The Assembly Regulatory Oversight and Gaming Committee reports favorably Assembly Bill No. 2926.

This bill authorizes exchange wagering on the results of horse races, and provides that the New Jersey Racing Commission may issue a license to the New Jersey Sports and Exposition Authority to establish an exchange. Under the bill, exchange wagering may be conducted through an exchange wagering system by exchange wagering account holders who must be residents of this State.

Under the bill, “exchange wagering” is defined as a form of parimutuel wagering in which two or more persons place directly opposing wagers on the outcome of a horse race or races. Exchange wagering allows a bettor to “back” or wager on a selected outcome occurring, and another bettor to “lay” or wager on that same outcome not occurring. A back and a lay become identically opposing wagers, and are matched, when a bettor lays a selected outcome at the same price at which another bettor backs that same outcome, with the amount subject to the lay being proportionately commensurate to the amount subject to the back. These identically opposing wagers, which may involve at least two persons wagering, become matched wagers and part of the exchange wagering pool when matched through the exchange wagering system. Once the outcome of the race or races is determined, funds would be transferred from the exchange wagering pool to the bettor or bettors that won wagers in that pool, and applicable transaction or other fees would be levied by the exchange wagering licensee for use and distribution as provided by the commission’s rules and regulations.

The bill authorizes the commission to consider an application by the authority to establish the exchange. The commission is to issue the license if it determines that the authority has demonstrated, by clear and convincing evidence, that wagers placed through the proposed exchange will be accurately processed, and that the exchange wagering system would contain sufficient safeguards to maintain the integrity of the horse racing industry in this State. The issuance of the license is subject to the approval of the New Jersey Attorney General. The bill further provides that the authority may enter into a contract or
agreement with a person or entity to conduct or operate the exchange, and may transfer the license to a successor in interest upon approval of the commission and the Attorney General.

The bill also prescribes certain conditions for the establishment of the exchange, including, but not limited to, the requirement for: (a) an exchange wagering account holder to be at least 18 years of age, and a resident of this State; (b) necessary documentation to be submitted by an applicant for an exchange wagering account in order to open the exchange wagering account and place wagers through the exchange wagering system; (c) the types of credits and debits that may be made to an exchange wagering account by the authority and the exchange wagering account holder; and (d) the manner in which wagers may be placed, in person, by direct telephone call, or by communication through other electronic media.

The bill further provides that exchange wagers submitted to be posted in a given market on the exchange in this State may, under approved conditions, be matched with exchange wagers on the same horse race or set of horse races submitted by residents of jurisdictions outside this State to an authorized exchange operator in such jurisdictions.

The bill further provides that the commission may promulgate the necessary rules and regulations with respect to exchange wagering, including, but not limited to, the manner in which exchange wagers may be accepted; the requirements for any person to participate in exchange wagering; conditions under which the exchange wagering license is issued or renewed in this State; performance of an annual audit of the exchange wagering licensee's books and records pertaining to exchange wagering; and the licensing of employees engaged in conducting wagering related activities.