

This amendment to the regulations is being noticed for public comment today. To adopt a regulation requires first filing with the Secretary of State's office a notice of intended action setting forth the terms or substance of such action or description of the subjects and issues involved and the manner in which interested persons may present their view thereon. The final version of these regulations will be adopted at a subsequent meeting, after which it is presented in to the Secretary of State's office in final form, and after thirty days have passed, the regulation will become final.

Item was approved for public notice at the September 25, 2002 Mississippi Gaming Commission Meeting.

MGC Regulation III. A. SECTION 9, Periodical Payments

- (a) Except as provided in this regulation, a licensee shall remit the total prizes awarded to a patron as the result of conducting any game, including a tournament, contest, or promotional activity (hereinafter collectively referred to as "gaming or promotional activity") conducted in Mississippi upon validation of the prize payout.
- (b) As used in this section of the regulation:
 - (1) "Approved funding sources" means cash, U.S. GSE securities or U.S. Treasury securities that are used for the funding of a trust pursuant to subsection (c)(2) hereof or the reserve method of funding periodic payments pursuant to subsection (c)(3) hereof.
 - (2) "Brokerage firm" means an entity that:
 - (A) Is both a broker-dealer and an investment adviser;
 - (B) Has one or more classes of its equity securities listed on the New York Stock Exchange or American Stock Exchange, or is a wholly-owned subsidiary of such an entity; and
 - (C) Has assets under management in an amount of \$10 billion or more as reported in its most recent report on Form 10-K or Form 10-Q filed with the United States Securities and Exchange Commission, or is a wholly-owned subsidiary of such an entity.
 - (3) "Broker-dealer" means any person engaged in the business of effecting transactions in securities for the account of others or for his own account and:
 - (A) Is registered as a broker-dealer with the Mississippi Secretary of State pursuant to Section 75-71-301 of the Mississippi Code of 1972, as amended; or

- (B) Is exempt from registration pursuant to Section 75-71-105(b) of the Mississippi Code of 1972, as amended, and is registered as a broker-dealer with the United States Securities and Exchange Commission and the National Association of Securities Dealers pursuant to Title 15 USC 78o, as amended.
- (4) "Executive Director" means the Executive Director of the Mississippi Gaming Commission or his designee.
- (5) "Date of calculation" means the last day for which a discount rate was obtained prior to the conclusion of the validation period.
- (6) "Discount rate" means the current prime rate as published in the Wall Street Journal. For those licensees using the reserve method of funding pursuant to subsection (c)(3) hereof, "discount rate" means either:
 - (A) The aforementioned current prime rate; or
 - (B) A blended rate computed from the various U.S. GSE securities or U.S. Treasury securities selected by the licensee for which quotes are obtained at least three times a month.
- (7) "Independent financial institution" means an institution that is not affiliated through common ownership with the licensee and is either:
 - (A) A bank or national banking association that is authorized to do business in this state, a banking corporation formed or regulated under the laws of this state or a wholly owned subsidiary of such a banking association or corporation that is formed or regulated under the laws of this state or a national bank with an office in Mississippi; or
 - (B) An insurance company admitted to transact insurance in the State of Mississippi with an A.M. Best Insurance rating of at least "A+" or such other equivalent rating.
- (8) "Investment Adviser" means any person who, for compensation, engages in the business of advising others, either directly or through publications or writings, as to the value of securities or as to the advisability of investing in, purchasing or selling securities, or who, for compensation and as a part of a regular business, issues or promulgates analyses or reports concerning securities and:

- (A) Is registered as an investment adviser with the Mississippi Secretary of State pursuant to Section 75-71-303 of the Mississippi Code of 1972, as amended; or
 - (B) Is exempt from registration pursuant to Section 75-71-105(g) of the Mississippi Code of 1972, as amended, and is registered as an investment adviser with the United States Securities and Exchange Commission pursuant to Title 15 USC 80b-3a, as amended.
- (9) "Periodic payments," for purposes of this regulation only, means a series of payments that are paid at least annually for prizes awarded through gaming or promotional activity.
- (10) "Present value" means the current value of a future payment or series of payments, discounted using the discount rate.
- (11) "Qualified prize option" means the sum of periodic payments, awarded to a patron as a result of any gaming or promotional activity, payable over a period of at least 10 years.
- (12) "Qualified prize option" means an option that entitles a patron to receive from a licensee a single cash payment in lieu of receiving a qualified prize, or any remaining portion thereof, which shall be exercised no later than 60 days after validation of the qualified prize.
- (13) "Reserve" means a restricted account consisting of approved funding sources used exclusively to satisfy periodic payments of prizes arising from all gaming or promotional activity conducted in Mississippi. Any existing funding methods previously approved by the Executive Director or Commission must comply with this Regulation as of its effective date. The reserve shall not be less than the sum of the following:
- (A) The present value of the aggregate remaining balances owed on all prizes awarded to patrons who are receiving periodic payments. For balances previously funded using U.S. GSE securities or U.S. Treasury securities, the discount rate on the date of funding shall be used for calculating the present value of this portion of the reserve.
 - (B) An amount sufficient to pay the single cash payments offered in conjunction with qualified prize options for prizes previously awarded for which elections have not been made by the patrons;

- (C) An amount sufficient to fully fund the present value of all prizes currently on public display for which periodic payments are offered;
 - (D) If cash is used as the approved funding source, an amount equal to satisfy the current liabilities to all patrons receiving periodic payments due and payable within 12 months; and
 - (E) Any additional amounts administratively required by the Executive Director.
- (14) "Restricted account" means an account with an independent financial institution described in subsection (b)(7)(A) hereof, or a brokerage firm, which is to be exclusively used for the reserve method of funding of gaming or promotional activity as provided in this regulation.
- (15) "Single cash payment" means a single discounted, lump-sum cash payment in the amount of the present value of the total periodic payments otherwise due and owing for a qualified prize, less the amount of any partial payment of such qualified prize previously made by the licensee to a patron.
- (16) "Trust" means an irrevocable fiduciary relationship in which one person is the holder of the title to the property subject to an equitable obligation to keep or use the property for the benefit of another.
- (17) "U.S. Government Sponsored Enterprise" or "U.S. GSE" means, for purpose of this regulation, either the Federal National Mortgage Association, also known as Fannie Mae, or the Federal Home Loan Mortgage Corporation, also known as Freddie Mac.
- (18) "U.S. GSE securities" means negotiable, senior, non-callable, debt obligations issued by a U.S. GSE that on the date of funding possesses an issuer credit rating equivalent to the highest investment grade rating given by Standards & Poor's Rating Services and Moody's Investors Service.
- (19) "U.S. Treasury securities" means a negotiable debt obligation issued and guaranteed by the U.S. Government.
- (20) "Validation period" means the period of time between when a patron has met the conditions required to receive a prize, and when the prize payout is validated. The validation period shall not exceed 72 hours, unless otherwise extended by the Executive Director.

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Secretary of State
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P.O. Box 136, Jackson, MS 39205

ADMINISTRATIVE PROCEDURES FILING NOTICE

Agency Mississippi Gaming Commission Person to Contact Larry Gregory
Address P. O. Box 23577 Address same
Jackson, MS 39225-3577
Phone (601) 351-2800 Transmittal Date _____

Copy Attached: Yes No

Name or Number of Rule(s) MGC Regulation III . A. Section 9, Periodic Payments

Terms or Substance of the Actions or Description of the Subject and Issues:

Amending the regulation to include U.S. Government Sponsored Enterprise ("U.S.GSE") Securities as an approved funding source for periodic payments of winnings awarded to a patron as a result of any licensed game, tournament, contest, or promotional activity upon validation of the win.

Printed Name and Title of Person Authorized to File Rules: Sharon J. Smith Legal Secretary
Name Sharon J. Smith Title
Signature

EMERGENCY RULES	PROPOSED ACTION ON RULES	FINAL ACTION ON RULES
<input type="checkbox"/> Original Filing <input type="checkbox"/> Renewal of Effectiveness To Be In Effect _____ Days Effective Date: <input type="checkbox"/> Immediately on <input type="checkbox"/> Other (Specify): _____	Action Proposed: <input type="checkbox"/> New Rule(s) <input checked="" type="checkbox"/> Amendment to Existing Rule(s) <input type="checkbox"/> Repeal of Existing Rule(s) <input type="checkbox"/> Adoption by Reference Proposed Date of Adoption: <input checked="" type="checkbox"/> 30 Days after Filing <input type="checkbox"/> Other (Specify): _____	Action Taken: <input type="checkbox"/> Adopted with No Changes in Text <input type="checkbox"/> Adopted with Changes <input type="checkbox"/> Adopted by Reference <input type="checkbox"/> Withdrawn Date Action Taken _____ Effective Date <input type="checkbox"/> 30 Days After Filing <input type="checkbox"/> Other (Specify): _____

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