

Senate Study Bill 3195 - Introduced

SENATE FILE _____

BY (PROPOSED COMMITTEE ON WAYS
AND MEANS BILL BY CHAIRPERSON
DAWSON)

A BILL FOR

1 An Act regulating designated contract markets and providing
2 penalties.

3 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

unofficial

1 Section 1. NEW SECTION. **68B.9 Prohibition on buying or**
2 **selling event-driven contracts relating to legislative or**
3 **governmental actions.**

4 A public employee, public official, or lobbyist, or an
5 immediate family member of the public employee, public official,
6 or lobbyist, shall not buy or sell an event-driven contract on a
7 designated contract market relating to state or local legislative
8 actions or other governmental actions. As used in this section,
9 "event-driven contract" and "designated contract market" mean the
10 same as defined in section 99H.1.

11 Sec. 2. Section 68B.34, Code 2026, is amended to read as
12 follows:

13 **68B.34 Additional penalty.**

14 In addition to any penalty contained in any other provision
15 of law, a person who knowingly and intentionally violates a
16 provision of sections 68B.2A through ~~68B.8~~ 68B.9, sections 68B.22
17 through 68B.24, or sections 68B.35 through 68B.38 is guilty
18 of a serious misdemeanor and may be reprimanded, suspended, or
19 dismissed from the person's position or otherwise sanctioned.

20 Sec. 3. NEW SECTION. **99H.1 Definitions.**

21 1. "Consumer" means an individual who is a resident of this
22 state.

23 2. "Designated contract market" means a digital marketplace
24 for trading event-driven contracts that is also regulated by the
25 federal commodity futures trading commission.

26 3. "Economic indicators" means a statistic or data point
27 about an economic activity that allows an analyst to assess
28 current economic performance.

29 4. "Event-driven contract" means a financial derivative
30 traded on a designated contract market that provides a fixed
31 binary payout based upon the occurrence or nonoccurrence of a
32 specific future event that is contingent upon and determined
33 solely by the definitive outcome of a verifiable specific
34 event or external measure rather than being based upon the
35 continuous fluctuation of a security price, commodity value, or

1 interest rate that may or may not correlate with traditional
2 market prices or broad economic measures. An "event-driven
3 contract" is limited to those financial derivatives that provide
4 a fixed binary payout related to sporting activities, lotteries,
5 elections, legislative actions, and economic indicators.

6 5. "Settlement source" means an entity from which the
7 designated contract market obtains or sources information for the
8 purpose of determining the outcome of an event-driven contract.

9 6. "Sporting activities" means the outcome of a sporting
10 event, outcomes with the event, or outcomes surrounding the
11 event.

12 7. "Statewide telephone number" means a telephone number
13 authorized by the department of health and human services that
14 provides gambling information.

15 8. "Trade" means a format in which a trader submits an offer
16 to buy a position on a designated contract market at a specific
17 price or range of prices or offers to sell a position at a
18 specific price or range of prices, with market prices determined
19 through the matching of the offers.

20 9. "Trader" means any person buying or selling event-driven
21 contracts on a designated contract market.

22 Sec. 4. NEW SECTION. **99H.2 Age restrictions.**

23 1. A designated contract market shall not permit a consumer
24 under twenty-one years of age to register or otherwise open an
25 account, trade, or be a trader of an event-driven contract on the
26 designated contract market.

27 2. If a designated contract market has inadvertently
28 permitted a consumer under twenty-one years of age to register,
29 trade, or otherwise become a trader, the designated contract
30 market shall immediately suspend the account, close all positions
31 of the account, pay out to the consumer any funds in the account,
32 and prohibit the consumer under twenty-one years of age from
33 trading until the consumer has attained twenty-one years of age.

34 Sec. 5. NEW SECTION. **99H.3 Exclusions from trading.**

35 1. A designated contract market shall maintain and enforce

1 policies to exclude certain persons from trading including the
2 following:

3 a. (1) A consumer who voluntarily self-excludes from
4 trading.

5 (2) A designated contract market shall establish a process to
6 allow a consumer to voluntarily self-exclude being a trader. The
7 process shall provide that an initial request by a consumer to be
8 voluntarily excluded shall be for a period of five years or life
9 and any subsequent request following any five-year period shall
10 be for a period of five years or life. The process established
11 shall also require a consumer requesting to be voluntarily
12 excluded be provided information compiled by the department of
13 health and human services on gambling treatment options. The
14 state and any designated contract market shall not be liable
15 to any person for any claim which may arise from this process.
16 In addition to any other penalty provided by law, any money or
17 thing of value that has been obtained by, or is owed to, a
18 voluntarily excluded consumer as a result of trades made by the
19 consumer after the consumer has been voluntarily excluded shall
20 be forfeited by the consumer and shall be credited to the general
21 fund of the state.

22 (3) If a consumer voluntarily self-excludes, the designated
23 contract market must immediately block the access of the consumer
24 to trade and take reasonable steps to prevent the consumer from
25 creating new accounts.

26 b. Any officer, director, employee, or agent of the
27 designated contract market, or any family member of such a
28 person.

29 c. Any officer, director, employee, or agent of a source
30 settlement provider, or any family member of such a person.

31 d. Any person who has insider information on a particular
32 event-driven contract.

33 e. Any person prohibited pursuant to section 68B.9.

34 2. Any exclusion shall be enforced by the designated contract
35 market until the purpose for the exclusion no longer applies.

1 Sec. 6. NEW SECTION. **99H.4 Settlement sources.**

2 1. A designated contract market shall maintain a
3 comprehensive list of all settlement sources that are used to
4 determine outcomes of the event-driven contracts and shall make
5 the list readily accessible to consumers at all stages of the
6 registration process.

7 2. Each designated contract market shall display on every
8 section of the internet site of the designated contract market
9 in which a trade may be made the settlement source for the
10 settlement of the trade.

11 3. A designated contract market shall not settle any trade
12 based upon proprietary or confidential information.

13 Sec. 7. NEW SECTION. **99H.5 Limitations on trading.**

14 1. Each designated contract market shall implement and adhere
15 to responsible trading measures to protect consumers who may be
16 at risk of at-risk trading behaviors.

17 2. The measures shall include all of the following:

18 a. Allowing a consumer to set daily, weekly, or monthly
19 limits on the amount that can be deposited into an account or
20 spent on trading.

21 b. Implementing features that allow consumers to limit the
22 amount of time spent on the internet site of the designated
23 contract market, including periodic notifications that remind
24 consumers of how long the consumer has been active on the
25 designated contract market, and the net winnings or losses during
26 the session of trading.

27 c. Posting clearly the statewide telephone number and other
28 extensive responsible gaming features including the ability to
29 self-exclude pursuant to section 99H.3.

30 d. Requiring all advertisements and marketing materials to
31 include an at-risk trading message and the statewide telephone
32 number.

33 Sec. 8. NEW SECTION. **99H.6 Advertising.**

34 1. Every designated contract market shall comply with the
35 advertising standards set forth in this section.

1 2. Advertisements by a designated contract market shall not
2 do the following:

3 a. Send push notifications to consumers which pertain to
4 bonuses on trades the consumer has not taken a position on.

5 b. Depict persons under twenty-one years of age, except
6 incidentally.

7 c. Target consumers under twenty-one years of age.

8 d. Target consumers in a manner that is calculated to reach
9 consumers that have voluntarily self-excluded or have engaged in
10 problem gambling.

11 e. Imply trading is risk-free or use similar language.

12 f. Imply endorsement by the state.

13 3. Advertisements by a designated contract market shall do
14 the following:

15 a. Be truthful and not misleading.

16 b. Include the statewide telephone number that is visible for
17 the entire duration of the advertisement, or in circumstances
18 where the advertisement is auditory, the statewide telephone
19 number shall be stated at the beginning and the end of the
20 advertisement.

21 c. Provide consumers with a readily accessible way to opt out
22 of direct marketing, upon the request of the consumer.

23 4. If the designated contract market offers bonuses, free
24 credits, referral rewards, or other promotions to consumers, the
25 terms and conditions of the offers must be described in plain
26 language.

27 5. If a designated contract market uses a third party to
28 promote the designated contract market, the designated contract
29 market is responsible for ensuring the third party complies with
30 the advertising requirements of this section.

31 **Sec. 9. NEW SECTION. 99H.7 Extending credit.**

32 A designated contract market shall not permit a consumer to
33 use a credit card or other credit-based product to add funds to
34 an account of the consumer.

35 **Sec. 10. NEW SECTION. 99H.8 Restrictions on market**

1 **making.**

2 1. A designated contract market shall not offer an
3 event-driven contract in this state if the designated contract
4 market includes as a liquidity provider or market maker any
5 entity who engages in gaming activities in the normal course of
6 business, whether within or outside the state.

7 2. The prohibition in subsection 1 applies to any affiliated
8 entities, subsidiaries, parent companies, joint ventures,
9 partnerships, agents, employees, or any other entity acting at
10 the direction of, or in cooperation with, or for the financial
11 benefit of the entity acting as a liquidity provider or market
12 maker.

13 Sec. 11. NEW SECTION. **99H.9 Insider trading and market**
14 **manipulation.**

15 1. A designated contract market shall implement commercially
16 reasonable and technically feasible measures to detect and
17 prevent fraudulent or manipulative conduct by traders.

18 2. If the designated contract market detects potential
19 manipulation by traders, the designated contract market
20 shall notify the attorney general, and, if appropriate, law
21 enforcement.

22 Sec. 12. NEW SECTION. **99H.10 Penalties — injunction.**

23 1. The attorney general shall administer this chapter and
24 enforce the provisions of this chapter.

25 2. Any designated contract market that violates any provision
26 of this chapter is subject to civil penalties, not to exceed ten
27 thousand dollars, for each violation.

28 3. If the attorney general determines the designated contract
29 market engaged in a persistent course of conduct in violation of
30 this chapter, the attorney general may impose a civil penalty not
31 to exceed fifty thousand dollars for each violation.

32 4. a. Whenever the attorney general believes that a
33 designated contract market has engaged in a persistent course of
34 conduct in violation of this chapter, the attorney general may
35 seek injunctive relief or a temporary restraining order pending

1 the outcome of an enforcement proceeding under this chapter. In
2 such an action, any injunctive relief or temporary restraining
3 order granted shall be governed by the applicable Iowa rules of
4 civil procedure.

5 b. Where a designated contract market continues to operate in
6 the state after an order has been granted under paragraph "a",
7 the designated contract market shall incur a civil penalty in
8 the amount of one million dollars for each day the designated
9 contract market is operating in violation of the order.

10 5. Nothing in this section shall be construed to preclude
11 criminal prosecution under any other law.

12 Sec. 13. NEW SECTION. **99H.11 Internal controls —**
13 **reporting.**

14 1. Prior to permitting consumers to trade on a designated
15 contract market, the designated contract market shall provide
16 the attorney general with a description of the internal controls
17 implemented by the designated contract market to comply with
18 this chapter including but not limited to age verification,
19 measures to identify the traders, prevention of insider trading
20 or market manipulation, ability to receive and act upon tips
21 related to insider trading or market manipulation, standards
22 used to monitor event-driven contracts and restrictions placed on
23 known violators, monitoring trades within the state boundaries,
24 prevention of unauthorized withdrawals from the account of a
25 trader, the manner event-driven contract funds are segregated
26 from other funds, and the protection of any personal and private
27 information of a trader.

28 2. After receiving the information provided in subsection 1,
29 the attorney general shall have thirty days to approve trading
30 on the designated contract market by consumers, or to request
31 additional information, and if such additional information is
32 requested, the thirty-day time period shall begin anew.

33 3. If, after the approval of the internal controls in
34 subsection 1, the designated contract market changes any of the
35 approved internal controls, the designated contract market shall

1 be required to submit the changes to the attorney general for
2 review at least fifteen days prior to implementing any changes to
3 the internal controls.

4 Sec. 14. NEW SECTION. **99H.12 Rules.**

5 The attorney general shall adopt rules pursuant to chapter 17A
6 to administer this chapter.

7 EXPLANATION

8 The inclusion of this explanation does not constitute agreement with
9 the explanation's substance by the members of the general assembly.

10 This bill regulates designated contract markets.

11 The bill defines "designated contract markets" (market) to
12 mean a digital marketplace for trading event-driven contracts
13 that is also regulated by the federal commodity futures trading
14 commission.

15 The bill defines "event-driven contracts" (contract) to
16 mean a financial derivative traded on a designated contract
17 market that provides a fixed binary payout based upon the
18 occurrence or nonoccurrence of a specific future event that
19 is contingent upon and determined solely by the definitive
20 outcome of a verifiable specific event or external measure rather
21 than being based upon the continuous fluctuation of a security
22 price. An "event-driven contract" is limited under the bill to
23 those financial derivatives that provide a fixed binary payout
24 related to sporting activities, lotteries, elections, legislative
25 actions, and economic indicators.

26 The bill requires a market to prohibit a person under 21
27 years of age to trade contracts on the market, and to implement
28 controls to identify such persons.

29 The bill requires a market to maintain and enforce policies to
30 exclude certain persons from trading including allowing persons
31 to self-exclude from trading contracts. The other persons
32 required to be excluded from trading on the market include (1)
33 officers, employees, and family members of the officers and
34 employees of the market, (2) any person with inside information
35 on a particular contract, (3) any public employee, public

1 official, lobbyist, and family member of such persons trading
2 contracts related to legislation or other governmental actions,
3 and (4) officers, employees, and family members of the officers
4 and employees of the settlement source. The bill defines
5 "settlement source" to mean an entity from which the market
6 obtains or sources information for the purpose of determining the
7 outcome of a contract.

8 The bill requires a market to maintain a comprehensive list of
9 all settlement sources that are used to determine outcomes of the
10 contracts and is required to make the list readily accessible to
11 persons.

12 The bill prohibits a market from settling a trade based upon
13 proprietary or confidential information.

14 The bill requires each market to implement and adhere to
15 responsible trading measures to protect persons who may be
16 at risk of at-risk trading behaviors. The measures include
17 (1) allowing a person to set personal limits on trading, (2)
18 implementing features that allow persons to view the amount of
19 time spent trading, (3) posting clearly the statewide telephone
20 number approved by the department of health and human services
21 related to gambling, and (4) requiring all advertisements to
22 include an at-risk trading message and the statewide telephone
23 number.

24 The bill places limitations on advertising by the markets
25 including limiting push notifications, depictions of persons
26 under 21 years of age, targeting certain at-risk consumers,
27 implying trading is risk-free, and implying endorsement by the
28 state.

29 The bill requires any offers, bonuses, free credits, referral
30 rewards, or other promotions offered to persons be described in
31 plain language.

32 If a market uses a third party for advertising, the bill
33 specifies the market is responsible for ensuring the third
34 parties comply with the advertising requirements of the bill.

35 The bill prohibits a market from allowing a person to use a

1 credit card or other credit-based product to add funds to any
2 account with the market.

3 The bill prohibits a market to offer a contract if the market
4 includes as a liquidity provider or market maker, any entity who
5 engages in gaming activities in the normal course of business,
6 whether within or outside the state.

7 A market is also required to implement commercially reasonable
8 and technically feasible measures to detect and prevent
9 fraudulent or manipulative conduct by traders.

10 The attorney general is designated to administer and enforce
11 the provisions of the bill.

12 Any market that violates the bill is subject to civil
13 penalties, not to exceed \$10,000, for each violation.

14 If the attorney general determines the market engaged in
15 a persistent course of conduct in violation of the bill, the
16 attorney general may impose a civil penalty not to exceed \$50,000
17 for each violation.

18 Whenever the attorney general believes that a market has
19 engaged in a persistent course of conduct in violation of the
20 bill, the attorney general may seek injunctive relief or a
21 temporary restraining order.

22 In situations where a designated contract market continues
23 to operate after an injunction or a temporary order has been
24 issued, the market shall incur a civil penalty in the amount of
25 \$1 million for each day the market is operating in violation of
26 the order.

27 A public employee, public official, or lobbyist who trades
28 state or local legislative actions or other governmental actions
29 on the market is guilty of a serious misdemeanor, and may be
30 dismissed from the person's position or otherwise sanctioned.

31 Prior to permitting persons to trade on a market in this
32 state, the market shall provide the attorney general with
33 a description of the internal controls implemented by the
34 designated contract market to comply with the bill including
35 but not limited to age verification, measures to identify the

1 traders, prevention of insider trading or market manipulation,
2 ability to receive and act upon tips related to insider trading
3 or market manipulation, monitoring trades within the state
4 boundaries, standards used to monitor event-driven contracts
5 and restrictions placed by known violators, prevention of
6 unauthorized withdrawals from the account of a trader, the
7 manner contract funds are segregated from other funds, and the
8 protection of any personal and private information of a trader.
9 The attorney general is required to adopt rules pursuant to
10 Code chapter 17A to administer the bill.

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