connections. Further, regulating VPN connections will be problematic. While it is feasible to control access through VPN, there will always be individuals who will figure out ways to circumvent and abuse or hack the system. A good example of this is Netflix. They have established an anti-VPN policy in order to control copyright infringement based on geolocation, but there are VPN software packages out there that can easily access the restricted content. Some individuals will surely use this technology to circumvent the geolocation features required by the Bill.

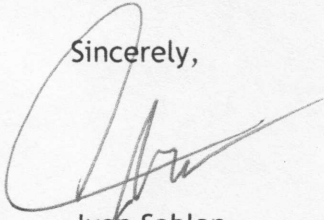
The logistics for each CNMI senatorial district to properly regulate separate programs will be complex and will require highly-skilled and highly-trained employees. Each gaming commission will need to hire additional personnel and create entirely new divisions, which will require a great deal of immersive and continuous training.

Given the potential issues, difficulties, and costs associated with the proper regulation of internet gaming, the Legislature may want to reconsider the entire premise of the Bill and pursue internet gaming singly as an issue that involves the entire Commonwealth.

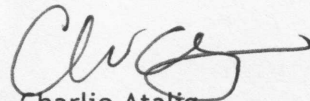
In closing, the Commission appreciates the opportunity to give its opinion on the Bill. The Commission stands ready to assist the House in its deliberation on House Bill 21-31 should further clarification or discussion be necessary.

Thank you.

Sincerely,



Juan Sablan
Chairman



Charlie Atalig
Acting Executive Director

cc: Hon. Ralph DLG. Torres, Governor, CNMI Office of the Governor
Mr. Edward Manibusan, Attorney General, Office of the Attorney General
Commissioners, Commonwealth Casino Commission

TWENTY-FIRST NORTHERN MARIANAS COMMONWEALTH

LEGISLATURE

IN THE HOUSE OF REPRESENTATIVES

MARCH 12, 2019

First Regular Session, 2019

H. B. 21-31, HD1

A BILL FOR AN ACT

To allow Senatorial Districts to establish and regulate internet gaming; and for other purposes.

**BE IT ENACTED BY THE 21ST NORTHERN MARIANAS
COMMONWEALTH LEGISLATURE:**

1 **Section 1. Short Title.** This Act shall be known as the “Internet Gaming
2 Act of 2019.”

3 **Section 2. Findings.** The Legislature finds that internet gaming, when
4 properly regulated, does not pose any greater risk to health safety or welfare than
5 other forms of properly licensed gambling. The Legislature further finds that
6 whether or not to allow internet gaming can be authorized either with
7 Commonwealth-wide law or by local in senatorial districts that have established
8 gambling pursuant to Article XXI, § 1 of the Northern Mariana Islands
9 Constitution.

10 The Legislature further finds internet gaming that is accessible by
11 individuals in jurisdictions in which internet gaming is legal will provide a source
12 of revenue that is independent of tourist arrivals. The Legislature further finds that

1 the Unlawful Internet Gambling Enforcement Act allows internet gambling under
2 federal law, provided that security features are required that prevent access to
3 minors and individuals in jurisdictions in which gambling is illegal. *See* 33 U.S.C.
4 5362(10)(B). The Legislature finds that in light of available geolocation security,
5 the senatorial districts should be entitled to decide whether or not to authorize
6 internet gaming within their respective municipalities. The Legislature finds that
7 the gambling provisions of the criminal code set forth at 6 CMC § 3151 *et seq.* are
8 inconsistent and conflict with the authority of each Senatorial Districts authority to
9 regulate gaming pursuant to Article XXI, § 1 of the Northern Mariana Islands
10 Constitution.

11 **Section 3. Amendment.** 1 CMC § 1402 (a) of the Commonwealth Code is
12 amended by adding a new paragraph (20) as follows:

13 “(20) The establishment and regulation of internet gambling within
14 a senatorial district that has establish gambling pursuant to Article XXI, § 1
15 of the Northern Mariana Islands Constitution, and between that senatorial
16 district and other jurisdictions in which internet gaming is legal, provided
17 that the local law requires geolocation or other security measures to prevent
18 the access of such internet gambling by ~~minors and~~ individuals in senatorial
19 districts in which internet gambling is not authorized.”

20 **Section 4. Amendment.** 6 CMC § 3154 of the Commonwealth Code is
21 amended by adding a new subsection (c) as follows:

1 “(c) “internet gaming” means the conduct of gambling games
2 through the use of communications technology that allows a person,
3 utilizing money, checks, electronic checks, electronic transfers of money,
4 credit cards debit cards or any other instrumentality, to transmit to a
5 computer information to assist in the placing of a bet or wager and
6 corresponding information related to the display of the game, game
7 outcomes or other similar information.”

8 **Section 5. Amendment.** 6 CMC § 3156(a) of the Commonwealth Code is
9 amended by amending paragraph (7) and adding a new paragraph (8) as follows:

10 “(7) Any casino licensed pursuant to Commonwealth law or
11 gambling activities and licensed casinos pursuant to the laws of a Senatorial
12 District, and the employees and patrons of such casino.

13 (8) Any internet gaming operator licensed pursuant to
14 Commonwealth law or licensed pursuant to the laws of a Senatorial District,
15 and the employees and patrons of such internet gaming operator, provided
16 that the internet operator utilize effective geolocation or other security
17 features to ensure that the internet gaming can only be accessed by minors
18 and individuals in the senatorial district or in other jurisdictions in which
19 gambling is legal.”

20 **Section 6. Severability.** If any provision of this Act or the application of
21 any such provision to any person or circumstance should be held invalid by a court

HOUSE BILL 21-31, HD1

1 of competent jurisdiction, the remainder of this Act or the application of its
2 provisions to persons or circumstances other than those to which it is held invalid
3 shall not be affected thereby.

4 **Section 7. Savings Clause.** This Act and any repealer contained herein
5 shall not be construed as affecting any existing right acquired under contract or
6 acquired under statutes repealed or under any rule, regulation, or order adopted
7 under the statutes. Repealers contained in this Act shall not affect any proceeding
8 instituted under or pursuant to prior law. The enactment of the Act shall not have
9 the effect of terminating, or in any way modifying, any liability, civil or criminal,
10 which shall already be in existence on the date this Act becomes effective.

11 **Section 8. Effective Date.** This Act shall take effect upon its approval by
12 the Governor or becoming law without such approval.

Prefiled: 3/12/19

Date: 3/12/19

Introduced by: /s/ Rep. Lorenzo I. Deleon Guerrero

Reviewed for Legal Sufficiency by:

/s/ John F. Cool
House Legal Counsel