



GRETCHEN WHITMER
GOVERNOR

STATE OF MICHIGAN
MICHIGAN GAMING CONTROL BOARD
DETROIT

HENRY L. WILLIAMS, JR.
EXECUTIVE DIRECTOR

MEMORANDUM

DATE: August 26, 2024

TO: Internet Gaming and Sports Betting Operators and Platform Providers

FROM: Dave Murley, Deputy Director, Online Gaming and Legal Affairs

CC: David Hicks, Internet Gaming Manager
Mike Bjork, Internet Gaming Regulation Manager
Thomas Shouldice, Internet Gaming Audit Manager

RE: Authorized Participant Complaints – Withdrawal Requests – Final Memo

The Michigan Gaming Control Board (Board) issued a draft memo on April 23, 2024, regarding authorized participant complaint withdrawal requests, in which it requested feedback from internet gaming and internet sports betting operators and platform providers (operators/platform providers) on or before May 14, 2024. The Board has reviewed and considered the feedback received and has incorporated it into this final memo.

Authorized Participant Withdrawal Request Complaints

The Board has identified withdrawal requests as the most frequent complaint received by the Board. After investigation, the Board concluded that several operators/platform providers have failed to return funds to authorized participants (APs) in a timely manner. Further, several operator/platform providers failed to provide required notifications to APs regarding delays in processing withdrawal requests and noted problems with the account only after the AP had requested a withdrawal. While this has been the Board's experience based on AP complaints received, several operators/platform providers responded that the AP issues cited by the Board may be outliers and likely represent a small fraction of the total withdrawal requests received by operators/platform providers. Operators/platform providers expressed confidence that nearly all withdrawal requests received are processed within the 10 business days required under the rules, and several suggested regulatory changes governing withdrawal requests are unnecessary.

Withdrawal Requests Processing

Per R432.655d(1) and R432.755d(1), an AP must be allowed to withdraw the funds maintained in his or her internet wagering account, whether the account is open or closed, with rare exception. Per R432.655d(2) and R432.755d(2), operators/platform providers must honor the AP's request to withdraw funds within 10 business days after the request, unless the conditions set forth in R432.655d(3) and R432.755d(3) are met (see below). Implicit in the request for a withdrawal is that the funds no longer be available for wagering. To fully honor the AP withdrawal requests,

the operator/platform provider will be required to place the amount of the withdrawal request in pending status and separate/escrow the funds. If an AP requests withdrawal of only a portion of his/her available funds, the remainder may remain in the account and be used for wagering. The escrowed funds must then not be available for use by the operator/platform provider or AP for any other purpose, such as placing wagers, unless the AP subsequently cancels the withdrawal request by email. Please note that operators/platform providers are prohibited from cancelling AP withdrawal requests.

Required Actions if Declining Withdrawal Request

Per R432.655d(3) and R432.755d(3), the operator/platform provider may refuse an AP's withdrawal request only if the operator/platform provider believes in good faith that the AP engaged in conduct, such as fraud, that would put the operator/platform provider in violation of the act and rules. In such cases, the operator/platform provider must do all of the following:

- (a) Provide notice to the AP of the nature of the investigation of the internet wagering account.
- (b) Conduct its investigation in a reasonable and expedient fashion, providing the AP additional written notice of the status of the investigation every tenth business day starting from the day the original notice was provided to the AP.

Operators/platform providers must take special care to ensure this required notice is provided to the AP in a manner which does not "tip off" potential bad actors and/or violate any federal or state law.

The Operator/Platform Provider must provide the notices required under R432.655d(3)(b) and R432.755d(3)(b), whether or not the AP cooperates or responds to the operator/platform provider's investigation. There are no exceptions to this requirement in the rules.

The notices required under R432.655d(3) and R432.755d(3) must be sent via email to the AP registered email address and include a reference or identification number for tracking purposes. The Board acknowledges that several operators/platform providers have previously utilized chat logs or phone conversation transcriptions (written) to satisfy this rule requirement. Going forward, these methods are not an acceptable means of meeting this rule requirement. Furthermore, operators/platform providers must obtain and maintain sufficient documentation to demonstrate their good faith belief the AP engaged in either fraudulent conduct or other conduct that would put the operator/platform provider in violation of the act and rules. This documentation must support all operator/platform provider decisions to decline or cancel an AP withdrawal request pursuant to R432.655d(3) and R432.755d(3). This documentation must be made available to the Board upon request.

Pursuant to R432.655d(3) and R432.755d(3), the Board strongly supports operator/platform providers' efforts to implement robust risk management procedures designed to detect and prevent fraud and suspicious activity, both broadly and as it pertains to withdrawal requests. To be clear, the Board is not advocating or suggesting operators/platform providers reduce or remove such procedures or ignore and/or not investigate potentially risky transactions at the expense of

expediting the processing of withdrawal requests. Operators/platform providers must implement robust risk management procedures which address withdrawal request transactions in conjunction with ensuring compliance with regulations governing withdrawal requests.

Some operators/platform providers have flagged an AP withdrawal request for further investigation/review for reasons which have no clear connection to the withdrawal request. The Board has found, in many of these instances, that the AP was allowed to establish a wagering account, deposit funds into the account, and place wagers without incident. However, when the AP requested a withdrawal, an alert flag was triggered by the platform. The Board acknowledges that some risky transactions may only be discovered at the withdrawal request stage as indicated in the responses received from operators/platform providers. However, it is the responsibility of the operator/platform to identify potential problems prior to opening an account or prior to a withdrawal request. Accordingly, operators/platform providers are required to review their internal controls and revise as needed to ensure potential risks are identified prior to the withdrawal stage and to demonstrate that the reason for the delay in returning the requested funds could not have been discovered prior to the withdrawal request.

Account Suspension

Several operators/platform providers referenced account suspension procedures in their responses provided to the Board. Please note account suspension regulations are outlined under R432.659 and R432.759, which are distinct and separate from the regulations governing withdrawal requests under R432.655d and R432.755d. The Board recognizes there may be situations in which operators/platform providers decide to suspend an AP's account based on the results of an investigation into an AP's withdrawal request. However, the act of suspending the AP's account does not eliminate the operator/platform provider's responsibility to comply with the regulation governing withdrawal requests under R432.655d and R432.755d.

Required Action

Operators/platform providers must perform a comprehensive review of the rule requirements, guidance, and directives contained in this memo and must update their internal controls accordingly to fully ensure compliance with these requirements. To reiterate, these must include, as a minimum, the following:

1. Once an AP requests a withdrawal of funds or the closure of an account, the requested funds may not be used for gambling and must be escrowed/placed in pending status until returned to the AP.
2. Once an AP requests to have funds withdrawn or an account closed, the decision is final unless reversed by the AP in an electronic mail message.
3. Note that all funds will be returned to the AP within 10 days, unless fraud is suspected.
4. If the Operator/Platform suspects fraud, it will document potential/suspected fraud prior to commencing an investigation. This shall remain confidential but shall be made available to the Board upon request. The Operator/Platform provider must provide notice to the AP of the nature of the investigation of the internet wagering account and conduct its investigation in a reasonable and expedient fashion, providing the AP additional written notice of the status of the investigation every tenth business day starting from the day the original notice was provided to the AP.

5. The Operator/Platform shall not impose additional identification/documentation requirements on an AP as a condition of completing a withdrawal, unless fraud is suspected.
6. If fraud is suspected and could have been detected prior to the withdrawal request, the Operator/Platform shall withhold funds until the investigation is complete. However, it shall self-report to the Board that it failed to detect fraud prior to a withdrawal request.
7. If the potential fraud could not have been detected prior to the withdrawal request, the Operator/Platform shall note that in a confidential file which must be made available for Board inspection.

Revised internal controls must be submitted to the Board in approval form at MGCB-IGaming-ICS@michigan.gov within 60 days of the date of this memo.

If you have any questions, please contact Internet Gaming Manager David Hicks at 517-512-0373 or hicksd8@michigan.gov.