

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

EMERGENCY AMENDMENT

11 CSR 45-13.065 Settlements. The commission is amending sections (1) and (2).

PURPOSE: This amendment adds fantasy sports contests operators to the types of licensees who would be covered by this rule.

EMERGENCY STATEMENT: This emergency amendment 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 amendment provides regulatory procedures for fantasy sports contest operators to follow regarding settlements and settlement offers.

*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 amendment covering the same material is published in this issue of the **Missouri Register**. The scope of this emergency amendment 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 amendment is fair to all interested persons and parties under the circumstances. This emergency amendment was filed August 29, 2016, becomes effective September 8, 2016, and expires March 6, 2017.*

(1) The parties may initiate settlement negotiations at any stage of the proceedings, including prior to the initiation of the proceedings before the Administrative Hearing Commission in the case of a bingo **or fantasy sports contest** hearing, or prior to the entry of a final order of the commission.

(2) If the parties initiate settlement negotiations in a bingo **or fantasy sports contest** hearing, then the provisions of section 621.045, RSMo shall be followed. All other settlements not involving a bingo licensee shall be governed by Chapter 313, RSMo, and the rules in this chapter.

*AUTHORITY: sections 313.052 and 313.560, RSMo 2000, sections 313.805 and 621.045, RSMo Supp. 2013, and sections 313.004 and 313.800, RSMo Supp. 2014, **and sections 313.920, 313.970, and 313.1010, RSMo (HB 1941, Second Regular Session, Ninety-eighth General Assembly, 2016)**. Emergency rule filed Dec. 12, 1997, effective Dec. 22, 1997, expired June 19, 1998. Original rule filed Dec. 12, 1997, effective July 30, 1998. Amended: Filed June 25, 2015, effective Feb. 29, 2016. Emergency amendment filed Aug. 29, 2016, effective Sept. 8, 2016, expires March 6, 2017. A proposed amendment covering this same material is published in this issue of the **Missouri Register**.*