

**Development of Internet Gambling Regulations  
Conference Call with the North American Association of State & Provincial  
Lotteries (NASPL)**

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The North American Association of State and Provincial Lotteries represents all of the forty-two state lotteries in addition to the lotteries of the District of Columbia, Puerto Rico, and the U.S. Virgin Islands.

State lotteries are governed in one of the following fashions: a board or commission with authoritative or advisory power; as a subsidiary of a state government agency; or an independent state agency. State lotteries receive scrutiny by the state legislature's auditing agency, private accounting firms, and technology auditors. The technology auditors also review the lottery's Internet presence if applicable.

Nearly all state lotteries participate in a multi-state lottery drawing program such as Powerball or Mega Millions. These games were created so that state lotteries could offer drawings to residents with larger jackpots. In such games, it is the responsibility of each state lottery to print, sell, and distribute funds to winning players. The multi-state associations managing these drawings keep track of tickets sold and pool funds collected by each state to ensure that all states have adequate funds to pay winners and that each lottery receives its correct proportion of the game's revenue. The multi-state associations do **not** sell tickets for the games that they manage, all tickets are sold by the individual state lotteries within their association or group. These associations also conduct oversight over their games.

State lottery games typically come in two forms: instant-win scratch-off tickets and numbers- or lotto-type games where tickets for future drawings are printed at an

electronic terminal networked to state lottery servers dedicated to such games. Currently, only lottery subscriptions are available for purchase via the Internet by the state lotteries of New Hampshire, New York, and North Dakota. Lottery subscriptions describe services where one purchases numbers for future drawings over several weeks or months. No state lottery has any interactive, real-time games on the Internet.

Internet lottery subscription ticket purchasers undergo scrutiny to ensure that they reside within the state from which they are purchasing the ticket and meet the age requirement. To determine residency, state lotteries may check the state in which that consumer's IP address is located, and/or require the purchaser to sign a document (online or in-person) swearing that consumer is a state resident of legal age to buy a ticket. If a consumer were found to have lied on their application, that application may be rejected or cancelled. In order to check age and identity, state lotteries may use a variety of means: credit checks, voting registrations, driver's licenses, and other government data sources. State lotteries may contract out these duties.

Some state lotteries allow residents to purchase subscription tickets via the Internet by credit card. Such purchases are made through the state's lottery agency using the Merchant Category Code (MCC) 9399 – government services. Some other state lotteries allow residents to purchase lottery tickets with credit or debit cards at lottery offices, although not on the Internet. Most of these state lotteries have also been assigned the MCC for government services.

State lotteries encountered problems with credit card purchases in the past. Some credit card merchant acquirers assigned MCC 7995 – the code for gambling – to state lottery transactions rather than the MCC for government services. When MCC 7995 is assigned to state lottery transactions they face the potential of being blocked under the UIGEA regulations, when in fact these payments are not unlawful Internet gambling transactions. Thus, it is the opinion of NASPL that the most acceptable solution would be to require the assignment of a separate and distinct merchant category code for all legal government-operated lotteries that would be universally acceptable by all member banks.