

Chapter 40: FANTASY CONTESTANT FUNDS AND REQUIRED RESERVES

§1. Funds and Required Reserves

1. A fantasy contest operator shall neither extend credit to a fantasy contestant nor allow the deposit of funds into an account that is derived from the extension of credit by affiliates or agents of the operator. For purposes of this subsection, credit shall not be deemed to have been extended where, although funds have been deposited into an account, the operator is awaiting actual receipt of such funds in the ordinary course of business.
2. A fantasy contest operator shall maintain a reserve account that exceeds the amount of entry fees and any other funds on deposit. The reserve may not be used for operational activities.
3. Reserve funds may take the form of cash, cash equivalents, payment processor reserves, payment processor receivables, an irrevocable letter of credit, a bond or any combination thereof, and must be in an amount that exceeds the total balances of the fantasy contestants' accounts with the fantasy contest operator.
4. "Cash equivalents" include commercial paper, treasury bills, short term government bonds, marketable securities, and money market holdings.
5. The reserve agreements must reasonably protect the reserve against claims of the fantasy contest operator's creditors other than the authorized fantasy contestants for whose benefit and protection the reserve is established, and must provide that:
 - A. The reserve is established for the benefit and protection of authorized fantasy contestants to the extent fantasy contest operator holds money in fantasy contestant accounts for fantasy contestants;
 - B. The reserve must not be released, in whole or in part, except upon written instruction or approval of the director. The reserve must be available within sixty (60) days of the written demand or written instruction. If the reserve is released to the director, the director may take such steps as necessary to affect the proper distribution of the funds, including an action in court;
 - C. The fantasy contest operator may receive income accruing on the reserve, without obtaining permission from the director, but any such income must be reported to the director;
 - D. The fantasy contest operator has no interest in or title to the reserve; and
 - E. Maine law and this section govern the agreements and the fantasy contest operator's interest in the reserve and income accruing on the reserve.
6. If the reserve is maintained in the form of a bond, it must be written by a bona fide insurance carrier. Reserves in the form of cash, cash equivalents, and irrevocable letter of credit must be

established pursuant to a written agreement between the fantasy contest operator and the financial institution or insurance carrier, but the fantasy contest operator may engage an intermediary company or agent to deal with the financial institution or insurance carrier, in which event the reserve may be established pursuant to written agreements between the fantasy contest operator and the intermediary, and the intermediary and the financial institution or insurance carrier.

7. The proposed reserve arrangement is not effective for purposes of complying with 8 M.R.S. § 1104(4)(B) until the director's approval has been obtained. However, fantasy contest operators operating in the State of Maine pursuant to 8 M.R.S. § 1103(9) on the date these rules become effective shall be provided no less than ninety (90) days from that effective date to submit a proposed reserve arrangement to the director. Nothing in this section shall require a fantasy contest operator operating in the State of Maine pursuant to 8 M.R.S. § 1103(9) on the date these rules become effective to suspend operations while awaiting director approval of the proposed reserve arrangement.
8. The reserve arrangement agreements may be amended only with the prior written approval of the director.
9. Each fantasy contest operator shall submit to the director all information and copies of documents verifying its proposed reserve arrangements, including copies of the agreements described herein. The director shall determine whether the agreements and arrangements satisfy the purposes and requirements of this section, may require appropriate changes, or withhold approval if they do not, and shall notify the fantasy contest operator of the determination in writing.
10. In the event that a fantasy contest operator's reserve account does not exceed the total balance of the fantasy contestants' accounts with the fantasy contest operator, the fantasy contest operator must, within twenty-four (24) hours, notify the director of this fact by electronic mail or writing and must indicate the steps the fantasy contest operator has taken to remedy the deficiency.
11. The director may require that the reserve be increased to correct any deficiency or for good cause to protect authorized fantasy contestants.

STATUTORY AUTHORITY: 8 M.R.S. §§ 1102(1)(D), 1106

EFFECTIVE DATE: June 13, 2021