

Title 11—DEPARTMENT OF PUBLIC SAFETY
Division 45—Missouri Gaming Commission
Chapter 40—Fantasy Sports Contests

EMERGENCY RULE

11 CSR 45-40.020 Application for Fantasy Sports Contest Operator License

PURPOSE: This rule provides requirements for becoming licensed as a fantasy sports contest operator (FSCO).

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 provides regulatory procedures for fantasy sports contest operators to follow when applying for a license.

*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.*

PUBLISHER'S NOTE: The secretary of state has determined that the publication of the entire text of the material which is incorporated by reference as a portion of this rule would be unduly cumbersome or expensive. This material as incorporated by reference in this rule shall be maintained by the agency at its headquarters and shall be made available to the public for inspection and copying at no more than the actual cost of reproduction. This note applies only to the reference material. The entire text of the rule is printed here. The Fantasy Sports Contest Operator Application and the FSCO Personal Disclosure Form may also be accessed at <http://www.mgc.dps.mo.gov>.

(1) A fantasy sports contest operator (FSCO) license is a license granted by the Missouri Gaming Commission (commission) to allow a person or entity to offer fantasy sports contests (FSCs) for play by Missouri residents in accordance with the Missouri Fantasy Sports Consumer Protection Act (The Act).

(2) Application for licensure shall be made on the Fantasy Sports Contest Operator Application (Application), which the commission adopts and incorporates by reference herein, as published by the Missouri Gaming Commission, 3417 Knipp Dr., PO Box 1847, Jefferson City, MO 65102, and which may be accessed at <http://www.mgc.dps.mo.gov>. The Application does not incorporate any subsequent amendments or additions as adopted by the commission on July 27, 2016.

(3) The applicant shall be responsible for ensuring the FSCO Personal Disclosure Form is completed by each key person, employee, and any other individual as directed by the commission. The requested FSCO Personal Disclosure Forms and the required fingerprint sets shall be submitted within thirty (30) days of the commission's request. The commission adopts

and incorporates by reference herein, the FSCO Personal Disclosure Form, as published by the Missouri Gaming Commission, 3417 Knipp Dr., PO Box 1847, Jefferson City, MO 65102, and which may be accessed at <http://www.mgc.dps.mo.gov>. The FSCO Personal Disclosure Form does not incorporate any subsequent amendments or additions as adopted by the commission on July 27, 2016.

(4) The applicant shall be responsible for keeping the Application current at all times. The applicant shall notify the commission in writing within ten (10) days of any changes to any response in the Application, and this responsibility shall continue throughout any period during which an Application is being considered by the commission. All updates to Applications must be submitted by exhibit so that each affected exhibit is resubmitted with the updated information and with the date of resubmission. If any Application update is not made in this manner, the commission may deem the update ineffective.

(5) The commission may require an affidavit, signed on behalf of the applicant or licensee, to be submitted as an addendum to the Application, regarding matters related to the applicant or licensee or the proposed operation, including but not limited to, the involvement of any individual in the proposed or licensed operations of the applicant or licensee.

(6) No license shall be issued to an applicant until the applicant has provided all of the required forms and requested documents pursuant to this rule.

(7) The FSCO license expires one (1) year after the date of issuance. The licensed FSCO shall submit the renewal application at least four (4) months prior to the expiration date of the FSCO license.

*AUTHORITY: sections 313.920, 313.950, 313.970, 313.1010, and 313.1020, 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**.*