

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

EMERGENCY RULE

11 CSR 45-40.040 Fantasy Sports Contest Operator Responsibilities

PURPOSE: This rule establishes the commission's access to information, the applicant's duty to disclose changes in information, and the licensed operator's duty to report and prevent misconduct. This rule is designed to assure that the commission receives timely information that may impact on an applicant's or licensee's suitability.

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 regarding providing the commission access to licensee and applicant information, the licensee's and applicant's duty to disclose changes in information, as well as the licensed operator's duty to report and prevent misconduct and provide such information to the commission in a timely manner, as it may impact the suitability of an applicant or licensee.

*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) All licensed operators shall provide all information requested by the commission. Access to this information shall be immediate and copies of the information shall be delivered within seven (7) days or less if the commission so orders.

(2) All licensed operators of and applicants for Fantasy Sports Contest Operator (FSCO) licenses issued by the commission shall have a continuing duty to disclose in writing, within ten (10) calendar days for an applicant and thirty (30) calendar days for a licensee, any material change in the information provided in the application forms and requested materials submitted to the commission. Any change in information that is not material must be disclosed to the commission during the licensee's next subsequent application for license renewal.

(3) The duty to disclose changes in information shall continue throughout any application period or period of licensure granted by the commission. This duty shall be in addition to any other reporting requirements.

(4) For the purposes of this rule, "material change" shall mean any change in personal identification or residence information, such as name, address, and phone number; information required in section 313.1000, RSMo; or other information that might affect an applicant or licensed operator's suitability to hold a FSCO license, including, but not limited to, significant

changes in financial condition, legally defaulting on a debt owed to the State of Missouri, arrests, convictions, guilty pleas, disciplinary actions, or license denial, suspension, or revocation in other jurisdiction(s).

(5) Licensed operators shall promptly report to the commission any facts which the licensed operator has reasonable grounds to believe indicate a violation of law or commission rule committed by licensed operators, their key persons, or their employees, including, without limitation, the performance of licensed activities different from those permitted under their license.

(6) In addition to all other reporting requirements, FSCO license applicants and licensed operators shall notify the commission within fifteen (15) days after receiving notification that any of the following persons has received a subpoena or is the target of, has been disciplined by, or has been charged in connection with an investigation by a regulatory, administrative, or prosecutorial agency of a violation of a rule, regulation, or statute relating to licensed gambling, fantasy sports contests, Securities and Exchange Commission (SEC) regulations, or criminal offenses:

- (A) The applicant or licensed operator;
- (B) The applicant's or licensed operator's parent corporation;
- (C) Any subsidiary of the applicant's or licensed operator's parent corporation;
- (D) The applicant's or licensed operator's key persons or employees;
- (E) Any key person of the applicant's or licensed operator's parent corporation; or
- (F) Any key person of any subsidiary of the applicant's or licensed operator's parent corporation.

*AUTHORITY: sections 313.920, 313.930, 313.950, 313.960, 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**.*