

MARCH 24, 2023



Guidelines on
Bond Methodology
for Lottery Promoters, Bookmakers, Operators of Track
Betting & Operators of Gaming Lounges

Consultation Document

Guidelines on Bond Methodology
for
Lottery Promoters, Bookmakers, Racing Promoter & Gaming Lounge Operators

ABSTRACT

The Betting Gaming & Lotteries Commission in its capacity as the government's regulatory arm, seeks to enable a viable and reputable gaming industry by balancing the interests of industry stakeholders and the government.

The BGLC is issuing this consultation paper to communicate and refine its proposal in relation to Guidelines on Bond Methodology for Lottery Promoters, Bookmakers, Track Betting Operators, Gaming Lounge Operators, and one Racing Promoter.

Currently, only Lottery Promoters and Bookmakers are required to have a performance bond with a financial institution. The BGLC is seeking to establish a consistent methodology for determining performance bonds and a segregated fund for customer funds for the Gaming Industry.

A performance bond is an amount lodged by a licensed promoter which the Commission can claim against in the event of a failure by the promoter to pay any required amounts. Currently, the racing promoter, and gaming lounge operators are not required to post a performance bond.

The objective of this consultation is to seek feedback from the industry in relation to the Guidelines and its applicability of said Guidelines to licensees.

**Guidelines on Bond Methodology
for
Lottery Promoters, Bookmakers, Racing Promoter & Gaming Lounge Operators**

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BGLC's Consultation Process

Persons who wish to express opinions on this Consultation Document are invited to submit comments in writing to the Betting Gaming & Lotteries Commission (BGLC) by post or email addressed to:

Betting Gaming & Lotteries Commission
78cef Hagley Park Rd
Kingston 10
Attention: Laura Wiggan
Ph: 876-630-1353
Email: info@bglc.gov.jm

The Consultation is open to all stakeholders and interested parties, including, but not limited to gaming operators in the gaming industry.

Responses

- Responses will be posted to the BGLC's website (<http://www.bglc.gov.jm/>). Respondents are therefore requested to provide their responses in electronic form to facilitate these postings.
- Responses are requested by **June 30, 2023**.

Comments on Responses

- There will be a specific period for respondents to view other responses and to make comments on them.
- The comments may take the form of counterarguments and/or providing data/information relating to the topic.
- Responses and comments will be posted to BGLC's website.

Comments on responses are requested by **July 30, 2023**

Summary of the Consultation Process

Activity	Deadline
1. Publication of Consultation Document	April 4, 2023
2. Receipt of responses to the Consultation	June 23, 2023
3. Receipt of comments on responses	July 30, 2023
4. Publication of responses	September 30, 2023
5. Publication of BGLC's summary of the next steps for the new guidelines to include reasons for decisions taken.	November 30, 2023

Guidelines on Bond Methodology for Lottery Promoters, Bookmakers, Racing Promoter & Gaming Lounge Operators

Background

Our commitment is to have an open and transparent decision-making process. On that basis, the BGLC is issuing this consultation paper to communicate and refine its proposal in relation to Guidelines on Bond Methodology for Lottery Promoters, Bookmakers, Racing Promoter and gaming lounge operators. The objective of this consultation is to seek feedback from the industry in relation to the Guidelines and its applicability of said Guidelines to licensees.

Following this consultation, the BGLC will consider carefully all responses received when finalizing its Guidelines but will only alter its position if it believes there is a sound basis to do so. The final version will be published before the effective date.

The Guidelines are expected to come into effect April 1, 2024.

Currently, Lottery Promoters, Bookmakers and Gaming Lounge Operators are obligated to pay the following guaranteed amounts:

- To every person holding a bet or ticket with the winning numbers/winning bets/wagers
- Requisite government taxes
- Levy
- CHASE fees
- Unclaimed winnings
- Contributions and License fees, and in
- Instances where patron's deposits are held for wagering

Lottery Promoters and Bookmakers are required to have a performance bond with a financial institution. A performance bond is an amount lodged by a licensed promoter which the Commission can claim against in the event of a failure by the promoter to pay any required amounts. Currently, the racing promoter and gaming lounge operators are not required to post a performance bond.

Lottery Industry

As required in the Conditions to Licence: Lottery Promoters are required to:

- a) post a performance bond and or establish an irrecoverable line of credit (multijurisdictional game) and
- b) establish a dedicated bank account for the lodgment of all monies accruing from its sales for the payment of prizes, statutory liabilities and contributions to the GOJ and the Commission arising from those sales.

The expectation is that Lottery Promoters are to deposit funds on a continuous basis in order to ensure that there is sufficient funding to meet the following obligations:

1. Prize Liability
2. Government Taxes & CHASE fees
3. Contributions payable to BGLC & Licence fees
4. Unclaimed Winnings

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Routine weekly payments are remitted at short, regular/weekly intervals.

Further requirements have been established for funded prizes (i.e. jackpot games) where funds are held as reserves in an escrowed account.

While there are funded prizes, the liability at risk are unfunded prize amounts which are expected to be guaranteed to winning tickets along with the applicable Government taxes and contributions and unclaimed winnings.

Recent developments have seen the offering of patron/player accounts where funds are deposited into an account for wagering. These funds are not covered by the performance bond established by current operators.

Betting Industry

Bookmakers

As required by Regulations - Regulation 3(c) of the BGL 1975 regulations, Bookmakers are required to lodge a performance bond in order to ensure that there is sufficient funding to meet the following obligations:

1. Prize Liability
2. Government taxes & Levy
3. Contributions payable to BGLC & Licence fees
4. Unclaimed Winnings

Bookmakers have implemented player account wagering whereby patrons/players deposit funds into an account for account wagering. These funds are currently not covered by the performance bond requirement.

In addition, where a bookmaker offers online games through a third party which has progressive prizes and a seeded amount is required, there is increased liquidity risks.

Racing Promoter

The BGLC does not currently require that the racing promoter provides a performance bond or a dedicated bank account.

Gaming Industry

The BGLC does not currently require gaming lounges to provide a performance bond or a dedicated bank account. Generally, non-progressive games produce limited liquidity risk. However, where there are progressive prizes, the liquidity risks can be severely increased.

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Purpose

The Commission is seeking to establish a consistent methodology for determining performance bond and a segregated fund for customer funds for the gaming industry.

The purpose of these guidelines is to outline BGLC's approach, methodology and requirements for Performance Bond and Segregated Customer Funds.

These guidelines will be kept under review and will be updated as necessary from time to time.

BGLC's Policy on Performance Bond & Customer Segregated funds requirements

1. **PERFORMANCE BOND**

1.1. The bond is established and held for:

- a) The benefit and protection of prize liabilities, government fees, taxes, levies, contributions and unclaimed winnings.
- b) The bond will be called upon if the company is insolvent.

1.2. **Application of Performance Bond**

Where the Commission is entitled or authorised to appropriate or call in some or all of the security and apply it, it shall be applied in order of priority:

- a) To balances on players' wagering account
- b) amounts payable in respect of the lottery, gaming and betting debts of the licensee's business.
- c) to duties or taxes payable under the Act;
- d) amounts payable in respect of fees and charges leviable by, or agreed with, the Commission or another entity conducting lottery, gaming, races or events or providing technical services relevant to the licensee's; and
- e) to fines, fees or other charges payable under the Act, regulations or rules;

1.3. **Call for Claims on Bond**

- a) The Commission may, upon termination or intended termination of any licensee or bond, publish such notices in such newspapers or other media as it thinks fit notifying the fact of such termination or intended termination and calling for claims from persons to whom the licensee is indebted and fixing a period within which such claims shall be filed with the Commission. For the purposes of this clause 'termination', includes revocation, cancellation, non-renewal or surrender.
- b) The licensee or former licensee as the case may be, shall upon demand pay to the Commission the costs of such publication, and such cost shall be recoverable by the Commission in full as a debt due to the Commission.
- c) The Commission may hold any security until its expiration, and a reasonable time thereafter, for dealing with claims.

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1.4. Maintenance of undertaking and security/bond

The licensee must not conduct operations at any time when:

- a) Any security/bond given by the licensee is not in force or
- b) The licensee is not in compliance with any undertakings given to a third party for the purposes of obtaining that bond or security.

2. DEDICATED BANK ACCOUNT

The Commission requires licensees to maintain a dedicated bank account at all times with sufficient funds to cover all monies owed by the licensees to all its patrons, for payment of prizes, government taxes, levies and contributions.

3. CUSTOMER SEGREGATED BANK ACCOUNT

The Customer Segregated bank account is established and held for:

The benefit and protection of patrons to the extent the books:

- a) Holds money for patrons' account (player accounts)
- b) Accepted wagers from patrons on contingencies whose outcomes have not been determined or owes patrons on winning wagers/bets, inclusive of advertised jackpots

Question 1:

- a) Do you agree with the justification for establishing a performance bond?
- b) Do you agree with the priority pay out in the event that the Commission is authorized to appropriate it?
- c) Do you agree with the proposal to require licensees to establish and maintain a Customer Segregated bank account? Please provide details.

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The Guidelines

Lottery Industry

Methodology

1. Performance Bond (amended current condition)

The performance bond will be the greater of \$150,000,000 or 2% of projected annual gross ticket sales. The bond is to cover outstanding lottery pool liabilities including declared lottery jackpot liability, government taxes, levies and contribution.

The performance bond is subject to annual review.

2. Segregated Patron's Bank account (new condition)– applies to lottery promoters offering player account wagering.

A segregated patron's bank account is to be established for holding player's funds, separate from the company funds in the event the licensee becomes insolvent and is put into liquidation.

Formula for determination of patron's balances

- a) Total amounts held for the account of patrons ("Front money") i.e.
 - amounts received by the licensee to open the patron player account
 - amounts received by the licensee in settlement of any debt owed by the patron to the licensee or for the redemption of any cheque held by the licensee
- b) Total amounts owed and still payable on winning wagers ("Unpays")
- c) Total amount of accepted wagers on future contingencies ("Futures")
- d) Promotional credits

3. Dedicated bank account (current condition)

A Dedicated bank account is to be maintained into which funds are deposited to ensure that on a continuous basis throughout the term of the licence, the credit balance on that account is not less than 100% of the aggregate amount of its liabilities i.e. for the lodgment of all monies accruing from its sales for the payment of prizes, statutory liabilities and Contributions to the Government of Jamaica and the Commission arising from such sales.

Question 2

- a) Do you agree with the stated percentage for arriving at the bond value for Lotteries, and do you agree that it should be subject to annual review? Please provide details.
- b) Do you agree with the formula for determination of patrons' balances?

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Betting Industry

Bookmakers

Methodology

1. Performance Bond (amended current condition)

To cover outstanding betting pool liabilities – racing and sports betting obligations, Government taxes and contributions.

The performance bond will be 2.2% of annual sales (up from 1.7% of sales. Increase is based on the increased level of risks).

The performance bond is subject to annual review.

2. Segregated Patron's Bank account (new condition)– *applies to bookmakers offering player account wagering.*

A segregated patron's bank account is to be established for holding player's funds, separate from the company funds in the event the licensee becomes insolvent and is put into liquidation.

Formula for determination of patron's balances

- a) Total amounts held for the account of patrons ("Front money") i.e.
 - amounts received by the licensee to open the patron player account
 - amounts received by the licensee in settlement of any debt owed by the patron to the licensee or for the redemption of any cheque held by the licensee
- b) Total amounts owed and still payable on winning wagers ("Unpaid")
- c) Total amount of accepted wagers on future contingencies ("Futures")
- d) Promotional credits

3. Dedicated bank account (new condition)

A Dedicated bank account is to be maintained into which funds are deposited to ensure that on a continuous basis throughout the term of the licence, the credit balance on that account is not less than 100% of the aggregate amount of its liabilities i.e. for the lodgment of all monies accruing from its sales for the payment of prizes, statutory liabilities and Contributions to the Government of Jamaica and the Commission arising from such sales.

Question 3

- a) Do you agree with the stated percentage for arriving at the bond value for Bookmakers, and do you agree that it should be subject to annual review? Please provide details.
- b) Do you agree with the need for Bookmakers to establish Segregated patrons' bank accounts?

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- c) Do you agree with how the formula for determination of patron's balances is arrived at?

Racing Promoter

Methodology

1. No Performance Bond

2. Segregated Patron's Bank account (new condition) *player account wagering.*

A segregated patron's bank account is to be established for holding player's funds, separate from the company funds in the event the licensee becomes insolvent and is put into liquidation.

Formula for determination of patron's balances

- a) Total amounts held for the account of patrons ("Front money") i.e.
 - amounts received by the licensee to open the patron player account
 - amounts received by the licensee in settlement of any debt owed by the patron to the licensee or for the redemption of any cheque held by the licensee
- b) Total amounts owed and still payable on winning wagers ("Unpays")
- c) Total amount of accepted wagers on future contingencies ("Futures")
- d) Promotional credits

3. Dedicated bank account (new condition)

A Dedicated bank account is to be maintained into which funds are deposited to ensure that on a continuous basis throughout the term of the licence, the credit balance on that account is not less than 100% of the aggregate amount of its liabilities i.e. for the lodgment of all monies accruing from its sales for the payment of prizes, statutory liabilities and Contributions to the Government of Jamaica and the Commission arising from such sales.

Question 4

- a) Do you agree with the need for the Racing Promoter to establish Segregated patrons' bank accounts?
- b) Do you agree with how the formula for the determination of patron's balances is arrived at?
- c) Do you agree that the Racing Promoter needs to establish and maintain a dedicated bank account with a credit balance covering all liabilities? Please provide details.

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Gaming Industry

Gaming Lounge Operators

Methodology

1. Introduction of Performance Bond

The performance bond will be 0.20% of annual gross sales.

The bond amount is to cover outstanding gaming pool liabilities including Government taxes and contributions.

The performance bond is subject to annual review.

2. Segregated Patron's Bank account (new condition)

A segregated patron bank account is to be established for holding player's funds, separate from the company funds in the event the licensee becomes insolvent and is put into liquidation.

Formula for determination of patron's balances

- a) Total amounts held for the account of patrons ("Front money") i.e.
 - amounts received by the licensee to open the patron player account
 - amounts received by the licensee in exchange for gaming credit
 - amounts received by the licensee in settlement of any debt owed by the patron to the licensee or for the redemption of any cheque held by the licensee
- b) Total amounts owed and still payable on winning wagers ("Unpays")
- c) Total amount of accepted wagers on future contingencies ("Futures")
- d) Promotional credits

3. Dedicated bank account (current condition)

A Dedicated bank account is to be maintained into which funds are deposited to ensure that on a continuous basis throughout the term of the licence, the credit balance on that account is not less than 100% of the aggregate amount of its liabilities i.e. for the lodgment of all monies accruing from its sales for the payment of prizes, statutory liabilities and Contributions to the Government of Jamaica and the Commission arising from such sales.

Question 5

- a) Do you agree with the stated percentage for arriving at the bond value for Gaming Lounge Operators, and do you agree that it should be subject to annual review?
Please provide details.
- b) Do you agree with the need for Gaming Lounge Operators to establish Segregated patrons' bank accounts?

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- c) Do you agree with how the formula for determination of patron's balances is arrived at?

Proposed amendments to Conditions to Licence

Applies to Lottery Promoter Licence, Bookmaker's Permit & Operators of Gaming Machines - Gaming Lounge.

Performance Bond Requirement

1. The licensee shall establish and maintain a performance bond held or issued by a licensed bank or licensed financial institution in favour of the Commission, subject to periodic review and increases as deemed necessary by the Commission.
2. The licensee may secure funding mechanisms such as cash, cash equivalents, debenture, an irrevocable surety bond, irrevocable trust with a licensed Financial Institution by the Bank of Jamaica or the Financial Services Commission, or letters of credit, including credit facilities available to the licensee or any other funding mechanism funded by a financial institution.

Protection of Customer Funds

Segregation of funds

1. The licensee who holds players' funds shall maintain a separate dedicated client bank account (s)
2. In this condition 'players' funds' means the aggregate value of funds held to the credit of customers including, without limitation:
 - cleared funds deposited with the licensee by players to provide stakes in, or to meet participation fees in respect of future gambling.
 - winnings or prizes which the player has chosen to leave on deposit with the licensee or for which the licensee has not credited to the player's account and
 - any crystallised unpaid bonuses or promotional credit or other bonuses, in each case irrespective of whether the licensee is a party to the gambling contract.
3. The dedicated client bank account shall be in the form of cash or cash equivalents, and comprise of player's funds and all amount sufficient to protect players against defaults in gaming debts owed by the licensee (Front money & Unpays), the following minimum:
 - a) First month of operation, one hundred percent (100%) of licensee's projected payout to patrons for a weekly period, defined as seven (7) gaming days (Sundays to Saturdays), based on the average daily payout multiplied by seven (7); and

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- b) Second and subsequent months of operation, one hundred percent (100%) of licensee's actual payout to patrons for a weekly period, based on the average daily payout multiplied by seven (7) from the previous month's operation.

If, at any time, the licensee's available cash or cash equivalents should be less than the amount required by this condition, the licensee must immediately notify the Commission of this deficiency.

Disclosure to customers

1. Licensees who hold customer funds must set out clearly in the terms and conditions for establishing player accounts under which they provide facilities for gambling, information about whether customer funds are protected in the event of insolvency, the level of such protection and the method by which this is achieved.
2. Such information must be communicated to the Commission. It must be provided to each patron, in a manner which requires the customer to acknowledge receipt of the information and does not permit the patron to utilise the funds for gambling until they have done so, both on the first occasion on which the customer deposits funds and on the occasion of any subsequent deposit.

Question 6

- a) Do you agree with the conditions under which information is to be disclosed to customers?

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Licence to Conduct Lottery-Type Games Lottery Promoter - Conditions to Licence

1. Performance Bond (amended current condition)

The licensee shall post a performance bond issued by a licensed bank or licensed financial institution in favour of the Commission, subject to increases as deemed necessary by the Commission.

The performance bond will be the greater of \$150,000,000 or 2% of projected annual gross ticket sales.

The licensee may secure funding mechanisms such as cash, cash equivalents, debenture, an irrevocable surety bond, irrevocable trust with a licensed Financial Institution by the Bank of Jamaica or the Financial Services Commission, or letters of credit, including credit facilities available to the licensee or any other funding mechanism funded by a financial institution.

The performance bond is subject to annual review.

2. Segregated Patron's Bank account (new condition)– *applies to lottery promoters offering player account wagering.*

A segregated patron's bank account is to be established for holding player's funds, separate from the company funds in the event the licensee becomes insolvent and is put into liquidation.

Formula for determination of patron's balances

- a) Total amounts held for the account of patrons ("Front money") i.e.
 - amounts received by the licensee to open the patron player account
 - amounts received by the licensee in settlement of any debt owed by the patron to the licensee or for the redemption of any cheque held by the licensee
- b) Total amounts owed and still payable on winning wagers ("Unpays")
- c) Total amount of accepted wagers on future contingencies ("Futures")
- d) Promotional credits

3. Dedicated bank account (current condition)

A Dedicated bank account is to be maintained into which funds are deposited to ensure that on a continuous basis throughout the term of the licence, the credit balance on that account is not less than 100% of the aggregate amount of its liabilities i.e. for the lodgment of all monies accruing from its sales for the payment of prizes, statutory liabilities and Contributions to the Government of Jamaica and the Commission arising from such sales.

If, at any time, the licensee's available cash or cash equivalents should be less than the amount required by this rule, the licensee must immediately notify the Commission of this deficiency.

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Bookmaker Conditions to Licence

Performance Bond

1. The licensee shall establish and maintain a performance bond held or issued by a licensed bank or licensed financial institution in favour of the Commission, subject to periodic review and increases as deemed necessary by the Commission.
2. The licensee may secure funding mechanisms such as cash, cash equivalents, debenture, an irrevocable surety bond, irrevocable trust with a licensed Financial Institution by the Bank of Jamaica or the Financial Services Commission, or letters of credit, including credit facilities available to the licensee or any other funding mechanism funded by a financial institution.
3. The performance bond will be 2.2% of annual projected sales.
4. **A segregated patron's bank account** is to be established for holding player's funds, separate from the company funds in the event the licensee becomes insolvent and is put into liquidation. The segregated patron's account is to be determined based on:
 - a) Total amounts held for the account of patrons ("Front money") i.e.
 - amounts received by the licensee to open the patron player account
 - amounts received by the licensee in settlement of any debt owed by the patron to the licensee or for the redemption of any cheque held by the licensee
 - b) Total amounts owed and still payable on winning wagers ("Unpays")
 - c) Total amount of accepted wagers on future contingencies ("Futures")
 - d) Promotional credits

5. Dedicated bank account (new condition)

A Dedicated bank account is to be maintained into which funds are deposited to ensure that on a continuous basis throughout the term of the licence, the credit balance on that account is not less than 100% of the aggregate amount of its liabilities i.e. for the lodgment of all monies accruing from its sales for the payment of prizes, statutory liabilities and Contributions to the Government of Jamaica and the Commission arising from such sales.

If, at any time, the licensee's available cash or cash equivalents should be less than the amount required by this rule, the licensee must immediately notify the Commission of this deficiency.

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Track Betting Licence

1. No Performance Bond

2. A **segregated patron's bank account** is to be established for holding player's funds, separate from the company funds in the event the licensee becomes insolvent and is put into liquidation.

The segregated patron's account is to be determined based on:

- a) Total amounts held for the account of patrons ("Front money") i.e.
 - amounts received by the licensee to open the patron player account
 - amounts received by the licensee in settlement of any debt owed by the patron to the licensee or for the redemption of any cheque held by the licensee
- b) Total amounts owed and still payable on winning wagers ("Unpays")
- c) Total amount of accepted wagers on future contingencies ("Futures")
- d) Promotional credits

3. Dedicated bank account (new condition)

A Dedicated bank account is to be maintained into which funds are deposited to ensure that on a continuous basis throughout the term of the licence, the credit balance on that account is not less than 100% of the aggregate amount of its liabilities i.e. for the lodgment of all monies accruing from its sales for the payment of prizes, statutory liabilities and Contributions to the Government of Jamaica and the Commission arising from such sales.

If, at any time, the licensee's available cash or cash equivalents should be less than the amount required by this rule, the licensee must immediately notify the Commission of this deficiency.

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Gaming Conditions to Licence

1. The licensee shall establish and maintain a performance bond held or issued by a licensed bank or licensed financial institution in favour of the Commission, subject to periodic review and increases as deemed necessary by the Commission.
2. The licensee may secure funding mechanisms such as cash, cash equivalents, debenture, an irrevocable surety bond, irrevocable trust with a licensed Financial Institution by the Bank of Jamaica or the Financial Services Commission, or letters of credit, including credit facilities available to the licensee or any other funding mechanism funded by a financial institution.
3. The performance bond will be 0.20% of annual sales to cover amounts owed and still payable on games or payouts (winning wagers) (“Unpays”) and outstanding gaming pool liabilities including Government taxes and contributions.

4. Segregated Patron’s Bank account (new condition)

A segregated patron bank account is to be established for holding player’s funds, separate from the company funds in the event the licensee becomes insolvent and is put into liquidation.

Formula for determination of patron’s balances

- a) Total amounts held for the account of patrons (“Front money”) i.e.
 - amounts received by the licensee to open the patron player account
 - amounts received by the licensee in exchange for gaming credit
 - amounts received by the licensee in settlement of any debt owed by the patron to the licensee or for the redemption of any cheque held by the licensee
- b) Total amounts owed and still payable on winning wagers (“Unpays”)
- c) Total amount of accepted wagers on future contingencies (“Futures”)
- d) Promotional credits

5. Dedicated bank account (current condition)

A Dedicated bank account is to be maintained into which funds are deposited to ensure that on a continuous basis throughout the term of the licence, the credit balance on that account is not less than 100% of the aggregate amount of its liabilities i.e. for the lodgment of all monies accruing from its sales for the payment of prizes, statutory liabilities and Contributions to the Government of Jamaica and the Commission arising from such sales.

If, at any time, the licensee's available cash or cash equivalents should be less than the amount required by this rule, the licensee must immediately notify the Commission of this deficiency.