## FIRST REGULAR SESSION

## [PERFECTED]

### HOUSE COMMITTEE SUBSTITUTE NO. 2 FOR

# HOUSE BILL NO. 502

## 99TH GENERAL ASSEMBLY

1204H.06P

D. ADAM CRUMBLISS, Chief Clerk

## AN ACT

To repeal sections 313.905, 313.915, 313.920, 313.925, 313.935, 313.940, 313.945, 313.950, and 313.955, RSMo, and to enact in lieu thereof eleven new sections relating to fantasy sports contests, with penalty provisions.

Be it enacted by the General Assembly of the state of Missouri, as follows:

Section A. Sections 313.905, 313.915, 313.920, 313.925, 313.935, 313.940, 313.945, 313.950, and 313.955, RSMo, are repealed and eleven new sections enacted in lieu thereof, to be known as sections 313.905, 313.915, 313.917, 313.920, 313.925, 313.935, 313.940, 313.945,

4 313.950, 313.955, and 621.047 to read as follows:

313.905. As used in sections 313.900 to 313.955, the following terms shall mean:

2 (1) "Authorized internet website", an internet website or any platform operated by a3 licensed operator;

4 (2) "Commissio

(2) "Commission", the Missouri gaming commission;

5 (3) "Entry fee", anything of value including, but not limited to, cash or a cash equivalent 6 that a fantasy sports contest operator collects in order to participate in a fantasy sports contest;

7 (4) "Fantasy sports contest", any fantasy or simulated game or contest with an entry fee[,
 8 conducted on an internet website or any platform,] in which:

9 (a) The value of all prizes and awards offered to the winning participants is established 10 and made known in advance of the contest;

11 (b) All winning outcomes reflect in part the relative knowledge and skill of the 12 participants and are determined predominantly by the accumulated statistical results of the 13 performance of individuals, including athletes in the case of sports events; and

EXPLANATION — Matter enclosed in bold-faced brackets [thus] in the above bill is not enacted and is intended to be omitted from the law. Matter in **bold-face** type in the above bill is proposed language.

(c) No winnings outcomes are based on the score, point spread, or any performance of
 any single actual team or combination of teams or solely on any single performance of an
 individual athlete or player in any single actual event;

(5) "Fantasy sports contest operator", any person [or], entity, or division of a corporate
entity that offers [fantasy sports contests for a prize] a platform for the playing of fantasy
contests, administers one or more fantasy contests with an entry fee, and awards a prize
of value;

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(6) "Highly experienced player", a person who has either:

(a) Entered more than one thousand contests offered by a single fantasy sports contestoperator; or

(b) Won more than three fantasy sports prizes of one thousand dollars or more;

(7) "Licensed operator", a fantasy sports contest operator licensed pursuant to section
 313.910 to offer fantasy sports contests for play on an authorized internet website in Missouri;

(8) "Location", the geographical position of a person as determined within a degree
 of accuracy consistent with generally available internet protocol address locators;

(9) "Location percentage", for all fantasy sports contests, the percentage, rounded to the nearest one-tenth of one percent, of the total entry fees collected from registered players located in the state of Missouri at the time of entry into a fantasy contest, divided by the total entry fees collected from all players, regardless of the players' location, of the

33 fantasy sports contests;

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(10) "Minor", any person less than eighteen years of age;

[(9)] (11) "Net revenue", for all fantasy sports contests, the amount equal to the total
 entry fees collected from all participants entering such fantasy sports contests less winnings paid
 to participants in the contests, multiplied by the [resident] location percentage;

38 [(10)] (12) "Player", a person who participates in a fantasy sports contest offered by a
 39 fantasy sports contest operator;

40 [(11)] (13) "Prize", anything of value including, but not limited to, cash or a cash 41 equivalent, contest credits, merchandise, or admission to another contest in which a prize may 42 be awarded;

43 [(12)] (14) "Registered player", a person registered pursuant to section 313.920 to 44 participate in a fantasy sports contest [on an authorized internet website];

45 [(13) "Resident percentage", for all fantasy sports contests, the percentage, rounded to 46 nearest one-tenth of one percent, of the total entry fees collected from Missouri residents divided 47 by the total entry fees collected from all players, regardless of the players' location, of the fantasy 48 sports contests; and (14)] (15) "Script", a list of commands that a fantasy-sports-related computer program
 can execute to automate processes on a fantasy sports contest platform.

- 313.915. 1. In order to ensure the protection of registered players, an authorized internetwebsite shall identify the person or entity that is the licensed operator.
- 3 2. A licensed operator shall ensure that fantasy sports contests on its authorized internet
  4 website comply with all of the following:
- 5 (1) All winning outcomes are determined by accumulated statistical results of fully 6 completed contests or events, and not merely any portion thereof, except that fantasy participants 7 may be credited for statistical results accumulated in a suspended or shortened contest or event 8 which has been called on account of weather or other natural or unforeseen event;
- 9 (2) A licensed operator shall not allow registered players to select athletes through an 10 autodraft that does not involve any input or control by a registered player, or to choose 11 preselected teams of athletes;
- (3) A licensed operator shall not offer or award a prize to the winner of, or athletes in,the underlying competition itself; and
- (4) A licensed operator shall not offer fantasy sports contests based on the performancesof participants in collegiate, high school, or youth athletics.
- 16 3. A licensed operator shall have procedures approved by the commission before 17 operating in Missouri that:
- (1) [Prevents] Prevent unauthorized withdrawals from a registered player's account by
   the licensed operator or others;
- 20 (2) [Makes] Make clear that funds in a registered player's account are not the property 21 of the licensed operator and are not available to the licensed operator's creditors;
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- (3) Segregate player funds from operational funds;
- 23 (4) Maintain a reserve [in the form of cash or cash equivalents in the amount of the deposits made to the accounts of fantasy sports contest players for the benefit and protection of 24 25 the funds held in such] that equals or exceeds the amount of player funds on deposit, which 26 reserve shall not be used for operational activities. Such reserve funds may take the form 27 of cash, cash equivalents, payment processor reserves, payment processor receivables, an 28 escrow account, or a combination thereof, in the amount that shall equal or exceed the total balances of the fantasy contest players' accounts; 29 30 (5) [Ensures] Ensure any prize won by a registered player from participating in a fantasy
- sports contest is deposited into the registered player's account within forty-eight hours or mailed
  within five business days of winning the prize except as provided under section 313.917;
- (6) [Ensures] Ensure registered players can withdraw the funds maintained in their
   individual accounts, whether such accounts are open or closed, within five business days of the

35 request being made, unless the licensed operator believes in good faith that the registered player 36 engaged in either fraudulent conduct or other conduct that would put the licensed operator in 37 violation of sections 313.900 to 313.955, in which case the licensed operator may decline to 38 honor the request for withdrawal for a reasonable investigatory period until its investigation is 39 resolved if it provides notice of the nature of the investigation to the registered player. For the 40 purposes of this provision, a request for withdrawal will be considered honored if it is processed 41 by the licensed operator but delayed by a payment processor, credit card issuer or by the 42 custodian of a financial account;

(7) [Allows] Allow a registered player to permanently close their account at any time for
 any reason; and

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(8) [Offers] Offer registered players access to their play history and account details.

46 4. A licensed operator shall establish procedures for a registered player to report
47 complaints to the licensed operator regarding whether his or her account has been misallocated,
48 compromised, or otherwise mishandled, and a procedure for the licensed operator to respond to
49 those complaints.

50 5. A registered player who believes his or her account has been misallocated, 51 compromised, or otherwise mishandled should notify the commission. Upon notification, the 52 commission may investigate the claim and may take any action the commission deems 53 appropriate under subdivision (4) of section 313.950.

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6. A licensed operator shall not issue credit to a registered player.

55 7. A licensed operator shall not allow a registered player to establish more than one 56 account or user name on its authorized internet website.

**313.917.** 1. If a licensed operator believes in good faith that a registered player engaged in either fraudulent conduct or other conduct that would put the licensed operator 2 3 in violation of sections 313.900 to 313.955, the licensed operator may delay payment of any prize won by such player for up to fifteen days while the licensed operator investigates to 4 determine if any such conduct occurred; provided that, the licensed operator provides 5 notice of the nature of the investigation to the registered player. If the licensed operator 6 finds that the registered player has engaged in either fraudulent conduct or other conduct 7 8 that would put the licensed operator in violation of sections 313.900 to 313.955, the licensed 9 operator may refuse to pay out the prize to the registered player if the licensed operator informs the registered player in writing of the reason for nullification of the prize, that the 10 player has the right to request an investigation by the commission within thirty days, and 11 12 of the contact information for the commission.

The commission shall establish a process to investigate any case referred to it
 under subsection 1 of this section and issue determinations on a case-by-case basis. The

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15 commission shall notify the licensed operator and the registered player of its determination

16 and either party may appeal, within thirty days, such determination to the administrative

17 hearing commission as provided under section 621.047.

**3.** If a licensed operator delays or withholds payment of a prize under the provisions of this section, such licensed operator shall pay any prizes won by other registered players in the contest as though the contested payment will be awarded to the registered player under investigation. If, after final determination, the contested payment is not awarded, all other winning registered players in the contest shall have their prizes adjusted accordingly.

313.920. 1. A person shall register with a licensed operator prior to participating in2 fantasy sports contests on an authorized internet website.

2. A licensed operator shall implement appropriate security standards to prevent access
to fantasy sports contests by a person whose location and age have not been verified in
accordance with this section.

6 3. A licensed operator shall ensure that all individuals register before participating in a 7 fantasy sports contest on an authorized internet website and provide their age and state of 8 residence.

9 4. A licensed operator shall ensure that an individual is of legal age before participating 10 in **a** fantasy sports contest [on an authorized internet website]. In Missouri, the legal age to 11 participate shall be eighteen years of age.

5. (1) The licensed operator shall develop an online self-exclusion form and a processto exclude from play any person who has filled out the form.

(2) A licensed operator shall retain each online self-exclusion form submitted to it in
 order to identify persons who want to be excluded from play. A licensed operator shall exclude
 those persons.

17 (3) A licensed operator shall provide a link on its authorized internet website to a
18 compulsive behavior website and the online self-exclusion form described in subdivision (1) of
19 this subsection.

6. A licensed operator shall not advertise fantasy sports contests in publications or other
media that are aimed exclusively or primarily at persons less than eighteen years of age. A
licensed operator's advertisement shall not depict persons under eighteen years of age, students,
or settings involving a school or college. However, incidental depiction of nonfeatured minors
shall not be a violation of this subsection.

7. A licensed operator shall not advertise fantasy sports contests to an individual by
phone, email, or any other form of individually targeted advertisement or marketing material if
the individual has self-excluded himself or herself pursuant to this section or if the individual is

28 otherwise barred from participating in fantasy sports contests. A licensed operator shall also take

- 29 reasonable steps to ensure that individuals on the involuntary exclusion list or disassociated
- 30 persons list maintained by the commission are not subject to any form of individually targeted

31 advertising or marketing.

8. A licensed operator shall not misrepresent the frequency or extent of winning in anyfantasy sports contest advertisement.

9. A licensed operator shall clearly and conspicuously publish and facilitate parental
control procedures to allow parents or guardians to exclude minors from access to any fantasy
sports contest. Licensed operators shall take commercially reasonable steps to confirm that an
individual opening an account is not a minor.

10. Licensed operators shall prohibit the use of scripts in fantasy sports contests that give
players an unfair advantage over other players.

40 11. Licensed operators shall monitor fantasy sports contests to detect the use of
41 unauthorized scripts and restrict players found to have used such scripts from further fantasy
42 sports contests.

Licensed operators shall make all authorized scripts readily available to all fantasy
sports players; provided, that a licensed operator shall clearly and conspicuously publish its rules
on what types of scripts may be authorized in the fantasy sports contest.

Licensed operators shall clearly and conspicuously identify highly experienced
players in fantasy sports contests by a symbol attached to a player's username, or by other easily
visible means, on the licensed operator's authorized internet website.

49 14. Licensed operators shall offer some fantasy sports contests open only to beginner50 players and that exclude highly experienced players.

313.925. 1. This section applies to all of the following persons:

- (1) An officer of a licensed operator;
- 3 (2) A director of a licensed operator;

4 (3) A principal of a licensed operator;

5 (4) An employee of a licensed operator; and

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(5) A contractor of a licensed operator with proprietary or nonpublic information.

A person listed in subsection 1 of this section shall not play in any fantasy sports
contest [outside of private fantasy sports contests offered by the licensed operator exclusively

9 for those listed] offered by any fantasy sports contest operator that is open to the public.

3. A person listed in subsection 1 of this section shall not disclose proprietary or
nonpublic information that may affect the play of fantasy sports contests to any individual
authorized to play fantasy sports contests.

4. A licensed operator shall make the prohibitions in this section known to all affectedindividuals and corporate entities.

- 313.935. 1. No fantasy sports contest operator shall offer any fantasy sports contest in
  Missouri without first being licensed by the commission. A fantasy sports contest operator
  wishing to offer fantasy sports contests in this state shall [annually] apply to the commission for
  a license and shall remit to the commission an [annual] application fee of ten thousand dollars
  or ten percent of the applicant's net revenue from the previous calendar year, whichever is lower.
- 6 2. As part of the commission's investigation and licensing process, the commission may 7 conduct an investigation of the fantasy sports contest operator's employees, officers, directors, trustees, and principal salaried executive staff officers. The applicant shall be responsible for 8 9 the [total] cost of the investigation up to ten thousand dollars. If the cost of the investigation exceeds the application fee, the applicant shall remit such cost to the commission [the total cost 10 11 of the investigation] prior to any license being issued. [The total cost of the investigation, paid 12 by the applicant, shall not exceed fifty thousand dollars.] An applicant may apply for, and the 13 commission may grant, based on a showing of undue burden, a waiver of all or a portion 14 of the cost of the investigation. All revenue received under this section shall be placed into the gaming commission fund created under section 313.835. 15
- 3. (1) A fantasy sports contest operator with net revenues of two million dollars or 16 17 more from the previous calendar year shall be required to submit an annual license 18 renewal fee of five thousand dollars by November first of each subsequent calendar year. A fantasy sports contest operator with net revenues of less than two million dollars but 19 20 greater than one million dollars from the previous calendar year shall be required to 21 submit an annual license renewal fee of two thousand five hundred dollars by November 22 first of each subsequent calendar year. A fantasy sports contest operator with net revenues 23 equal to or less than one million dollars but greater than two hundred fifty thousand 24 dollars shall submit an annual license renewal fee of one thousand dollars by November 25 first of each subsequent calendar year. A fantasy sports contest operator with net revenues 26 of two hundred fifty thousand dollars or less from the previous calendar year shall not be required to submit an annual license renewal fee. 27
- (2) In addition to the [application] license renewal fee, a licensed operator shall also pay
  an annual operation fee[, on April fifteenth of each year,] in a sum equal to [eleven and one-half]
  six percent of the licensed operator's net revenue from the previous calendar year. All revenue
  collected under this subsection shall be placed in the gaming proceeds for education fund created
  under section 313.822. If a licensed operator fails to apply for a license renewal or pay the
  annual operation fee [by April fifteenth, the licensed operator shall have its license immediately

34 suspended by], the commission may suspend the license of such licensed operator until such
 payment is made.

36 4. Any fantasy sports contest operator already operating in the state prior to April 1, 2016, may operate until they have received or have been denied a license. Such fantasy sports 37 38 contest operators shall apply for a license prior to October 1, 2016. Any fantasy sports contest operator operating under this subsection after August 28, 2016, shall pay the annual operation 39 40 fee of eleven and one-half percent of its net revenue from August 28, 2016, until action is taken 41 on its application. If a licensed fantasy sports contest operator fails to pay its annual operation 42 fee by [April 15, 2017] November 1, 2017, the commission may suspend the license or deny 43 the pending license application of such fantasy sports contest operator [shall have its license immediately suspended by the commission, or if the fantasy sports contest operator has a pending 44 45 application, its application shall be denied immediately].

46 5. If a licensed fantasy sports contest operator ceases to offer fantasy sports contests in Missouri, the operator shall pay an operation fee equal to [eleven and one-half] six percent of its 47 48 net revenue for the period of the calendar year in which it offered fantasy sports contests in 49 Missouri by November first of the subsequent calendar year. [Such payment shall be made 50 within sixty days of the last day the fantasy sports contest operator offered fantasy sports contests in Missouri. After the expiration of sixty days, a penalty of five hundred dollars per day shall 51 52 be assessed against the fantasy sports contest operator until the operation fee and any penalty is 53 paid in full.]

313.940. 1. Except as provided in subsection 2 of this section, a licensed operator shall contract annually with a certified public accountant to perform a financial audit of the 2 licensed operator [and the authorized internet website]. Except as provided in subsection 2 3 of this section, a licensed operator shall also contract with a qualified third party to 4 perform an examination to ensure compliance with sections 313.900 to 313.955 and any rule 5 governing sections 313.900 to 313.955. The licensed operator shall [pay for the audit and] 6 submit[, by March first] the result of each audit and examination to the commission by 7 8 November first of [each] the subsequent calendar year[, the results of the audit to the 9 commission].

2. A licensed operator with net revenues of two hundred fifty thousand dollars or less in a calendar year shall not be required to comply with the provisions of subsection 1 of this section. The commission may perform an audit on such licensed operator at the commission's expense. If such audit uncovers evidence of any violation of sections 313.900 to 313.955, the licensed operator shall remit to the commission the reasonable cost of such audit. 313.945. 1. Notwithstanding any applicable statutory provision to the contrary, all
investigatory, proprietary, or application records, information, and summaries in the possession
of the commission or its agents [may] shall be treated by the commission as closed records not
to be disclosed to the public; except that the commission shall, on written request from any
person, provide such person with the following information furnished by an applicant or licensee:
(1) The name, business address, and business telephone number of any applicant or

7 licensee;

8 (2) An identification of any applicant or licensee, including, if an applicant or licensee 9 is not an individual, the state of incorporation or registration, the corporate officers, and the 10 identity of all shareholders or participants. If an applicant or licensee has a pending registration 11 statement filed with the federal Securities and Exchange [Division] Commission, the names of 12 those persons or entities holding interest shall be provided;

13 (3) An identification of any business, including, if applicable, the state of incorporation 14 or registration in which an applicant or licensee or an applicant's or licensee's spouse or children have an equity interest. If an applicant or licensee is a corporation, partnership, or other business 15 16 entity, the applicant or licensee shall identify any other corporation, partnership, or business entity in which it has an equity interest, including, if applicable, the state of incorporation or 17 registration. This information need not be provided by a corporation, partnership, or other 18 19 business entity that has a pending registration statement filed with the federal Securities and 20 Exchange [Division] Commission;

(4) Whether an applicant or licensee has been indicted, convicted, pleaded guilty or nolo
contendere, or forfeited bail concerning any criminal offense under the laws of any jurisdiction,
either felony or misdemeanor, except for traffic violations, including the date, the name and
location of the court, arresting agency and prosecuting agency, the case number, the offense, the
disposition, and the location and length of incarceration;

(5) Whether an applicant or licensee has had any license or certificate issued by a licensing authority in this state or any jurisdiction denied, restricted, suspended, revoked, or not renewed and a statement describing the facts and circumstances concerning the denial, restriction, suspension, revocation, or nonrenewal, including the licensing authority, the date each such action was taken, and the reason for each such action;

(6) Whether an applicant or licensee has ever filed or had filed against it a proceeding
in bankruptcy or has ever been involved in any formal process to adjust, defer, suspend, or
otherwise work out the payment of any debt, including the date of filing, the name and location
of the court, and the case and number of the disposition;

(7) Whether an applicant or licensee has filed or been served with a complaint or other
 notice filed with any public body regarding the delinquency in the payment of, or a dispute over,

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the filings concerning the payment of any tax required under federal, state, or local law, includingthe amount, type of tax, the taxing agency, and time periods involved;

(8) A statement listing the names and titles of all public officials or officers of any unit
of government, and relatives of such public officials or officers who, directly or indirectly, own
any financial interest in, have any beneficial interest in, are the creditors of or hold any debt
instrument issued by, or hold or have any interest in any contractual or service relationship with,
an applicant or licensee;

44 (9) The name and business telephone number of the attorney representing an applicant45 or licensee in matters before the commission.

2. Notwithstanding any applicable statutory provision to the contrary, the commissionshall, on written request from any person, also provide the following information:

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(1) The amount of the tax receipts paid to the state by the holder of a license;

49 (2) Whenever the commission finds an applicant for a license unsuitable for licensing,50 a copy of the written letter outlining the reasons for the denial; and

(3) Whenever the commission has refused to grant leave for an applicant to withdrawhis application, a copy of the letter outlining the reasons for the refusal.

313.950. The commission [shall have full jurisdiction over and] shall supervise all
licensed operators, other licensees, and authorized internet websites governed by sections
313.900 to 313.955. The commission shall have the following powers to implement sections
4313.900 to 313.955:

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(1) To investigate applicants;

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(2) To license fantasy sports contest operators and adopt standards for licensing;

7 (3) To investigate alleged violations of sections 313.900 to 313.955 or the commission's
8 rules, orders, or final decisions;

9 (4) To assess an appropriate administrative penalty of not more than [ten] one thousand 10 dollars per violation, not to exceed [one hundred] ten thousand dollars for violations arising out 11 of the same transaction or occurrence, and take action including, but not limited to, the 12 suspension or revocation of a license for violations of sections 313.900 to 313.955 or the 13 commission's rules, orders, or final decisions;

14 (5) To issue subpoenas for the attendance of witnesses and subpoenas duces tecum for 15 the production of books, records, and other pertinent documents, and to administer oaths and 16 affirmations to the witnesses, when, in the judgment of the commission, it is necessary to enforce 17 sections 313.900 to 313.955 or the commission rules;

18 (6) To take any other action as may be reasonable or appropriate to enforce sections19 313.900 to 313.955 and the commission rules.

313.955. 1. The commission shall have power to adopt and enforce rules and 2 regulations:

3 (1) [To regulate and license the management, operation, and conduct of fantasy sports
 4 contests and participants therein;

5 (2) To adopt responsible play protections for registered players; and

6 [(3)] (2) To properly administer and enforce the provisions of sections 313.900 to 7 313.955.

8 2. The commission shall not adopt rules or regulations limiting or regulating the rules 9 or administration of an individual fantasy sports contest, the statistical makeup of a fantasy sports 10 contest, or the digital platform of a fantasy sports contest operator.

3. No rule or portion of a rule promulgated under the authority of sections 313.900 to
 313.955 shall become effective unless it has been promulgated pursuant to the provisions of
 section 536.024.

621.047. 1. Except as otherwise provided by law, any person or entity shall have 2 the right to appeal to the administrative hearing commission from any finding, decision, or determination made by the Missouri gaming commission under section 313.917. Any 3 person or entity who is a party to such a dispute shall be entitled to a hearing before the 4 5 administrative hearing commission by the filing of a petition with the administrative hearing commission within thirty days after the decision of the Missouri gaming 6 commission is placed in the United States mail or within thirty days after the decision is 7 delivered, whichever is earlier. The decision of the Missouri gaming commission shall 8 9 contain a notice of the right of appeal in substantially the following language:

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If you were adversely affected by this decision, you may appeal to the administrative hearing commission. To appeal, you must file a petition with the administrative hearing commission within thirty days after the date this decision was mailed or the date it was delivered, whichever date was earlier. If any such petition is sent by registered mail or certified mail, it will be deemed filed on the date it is mailed; if it is sent by any method other than registered mail or certified mail, it will be deemed filed on the date it is received by the commission.

2. The procedures applicable to the processing of such hearings and determinations
 shall be those established by chapter 536. Decisions of the administrative hearing
 commission under this section shall be binding, subject to appeal by either party.

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