FIRST REGULAR SESSION

SENATE BILL NO. 445

99TH GENERAL ASSEMBLY

INTRODUCED BY SENATOR ROWDEN.

Read 1st time February 20, 2017, and ordered printed.

1983S.01I

ADRIANE D. CROUSE, Secretary.

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 ten new sections relating to fantasy sports.

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,

- 2 313.945, 313.950, and 313.955, RSMo, are repealed and ten new sections enacted
- 3 in lieu thereof, to be known as sections 313.905, 313.915, 313.920, 313.925,
- 4 313.935, 313.940, 313.945, 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

- 2 mean:
- 3 (1) "Authorized internet website", an internet website or any platform
- 4 operated by a licensed operator;
- 5 (2) "Commission", the Missouri gaming commission;
- 6 (3) "Entry fee", anything of value including, but not limited to, cash or a
- 7 cash equivalent that a fantasy sports contest operator collects in order to
- 8 participate in a fantasy sports contest;
- 9 (4) "Fantasy sports contest", any fantasy or simulated game or contest
- 10 with an entry fee, conducted on an internet website or any platform, in which:
- 11 (a) The value of all prizes and awards offered to the winning participants
- 12 is established and made known in advance of the contest;
- 13 (b) All winning outcomes reflect in part the relative knowledge and skill
- 14 of the participants and are determined predominantly by the accumulated
- 15 statistical results of the performance of individuals, including athletes in the case
- 16 of sports events; and

32

33

34

- 17 (c) No winnings outcomes are based on the score, point spread, or any 18 performance of any single actual team or combination of teams or solely on any 19 single performance of an individual athlete or player in any single actual event;
- 20 (5) "Fantasy sports contest operator", any person [or], entity, or division 21 of a corporate entity that offers [fantasy sports contests for a prize] a 22 platform for the playing of fantasy contests, administers one or more 23 fantasy contests with an entry fee, and awards a prize of value;
- 24 (6) "Highly experienced player", a person who has either:
- 25 (a) Entered more than one thousand contests offered by a single fantasy 26 sports contest operator; or
- 27 (b) Won more than three fantasy sports prizes of one thousand dollars or 28 more;
- 29 (7) "Licensed operator", a fantasy sports contest operator licensed 30 pursuant to section 313.910 to offer fantasy sports contests for play on an 31 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 fantasy sports contests;
- 41 (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;
- 46 [(10)] (12) "Player", a person who participates in a fantasy sports contest 47 offered by a fantasy sports contest operator;
- [(11)] (13) "Prize", anything of value including, but not limited to, cash or a cash equivalent, contest credits, merchandise, or admission to another contest in which a prize may be awarded;
- 51 [(12)] (14) "Registered player", a person registered pursuant to section 52 313.920 to participate in a fantasy sports contest [on an authorized internet

53 website];

15

25

- 54 [(13) "Resident percentage", for all fantasy sports contests, the percentage,
- rounded to nearest one-tenth of one percent, of the total entry fees collected from 55
- Missouri residents divided by the total entry fees collected from all players, 56
- regardless of the players' location, of the fantasy sports contests; and 57
- 58 (14) (15) "Script", a list of commands that a fantasy-sports-related 59 computer program can execute to automate processes on a fantasy sports contest platform. 60
 - 313.915. 1. In order to ensure the protection of registered players, an authorized internet website shall identify the person or entity that is the licensed operator.
- 2. A licensed operator shall ensure that fantasy sports contests on its 4 5 authorized internet website comply with all of the following:
- 6 (1) All winning outcomes are determined by accumulated statistical 7 results of fully completed contests or events, and not merely any portion thereof, except that fantasy participants may be credited for statistical results accumulated in a suspended or shortened contest or event which has been called on account of weather or other natural or unforeseen event; 10
- 11 (2) A licensed operator shall not allow registered players to select athletes 12 through an autodraft that does not involve any input or control by a registered 13 player, or to choose preselected teams of athletes;
- 14 (3) A licensed operator shall not offer or award a prize to the winner of, or athletes in, the underlying competition itself; and
- 16 (4) A licensed operator shall not offer fantasy sports contests based on the 17 performances of participants in collegiate, high school, or youth athletics.
- 3. A licensed operator shall have procedures approved by the commission 18 before operating in Missouri that: 19
- 20 (1) [Prevents] Prevent unauthorized withdrawals from a registered player's account by the licensed operator or others; 21
- 22 (2) [Makes] Make clear that funds in a registered player's account are 23 not the property of the licensed operator and are not available to the licensed 24 operator's creditors;
 - (3) Segregate player funds from operational funds;
- 26 (4) Maintain a reserve [in the form of cash or cash equivalents in the 27 amount of the deposits made to the accounts of fantasy sports contest players for 28 the benefit and protection of the funds held in such that equals or exceeds

35

36

37

38 39

40

41

42 43

4445

46

47

48

49

50 51

52

53

55

5657

58

5960

61

62

6364

the amount of player funds on deposit, which reserve shall not be used for operational activities. Such reserve funds may take the form of cash, cash equivalents, payment processor reserves, payment processor receivables, an escrow account, or a combination thereof, in the amount that shall equal or exceed the total balances of the fantasy contest players' accounts;

(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 unless the licensed operator believes in good faith that the registered player engaged in either fraudulent conduct or other conduct that would put the licensed operator in violation of sections 313.900 to 313.955. The licensed operator may delay such deposit for up to fifteen days while it investigates to determine if any fraudulent conduct or other conduct that would put such operator in violation of sections 313.900 to 313.955 exists, so long as the licensed operator provides notice of the nature of the investigation to the registered player. If a prize is not deposited into the registered player's account at the end of the fifteen-day period, the licensed operator shall provide the registered player, in writing, the reason for nullification of the prize, that the player has the right to request an investigation by the commission, and the contact information for the commission. The commission shall establish its own investigation process and issue determinations on a case-by-case basis as to whether the licensed operator is required to deposit in the registered winner's account his or her prize. If the commission finds that the operator has refused to deposit a prize without good cause, the commission may order such operator to deposit such prize into the registered player's account. The operator shall adjust the award amount and deposit the amount of the prize to other authorized players in the contest according to the rules of such contest. The commission shall notify both parties of its determination, and either party may appeal such determination to the administrative hearing commission as provided under section 621.047;

(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 request being made, unless the licensed operator believes in good faith that the registered player engaged in either

76

77

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

- 74 (7) [Allows] **Allow** a registered player to permanently close their account 75 at any time for any reason; and
 - (8) [Offers] Offer registered players access to their play history and account details.
- 4. A licensed operator shall establish procedures for a registered player to report complaints to the licensed operator regarding whether his or her account has been misallocated, compromised, or otherwise mishandled, and a procedure for the licensed operator to respond to those complaints.
- 5. A registered player who believes his or her account has been misallocated, compromised, or otherwise mishandled should notify the commission. Upon notification, the commission may investigate the claim and may take any action the commission deems appropriate under subdivision (4) of section 313.950.
- 87 6. A licensed operator shall not issue credit to a registered player.
- 7. A licensed operator shall not allow a registered player to establish more than one account or user name on its authorized internet website.
- 90 8. The commission shall promulgate rules to implement the provisions of this section. Any rule or portion of a rule, as that term is 91 defined in section 536.010, that is created under the authority delegated 92 93 in this section shall become effective only if it complies with and is subject to all of the provisions of chapter 536 and, if applicable, section 94 95 536.028. This section and chapter 536 are nonseverable, and if any of the powers vested with the general assembly pursuant to chapter 536 96 to review, to delay the effective date, or to disapprove and annul a rule 97 are subsequently held unconstitutional, then the grant of rulemaking 98 authority and any rule proposed or adopted after August 28, 2017, shall 99 be invalid and void. 100

313.920. 1. A person shall register with a licensed operator prior to

- 2 participating in fantasy sports contests on an authorized internet website.
- 2. A licensed operator shall implement appropriate security standards to
 4 prevent access to fantasy sports contests by a person whose location and age have
 5 not been verified in accordance with this section.
- 3. A licensed operator shall ensure that all individuals register before participating in a fantasy sports contest on an authorized internet website and provide their age and state of residence.
- 9 4. A licensed operator shall ensure that an individual is of legal age before 10 participating in a fantasy sports contest [on an authorized internet website]. In 11 Missouri, the legal age to participate shall be eighteen years of age.
- 5. (1) The licensed operator shall develop an online self-exclusion form and a process to exclude from play any person who has filled out the form.
- 14 (2) A licensed operator shall retain each online self-exclusion form 15 submitted to it in order to identify persons who want to be excluded from play. 16 A licensed operator shall exclude those persons.
- 17 (3) A licensed operator shall provide a link on its authorized internet 18 website to a compulsive behavior website and the online self-exclusion form 19 described in subdivision (1) of 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.
- 26 7. A licensed operator shall not advertise fantasy sports contests to an individual by phone, email, or any other form of individually targeted 27 advertisement or marketing material if the individual has self-excluded himself 28 or herself pursuant to this section or if the individual is otherwise barred from 29 30 participating in fantasy sports contests. A licensed operator shall also take 31 reasonable steps to ensure that individuals on the involuntary exclusion list or 32 disassociated persons list maintained by the commission are not subject to any form of individually targeted advertising or marketing. 33
 - 8. A licensed operator shall not misrepresent the frequency or extent of winning in any fantasy sports contest advertisement.

34

35

9. A licensed operator shall clearly and conspicuously publish and facilitate parental control procedures to allow parents or guardians to exclude

38 minors from access to any fantasy sports contest. Licensed operators shall take

- 39 commercially reasonable steps to confirm that an individual opening an account
- 40 is not a minor.
- 41 10. Licensed operators shall prohibit the use of scripts in fantasy sports
- 42 contests that give players an unfair advantage over other players.
- 43 11. Licensed operators shall monitor fantasy sports contests to detect the
- 44 use of unauthorized scripts and restrict players found to have used such scripts
- 45 from further fantasy sports contests.
- 46 12. Licensed operators shall make all authorized scripts readily available
- 47 to all fantasy sports players; provided, that a licensed operator shall clearly and
- 48 conspicuously publish its rules on what types of scripts may be authorized in the
- 49 fantasy sports contest.
- 50 13. Licensed operators shall clearly and conspicuously identify highly
- 51 experienced players in fantasy sports contests by a symbol attached to a player's
- 52 username, or by other easily visible means, on the licensed operator's authorized
- 53 internet website.
- 54 14. Licensed operators shall offer some fantasy sports contests open only
- 55 to beginner players and that exclude highly experienced players.
 - 313.925. 1. This section applies to all of the following persons:
- 2 (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
- 6 (5) A contractor of a licensed operator with proprietary or nonpublic
- 7 information.
- 8 2. A person listed in subsection 1 of this section shall not play in any
- 9 fantasy sports contest [outside of private fantasy sports contests offered by the
- 10 licensed operator exclusively for those listed offered by any fantasy sports
- 11 contest operator that is open to the public.
- 12 3. A person listed in subsection 1 of this section shall not disclose
- 13 proprietary or nonpublic information that may affect the play of fantasy sports
- 14 contests to any individual authorized to play fantasy sports contests.
- 15 4. A licensed operator shall make the prohibitions in this section known
- 16 to all affected individuals and corporate entities.
 - 313.935. 1. No fantasy sports contest operator shall offer any fantasy
- 2 sports contest in Missouri without first being licensed by the commission. A

3 fantasy sports contest operator wishing to offer fantasy sports contests in this 4 state shall [annually] apply to the commission for a license and shall remit to the 5 commission an [annual] application fee of ten thousand dollars or ten percent of 6 the applicant's net revenue from the previous calendar year, whichever is lower.

- 2. As part of the commission's investigation and licensing process, the commission may 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 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 of the investigation] prior to any license being issued. [The total cost of the investigation, paid by the applicant, shall not exceed fifty thousand dollars.] An applicant may apply for, and the commission may grant, based on a showing of undue burden, a waiver of all or a portion 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.
- 3. (1) A fantasy sports contest operator with net revenues of over two million dollars from the previous calendar year shall be required to submit an annual license renewal fee of five thousand dollars by November first of each subsequent calendar year. A fantasy sports contest operator with net revenues equal to or less than two million dollars but greater than one million dollars from the previous calendar year shall be required to submit an annual license renewal fee of two thousand five hundred dollars by November first of each subsequent calendar year. A fantasy sports contest operator with net revenues equal to or less than one million dollars but greater than two hundred fifty thousand dollars shall submit an annual license renewal fee of one thousand dollars by November first of each subsequent calendar year. A fantasy sports contest operator with net revenues of two hundred fifty thousand dollars or less from the previous calendar year shall not be required to submit an annual license renewal fee.
- (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

55

5657

58

59

60 61

62

63

11

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

- 43 4. Any fantasy sports contest operator already operating in the state prior 44 to April 1, 2016, may operate until they have received or have been denied a license. Such fantasy sports contest operators shall apply for a license prior to 45 October 1, 2016. Any fantasy sports contest operator operating under this 46 subsection after August 28, 2016, shall pay the annual operation fee of eleven and 47 48 one-half percent of its net revenue from August 28, 2016, until action is taken on 49 its application. If a licensed fantasy sports contest operator fails to pay its 50 annual operation fee by [April 15, 2017] November 1, 2017, the commission may suspend the license or deny the pending license application of 51 such fantasy sports contest operator [shall have its license immediately 52 53 suspended by the commission, or if the fantasy sports contest operator has a pending application, its application shall be denied immediately]. 54
 - 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 net revenue for the period of the calendar year in which it offered fantasy sports contests in Missouri **by November first of the subsequent calendar year**. [Such payment shall be made 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 be assessed against the fantasy sports contest operator until the operation fee and any penalty is 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 licensed operator [and the authorized internet website]. Except as provided in subsection 2 of this section, a licensed operator shall also contract with a qualified third party to perform an audit to ensure compliance with sections 313.900 to 313.955 and any rule governing sections 313.900 to 313.955. The licensed operator shall [pay for the audit and] submit[, by March first] the result of each audit to the commission by November first of [each] the subsequent calendar year[, the results of the audit to the 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 licensee;
- (2) An identification of any applicant or licensee, including, if an applicant or licensee is not an individual, the state of incorporation or registration, the corporate officers, and the identity of all shareholders or participants. If an applicant or licensee has a pending registration statement filed with the federal Securities and Exchange [Division] **Commission**, the names of those persons or entities holding interest shall be provided;
- (3) An identification of any business, including, if applicable, the state of incorporation 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 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 registration. This information need not be provided by a corporation, partnership, or other business entity that has a pending registration statement filed with the federal Securities and 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

36

37

38 39

40

52

53

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;
- 41 (7) Whether an applicant or licensee has filed or been served with a 42 complaint or other notice filed with any public body regarding the delinquency in 43 the payment of, or a dispute over, the filings concerning the payment of any tax 44 required under federal, state, or local law, including the amount, type of tax, the 45 taxing agency, and time periods involved;
- 46 (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;
 - (9) The name and business telephone number of the attorney representing an applicant or licensee in matters before the commission.
- 2. Notwithstanding any applicable statutory provision to the contrary, the commission shall, on written request from any person, also provide the following information:
- 57 (1) The amount of the tax receipts paid to the state by the holder of a 58 license;
- 59 (2) Whenever the commission finds an applicant for a license unsuitable 60 for licensing, a copy of the written letter outlining the reasons for the denial; and
- 61 (3) Whenever the commission has refused to grant leave for an applicant 62 to withdraw his application, a copy of the letter outlining the reasons for the 63 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

4 following powers to implement sections 313.900 to 313.955:

- 5 (1) To investigate applicants;
- 6 (2) To license fantasy sports contest operators and adopt standards for 7 licensing;
- 8 (3) To investigate alleged violations of sections 313.900 to 313.955 or the 9 commission's rules, orders, or final decisions;
- 10 (4) To assess an appropriate administrative penalty of not more than [ten]
 11 one thousand dollars per violation, not to exceed [one hundred] ten thousand
 12 dollars for violations arising out of the same transaction or occurrence, and take
 13 action including, but not limited to, the suspension or revocation of a license for
 14 violations of sections 313.900 to 313.955 or the commission's rules, orders, or final
 15 decisions;
- 16 (5) To issue subpoenas for the attendance of witnesses and subpoenas 17 duces tecum for the production of books, records, and other pertinent documents, 18 and to administer oaths and affirmations to the witnesses, when, in the judgment 19 of the commission, it is necessary to enforce sections 313.900 to 313.955 or the 20 commission rules;
- 21 (6) To take any other action as may be reasonable or appropriate to 22 enforce sections 313.900 to 313.955 and the commission rules.
- 313.955. 1. The commission shall have power to adopt and enforce rules 2 and regulations:
- 3 (1) [To regulate and license the management, operation, and conduct of 4 fantasy sports 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 7 313.900 to 313.955.
- 2. The commission shall not adopt rules or regulations limiting or regulating the rules or administration of an individual fantasy sports contest, the statistical makeup of a fantasy sports 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 the right to appeal to the administrative hearing commission from any finding, decision, or determination made by the

13

14

15

16

17

18

19

2021

22

4 Missouri gaming commission under subdivision (5) of subsection 3 of section 313.915. Any person or entity who is a party to such a dispute shall be entitled to a hearing before the administrative hearing commission by the filing of a petition with the administrative hearing commission within sixty days after the decision of the Missouri gaming commission is placed in the United States mail or within sixty days after the decision is delivered, whichever is earlier. The decision of the Missouri gaming commission shall contain a notice of the right of appeal in substantially the following language:

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 sixty 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.

23 2. The procedures applicable to the processing of such hearings 24 and determinations shall be those established by chapter 25 536. Decisions of the administrative hearing commission under this 26 section shall be binding, subject to appeal by either party.



