

Title 11—DEPARTMENT OF PUBLIC SAFETY
Division 45—Missouri Gaming Commission
Chapter 13—Hearings

EMERGENCY RULE

11 CSR 45-13.054 Fantasy Sports Contest Hearings

PURPOSE: This rule sets forth procedures for hearings related to Fantasy Sports Contest applicants and licensees.

EMERGENCY STATEMENT: This emergency rule is necessary to address statutory sections enacted in HB 1941 (2016), specifically, sections 313.900, 313.910, 313.920, 313.930, 313.940, 313.950, 313.960, 313.970, 313.990, 313.1000, 313.1010, and 313.1020, which became law on August 28, 2016. This legislation requires the Missouri Gaming Commission (MGC) to regulate and license the management, operation, and conduct of fantasy sports contests and participants.

This bill created the Missouri Fantasy Sports Consumer Protection Act and requires the operators of websites engaged in fantasy sports contests in Missouri to apply for and receive annual licenses from the Missouri Gaming Commission (MGC) prior to operation. It includes a provision for “grandfathering in” fantasy sports contest operators already operating in Missouri prior to April 1, 2016, by allowing them to continue operating until they receive or are denied a license. We estimate this will affect seven (7) operators who will be charged an annual operation fee for net revenue received. This is estimated to generate \$600,000 per year for the Gaming Proceeds for Education Fund. Those operators must submit an application for licensure prior to October 1, 2016. Once licensed, HB 1941 requires operators to segregate players’ funds, maintain a reserve account for the benefit and protection of those funds, establish procedures that will prevent unauthorized withdrawals or commingling of the player and operator funds, as well as provide procedures for a player to report a compromised account. The bill also requires licensed operators to contract with a Certified Public Accountant to conduct an annual financial and internet website audit to ensure compliance with the law. The licensed operators will also have to pay an annual operation fee. Licensed operators may not issue credit to players and may not allow multiple accounts for one player. It requires licensed operators to comply with certain requirements relative to the contests they offer, including requiring that all winning outcomes be determined by accumulating statistical results of fully completed events, forbidding players to select athletes through an auto-draft process, forbidding the licensed operator from awarding any prize to the winner of or athletes in the underlying competition, and not allowing the contest to be based on collegiate, high school, or youth athletics or performances. Licensed operators must also verify each player’s age and state of residence as well as maintain and provide access to online self-exclusion forms and processes. The bill also sets parameters for the disclosure of information and documents.

HB 1941 grants the MGC the authority to oversee all licensed operators and provides the MGC investigatory, licensing, and rulemaking powers. The submitted regulations were drafted to provide procedures for licensing fantasy sports contest operators to comply with the statute that became effective August 28, 2016. The rules also provide a consistent regulatory framework from which all of the fantasy sports contest operators can operate. We met with two (2) large

operators and two small operators prior to drafting these rules and we solicited comments from three (3) of those companies. We received comments from all three (3) operators and made changes as appropriate and consistent with our statutory duties. Players will benefit from consistent standards as well, in that they can be secure in knowing that all licensed fantasy sports contest operators accepting wagers from Missouri residents comply with and operate within the same framework; these regulations will provide a level playing field for all parties involved.

Specifically, this emergency rule sets forth procedures for hearings related to fantasy sports contest applicants and licensed operators.

*As such, the MGC finds an immediate threat to the public welfare and a compelling governmental interest to regulate Fantasy Sports Contests which requires this emergency action. A proposed rule covering the same material is published in this issue of the **Missouri Register**. The scope of this emergency rule is limited to the circumstances creating the emergency and complies with the protections extended in the **Missouri and United States Constitutions**. The Missouri Gaming Commission believes this emergency rule is fair to all interested persons and parties under the circumstances. This emergency rule was filed August 29, 2016, becomes effective September 8, 2016, and expires March 6, 2017.*

(1) A person whose application for a fantasy sports contest operator license has been denied or against whom a disciplinary action has been initiated may request a hearing under this chapter. The rules in this chapter shall be read together with Chapter 536, RSMo.

(2) The commission may authorize the director to investigate and make the initial finding of unsuitability or to issue a proposed order for disciplinary action with regard to any applicant for, or holder of, a license of the type that may be issued by the director pursuant to 11 CSR 45-40.

(3) Whenever the commission finds an applicant unsuitable or ineligible for licensing, the commission shall notify the applicant in writing outlining the reasons for the finding. This notice shall be sent to the party's last known address by certified mail, return receipt requested, or by another means of personal service.

(4) When notified of facts sufficient to support disciplinary action against a fantasy sports contest operator licensee under the applicable statutes or rules, the commission may propose disciplinary action against a licensee. If the commission proposes disciplinary action, it shall notify the licensee of the proposed disciplinary action, in writing, outlining the reasons for the proposed discipline. This notice shall be sent to the party's last known address by certified mail, return receipt requested, or by another means of personal service.

(5) Any licensee who receives a notice of commission action shall respond to the commission within thirty (30) days of the date the notice is mailed from the commission.

(A) If the licensee does not respond to the commission within thirty (30) days of the date the notice is mailed, the commission may petition the Administrative Hearing Commission (AHC) for findings of fact and conclusions of law to support unsuitability, ineligibility, or discipline.

(B) If the licensee responds to the commission within thirty (30) days of the date the notice is mailed, the commission may take any action it deems appropriate, including, but not limited to, dismissing the matter, initiating settlement negotiations pursuant to 11 CSR 45-13.065, or petitioning the AHC for findings of fact and conclusions of law to support unsuitability, ineligibility, or discipline.

(6) Hearings before the AHC shall be governed by Chapter 536, RSMo and the rules in 1 CSR 15-3. The AHC shall, after opportunity for hearing, issue findings of fact and conclusion of law and refer the matter back to the commission.

(A) If the AHC does not find a factual basis to support the notice of commission action, the matter will be dismissed and no action will be taken against the licensee.

(B) If the AHC issues its findings of fact and conclusions of law supporting cause to discipline, the case will be returned to the commission to convene a hearing to consider and determine the appropriate disciplinary action, and enter a final order.

(7) Upon receiving findings of fact and conclusions of law supporting cause to discipline from the AHC, the commission shall set the matter for a hearing pursuant to 11 CSR 45-13.030 before the commission's hearing officer in accordance with this chapter. The notice of hearing shall be in writing and shall notify the licensee of the time and place of the hearing, unless a waiver of hearing is filed by the licensee or the parties reach a settlement, negating the need for a hearing. Service of the hearing notice shall be sent by mail to the party's last known address. (Following the hearing the hearing officer shall make a recommendation of discipline or other action to the commission as authorized and set forth by 11 CSR 45-13.020.

*AUTHORITY: sections 313.920, 313.970, and 313.1010, RSMo (HB 1941, Second Regular Session, Ninety-eighth General Assembly, 2016). Emergency rule filed Aug. 29, 2016, effective Sept. 8, 2016, expires March 6, 2017. A proposed rule covering this same material is published in this issue of the **Missouri Register**.*