

NOTICE OF INTENT

Department of Public Safety and Corrections

Louisiana Gaming Control Board

Public Hearing – Substantive Changes to Proposed Rule; Fantasy Sports Contests
(LAC 42:III.102, 104, 105, 107,
120, 1907 and VII.Chapters 1-13)

The Louisiana Gaming Control Board published a Notice of Intent to promulgate Fantasy Sports Contests, in the August 20, 2020 edition of the *Louisiana Register* (LR 46:1160-1177). The notice solicited comments. As a result of its analysis of the comments received, the board proposes to amend certain portions of the proposed Rule. The board proposes to amend the language of Sections 103, 307, 309, 501, 505, 507, 509, 701, 703, 705, 707, 901, and the Chapter 9 heading of Part VII of Title 42 of the Louisiana Administrative Code.

Taken together, all of these proposed amendments will closely align the proposed Rule with the proposed Rule on the same topic as published by the Louisiana Gaming Control Board in the August 2020 edition of the *Louisiana Register* (LR 46:1160-1177). The alignment of these Rules will allow for the conducting, application, licensing, enforcement, and regulation of fantasy sports contests. No fiscal or economic impact will result from amendments in the notice.

Title 42

LOUISIANA GAMING

Part III. Gaming Control Board

Chapter 1. General Provisions

§102. Issuance and Renewal of Licenses by the Department

A. The department is authorized to issue to qualified applicants, non-key gaming employee permits and non-gaming vendors' licenses, and to renew licenses for the operation of video draw poker devices at facilities with no more than three video draw poker devices at their licensed establishment. The department is authorized to determine the applicants' qualifications in accordance with law, including but not limited to the provisions of the Louisiana Riverboat Economic Development and Gaming Control Act, R.S. 27:41 et seq., the Video Draw Poker Devices Control Law, R.S. 27:~~304~~ 401 et seq., the Louisiana Economic Development and Gaming Corporation Act, R.S. 27:201 et seq., or the Louisiana Fantasy Sports Contests Act, R.S. 27:301, the Louisiana Pari-Mutuel Live Racing Facility Economic Redevelopment and Gaming Control Act, R.S. 27:351 et seq., and rules promulgated in accordance therewith, when such provisions and rules are not in conflict with any provisions of the Louisiana Gaming Control Law, 1996 Acts, First Extraordinary Session, Number 7, enacting R.S. 27:1 et seq., and rules promulgated in accordance therewith.

AUTHORITY NOTE: Promulgated in accordance with R.S. 27:1 et seq.

HISTORICAL NOTE: Promulgated by the Department of Public Safety and Corrections, Gaming Control Board, LR 22:1140 (November 1996), LR.

§104. Delegation to Chairman

A. – A.3. ...

4. issue a riverboat gaming operator license or a fantasy sports contest operator license, provided that the chairman may determine that conditions imposed on a conditionally licensed riverboat gaming operator or licensed fantasy sports contest operator have been met;

A.5....

6. approve transfers of ownership interests in a riverboat gaming operator licensee, the casino gaming operator, a fantasy sports operator or a qualified video poker truck stop facility.

B. ...

AUTHORITY NOTE: Promulgated in accordance with R.S. 27:15, R.S. 27:24 and R.S. 27:220.

HISTORICAL NOTE: Promulgated by the Louisiana Gaming Control Board, LR 22:1140 (November 1996), amended LR 25:80 (January 1999), LR.

§105. Civil Penalties

A. The department is authorized to take enforcement action by imposing civil penalties against any entity that has a license, permit or casino contract, for violation of the provisions of the Louisiana Riverboat Economic Development and Gaming Control Act, R.S. 27:41 et seq., the Video Draw Poker Devices Control Law, R.S. 27:~~301~~ 401 et seq., the Louisiana Economic Development and Gaming Corporation Act, R.S. 27:201 et seq., the Louisiana Fantasy Sports Contests Act, R.S. 27:301, the Louisiana Pari-Mutuel Live Racing Facility Economic Redevelopment and Gaming Control Act, R.S. 27:351 et seq., or rules promulgated in accordance therewith, provided that such provisions and rules are not in conflict with any provisions of the Louisiana Gaming Control Law, 1996 Acts, First Extraordinary Session, Number 7, enacting R.S. 27:1 et seq., and rules promulgated in accordance therewith.

B. – C. ...

AUTHORITY NOTE: Promulgated in accordance with R.S. 27:1 et seq.

HISTORICAL NOTE: Promulgated by the Department of Public Safety and Corrections, Gaming Control Board, LR 22:1138 (November 1996), LR.

§107. Standards of Conduct and Ethical Rules

A.1. – B.3....

C. As used in this rule, and for the purposes of R.S. 27:13, *Licensee* or *Permittee* shall mean any person who holds a license or permit issued pursuant to the provisions of the Louisiana Riverboat Economic Development and Gaming Control Act, R.S. 27:41 et seq., the Louisiana Economic Development and Gaming Corporation Act, R.S. 27:201 et seq., the Video Draw Poker Device Control Law, R.S. 27:~~301~~ 401 et seq., the Louisiana Fantasy Sports Contests Act, R.S. 27:301, the Louisiana Pari-Mutuel Live Racing Facility Economic Redevelopment and Gaming Control Act, R.S. 27:351 et seq., or the Louisiana Gaming Control Law, R.S. 27:1 et seq., specifically including, but not limited to, manufacturers, distributors, suppliers, vendors, device owners, service entities, persons furnishing services or goods material and integral to the operation of a riverboat, gaming employees, key employees, non-key employees, equity owners, contractors, and all establishments regardless of the number of gaming devices in operation at the facility.

AUTHORITY NOTE: Promulgated in accordance with R.S. 27:1 et seq.

HISTORICAL NOTE: Promulgated by the Department of Public Safety and Corrections, Gaming Control Board, LR 22:1139 (November 1996), LR.

§120. Application and Reporting Forms

A. – A.6.b....

7. Fantasy Sports

a. Fantasy Sports Application, DPSSP 6729, including, but not limited to:

i. Instructions;

ii. Application for Fantasy Sports License;

iii. Applicant Information;

iv. Ownership Interests;

v. General Information;

vi. Records/Books Information;

vii. Professional Services Information;

viii. Gaming Information (Miscellaneous);

ix. General Applicant Information;

x. Financial Disclosure Information;

xi. Affidavit of Full Disclosure;

xii. Applicant's Request to Release Information;

xiii. Verification;

xiv. Release of All Claims;

xv. Business Tax Information Authorization Request;

xvi. Federal Business, Trusts, Estates, etc., Consent to Disclosure of Tax Information;

xvii. Federal Internal Revenue Service Gaming Tax Clearance Certificate;

xviii. State Business, Trusts, Estates, etc., Consent to Disclosure of Tax Information;

xix. Louisiana Department of Revenue and Taxation Tax Clearance Certificate.

B. – C. ...

AUTHORITY NOTE: Promulgated in accordance with R.S. 27:15 and 24.

HISTORICAL NOTE: Promulgated by the Department of Public Safety and Corrections, Gaming Control Board, LR. 26:340 (February 2000), amended LR 40:1379 (July 2014), LR 41:2176 (October 2015), LR 42:575 (April 2016), LR.

Chapter 19. Administrative Procedures and Authority

§1907. Construction of Regulations and Administrative Matters

A. – C. ...

D. The regulations contained in Title 42, Part III, Chapters 17-47 of the Louisiana Administrative Code shall not apply to persons licensed pursuant to ~~Chapter 6~~ Chapter 8 of the Act.

AUTHORITY NOTE: Promulgated in accordance with R.S. 27:15 and 24.

HISTORICAL NOTE: Promulgated by the Department of Public Safety and Corrections, Gaming Control Board, LR 38:1608 (July 2012), LR.

Part VII. Louisiana Fantasy Sports Contest

Chapter 1. General Provisions

§101. Statement of Policy

A. The rules contained herein are promulgated for the purpose of facilitating implementation of the fantasy sports act referred to as the Louisiana fantasy sports contests act, R.S. 27:301 et seq., to achieve the effective regulation of fantasy sports contests, and to maintain the health, welfare, and safety of the public. These considerations shall control the application and interpretation of the rules. Any subsequent restatement, repeal, or amendment of these regulations shall be in accordance with the aforementioned considerations.

§103. Definitions

A. The provisions of the Act relating to definitions, words and terms are hereby incorporated by reference and made a part hereof and will therefore apply and govern the interpretation of these regulations, unless the context otherwise requires or unless specifically redefined in a particular Section. Any word or term not defined in these regulations shall have the same meaning ascribed to it in the Act. Any word not defined by the Act or these regulations shall be construed in accordance with its plain and ordinary meaning.

B. As used in this Chapter, the following words and terms shall have the following meanings:

Act – means the provisions of the Louisiana Gaming Control Law, R.S. 27:1 et seq. and all provisions of the Louisiana Fantasy Sports Contests Act, R.S. 27:301 et seq.

Applicant – has the same meaning as the term has in Section 1701 of Part III of this Title.

Application – has the same meaning as the term has in Section 1701 of Part III of this Title.

Associated Persons – means any person required by the Act or these regulations including, but not limited to, R.S. 27:28 and Section 2107 of Part III of this Title to submit to and meet suitability and any persons the board or division determines needs to submit to and meet suitability on the license including, but not limited to: directors; officers; and managers.

Beginner Player – means a player who has entered 50 or fewer fantasy sports contests offered by a licensee and who does not meet the definition of a highly experienced player.

Board – has the same meaning as that term in R.S. 27:302.

Business Year – has the same meaning as the term has in Section 1701 of Part III of this Title.

Chairman – means the chairman of the board.

Confidential Information – has the same meaning as that term in R.S. 27:302.

Division – has the same meaning as the term has in Section 1701 of Part III of this Title.

Economic Interest – means any interest in a licensee from which a person receives or is entitled to receive, by agreement or otherwise, a profit, gain, thing of value, loss, credit, security interest, ownership interest or other benefit. Economic interest includes voting shares of stock or otherwise exercising control of the day to day operations. Economic interest does not include a debt unless upon review of the instrument, contract, or other evidence of indebtedness, the board or division determines a finding of suitability is required based upon the economic relationship with the licensee.

Entry Fee – has the same meaning as that term in R.S. 27:302.

Fantasy Sports Contest – has the same meaning as that term in R.S. 27:302.

Fantasy Sports Contest Operator or *Operator* – has the same meaning as that term in R.S. 27:302 and may be referred to as “licensee.”

Fantasy Sports Contest Operator Employee or *Operator Employee* or *Licensee Employee* – means an individual employed by an operator and includes all officers, directors, trustees, and principal salaried executive staff officers. It shall also include contractors of operators that have access to confidential information as defined in the Act, these regulations, or R.S. 27:21 or 27:44.

Fantasy Sports Contest Player or *Player* – has the same meaning as that term in R.S. 27:302.

Fantasy Sports Contest Player Funds – means the cash or cash equivalents that are owned by the player, are maintained in the player’s account, and are not commingled with the licensee’s operational funds.

Financial Statements or *Financial Records* – has the same meaning as the term has in Section 1701 of Part III of this Title.

Gaming Employee – has the same meaning as the term has in Section 1701 of Part III of this Title.

Gaming Employee Permit or Employee Permit – has the same meaning as the term has in Section 1701 of Part III of this Title.

Gaming Equipment – has the same meaning as the term has in Section 1701 of Part III of this Title, plus any equipment or devices that the board or division finds or determines to be used or expended in fantasy sports contest operations or activities.

Gaming Supplier or Distributor – has the same meaning as the term has in Section 1701 of Part III of this Title.

Gaming Supplier Permit – has the same meaning as the term has in Section 1701 of Part III of this Title.

Gaming Supplies – has the same meaning as the term has in Section 1701 of Part III of this Title, plus services provided to the licensee that the board or division finds or determines to be used or expended in fantasy sports contest operations or activities.

Geolocation – means the process or technique of identifying the geographical location of a person or device by means of digital information processed by digital means.

Gross Fantasy Sports Contest Revenues – has the same meaning as that term in R.S. 27:302.

Highly Experienced Player – means a person who has either:

- a. entered more than 1,000 contests offered by a single licensee; or
- b. won more than 3 sports prizes of \$1,000 or more from a single licensee.

Inactive Account – means a fantasy sports contest player account that has not been logged into or has had no activity for a period of three years.

Internal Controls – means internal procedures and administration and accounting controls designed by the licensee that are commercially reasonable procedures for the operation of fantasy sports contests with an entry fee.

Key Gaming Employee – has the same meaning as that term in Section 1701 of Part III of this Title.

Location Percentage – has the same meaning as that term in R.S. 27:302.

Net Revenue – has the same meaning as that term in R.S. 27:302.

Non-Gaming Supplier or Supplier of Goods or Services Other than Gaming Devices or Gaming Equipment – has the same meaning as the term has in Section 1701 of Part III of this Title.

Non-Gaming Supplier Permit – has the same meaning as the term has in Section 1701 of Part III of this Title.

Non-Key Gaming Employee – has the same meaning as the term has in Section 1701 of Part III of this Title.

Non-Key Gaming Employee Permit – has the same meaning as the term has in Section 1701 of Part III of this Title.

Operator's Net Revenue – has the same meaning as that term in R.S. 27:302.

Person – has the same meaning as the term has in Section 1701 of Part III of this Title.

Platform – means any website, smart phone or tablet or other electronic application, or other portal providing access to a fantasy sports contest conducted pursuant to Chapter 6 of the Louisiana Gaming Control Law.

Prize – means 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. Any non-cash prizes shall be calculated at the cost to the licensee.

Prohibited Parish – means a parish in which, at the election held pursuant to R.S. 27:303, a majority of the qualified electors in the parish voting on the proposition to authorize fantasy sports contests in the parish voted against the proposition.

Script – means a list of commands that a computer related to a fantasy sports contest program can execute to automate processes on a fantasy sports contest platform.

Segregated Account – means a financial account that segregates the funds of players such that the licensee’s operational funds may not be commingled.

Sporting Event – means an athletic game or team competition in which an individual athlete’s performance is used to accumulate statistical results.

§105. Gaming Control Board; Duties and Powers

A. The board shall perform the duties and functions as authorized by the provisions of these regulations and the regulatory authority with respect to the regulation of fantasy sports contests as provided by R.S. 27:15.

§107. Construction of Regulations

A. Severability

1. Nothing contained in these regulations shall be so construed as to conflict with any provision of the Act or any other applicable statute. If any regulation is held invalid by a final order of a court of competent jurisdiction at the state or federal level, such provision shall be deemed severed and the court's finding shall not be construed to invalidate any other regulation.

B. Captions, Pronouns, and Gender

1. Captions appearing at the beginning of regulations are descriptive only, are for convenient reference to the regulations and in no way define, limit or describe the scope, intent or effect of the regulation. Masculine or feminine pronouns or neuter gender may be used interchangeably and the plural shall be substituted for the singular form and vice versa, in any place or places in the regulations where the context requires such substitution.

Chapter 3. Licensing

§301. Licenses, General

A. No fantasy sports contest operator shall offer any fantasy sports contest in this state without first being licensed by the board.

B. Fantasy sports contest operator licenses shall be applied for, issued, and regulated according to the Act, including, but not limited to R.S. 27:1 et seq., Part III of this Title, and this Part.

C. A license shall be issued in the name of the owner of the fantasy sports contest operator.

D. Any license or permit issued by the board and any permit issued by the division is deemed to be a revocable privilege, and no person holding such a license or permit is deemed to have acquired any vested rights therein.

E. All licenses and permits shall be surrendered to the board or division upon their expiration or revocation at which time they will be destroyed unless needed for a pending investigation.

F. Licenses and permits are not transferable or assignable. If the status of the fantasy sports contest operator or permittee should change such that the person no longer needs or is entitled to the license or permit, then the license or permit shall be cancelled and any tangible item which evinces such a license or permit shall be surrendered to the board or division within five days of the change of status. Any license or permit surrendered shall be marked cancelled or destroyed.

§303. Permits, General

A. Permits for gaming suppliers, non-gaming suppliers, key gaming employee, and non-key gaming employees shall be applied for, issued, and regulated according to the Act, including, but not limited to R.S. 27:1 et seq., Part III of this Title, and this Part.

§305. Transfers of Interest; Loans and Restrictions

A. Any transfer of interest in a licensee or permittee shall be governed by and in accordance with the provisions of Chapter 25 of Part III of this Title.

B. All debt transactions shall be entered into in accordance with the provisions of Chapter 25 of Part III of this Title.

§307. Applications

A. General Authority of Board or Division

1. The securing of a license, permit or approval required under the Act is a prerequisite for conducting, operating, or performing any activity regulated by the Act. Each applicant must file a complete application as prescribed by the board or division.

2. An applicant for a license or permit authorized by the Act is seeking the granting of a privilege, and the burden of proving qualification and suitability to receive the license or permit is at all times on the applicant.

3. Applicants shall demonstrate experience, reputation, competence, and financial responsibility consistent with the best interest of the Louisiana gaming industry and in compliance with the laws of this state.

4. An applicant accepts the risk of adverse public notice, embarrassment, criticism, or other action or financial loss that may result from action with respect to an application and expressly waives any claim for damages as a result thereof, except relating to willful misconduct by the board or division.

5. The filing of an application under the Act or these regulations constitutes a request for a decision upon the applicant's general suitability, character, integrity, and ability to participate or engage in or be associated with a licensee or permittee. By filing an application, the applicant specifically consents to the making of such a decision by the board or division.

6. Any false statement, including improperly notarized documents, contained in any report, disclosure, application, permit form, or any other document required by the Act or these regulations shall be a violation of these regulations and the Act.

7. Incomplete applications, including failure to pay fees may result in a delay or denial of a license.

B. Submission and Filing of Application

1. All original and renewal applications shall be submitted to the division by the United States Postal Service certified or registered mail, return receipt requested, private or commercial interstate carrier, electronic submission in accordance with Chapter 4 of Part III of this Title, hand delivery or other board-approved method of delivery.

2. Each application, including renewal applications, shall be deemed filed with the board or division when the application and fee have been received by the division, as evidenced by the date stamp on the application.

3. Renewal applications for licenses to conduct fantasy sports contests shall be submitted to the division no later than 120 days prior to the expiration of the license.

4. Failure to timely file or submit an application may constitute grounds for delaying consideration of the application or for denial of the application or imposition of a civil penalty.

C. Contents

1. An application is not complete nor is it considered filed with the division unless it is submitted with the required fee, is signed by the applicant, and contains all information and documentation required by the division.

2. The applicant shall notify the division in writing of all changes to any information in the application within 15 business days of the effective date of the change.

3. An application may be amended upon approval of the board or division. A request to amend an application shall be in writing. A request to amend an application may have the effect of establishing the date of such amendment as the filing date of the application with respect to the time requirements for action on the application.

4. All applicants shall disclose any violation of law or regulation from any jurisdiction.

5. Application for licensure shall be in accordance with the board's regulations and shall include all of the following:

a. The name of the applicant;

b. The applicant's primary place of business;

c. The names of all persons listed in, or required to submit to suitability pursuant to, the Act or these regulations including, but not limited to, R.S. 27:28(H)(1) and Section 2107 of Part III of this Title;

d. The names of employees and persons with substantial control of the licensee;

e. Complete information and details with respect to the applicant and associated persons antecedents, habits, character, business activities, financial affairs, criminal history and business associates;

f. Evidence of compliance with the provisions of R.S. 27:308(A);

g. Audited financial statements from the three most recently completed years;

h. Company documents including, but not limited to, Articles of Organization, amendments, operating agreement, corporate certificates, Charters and Bylaws, Amended & Reinstated, meeting minutes, and Louisiana Secretary of State filings;

i. a certification report from a designated gaming laboratory specified by the division or board indicating the platform is in compliance with the Act, these regulations, division technical guidelines, and internal controls; and

j. Such other information and details as the board or division may require in order to properly discharge its duties.

6. All applications shall contain a certification signed by a duly authorized representative of the applicant wherein the applicant certifies that:

a. The information contained therein is true and correct;

b. The applicant has read the Act and these regulations, and any other informational materials supplied by the division that pertain to fantasy sports contests; and

c. The applicant agrees to comply with these regulations and the Act.

7. All applications shall contain an email address, a telephone number and permanent mailing address for receipt of correspondence and service of documents by the division.

8. A complete ownership chart with ownership percentage equaling 100%. Define all shareholders, parent companies, subsidiaries, holding companies, partnerships, and any joint ventures.

9. A corporate structure flow chart illustrating all directors, key officers, positions and title for each person listed on their ownership chart.

D. Associated Persons

1. Any person who has or controls directly or indirectly five percent or more ownership, income, or profit or economic interest in an entity which has or applies for a license or permit pursuant to the provisions of this Title, or who receives five percent or more revenue interest in the form of a commission, finder's fee, loan repayment, or any other business expense related to the fantasy sports contest operation, or who has the ability or capacity to exercise significant influence over a licensee, a permittee, or other person required to be found suitable pursuant to the provisions of this Title, shall meet all suitability requirements and qualifications pursuant to the provisions of this Title.

2. In determining whether a person has significant influence for purposes of this Chapter, the board or division may consider, but is not limited to the following: management and decision-making authority; operational control; financial relationship; receipt of gaming revenue or proceeds; financial indebtedness; and gaming related associations.

3. Personal history questionnaires, personal financial questionnaires, and all other required forms shall be submitted for all associated persons along with the application.

4. Submissions will be required by, but not limited to, the following:

a. If the applicant is a corporation, each officer, director, and shareholder having a 5 percent or greater ownership interest;

b. If the applicant is a limited liability company, each officer, managing member, manager and any member having a 5 percent or greater ownership interest;

c. If the applicant is a general partnership or joint venture, each individual partner and co-venturer;

d. If the applicant is a limited partnership, the general partner and each limited partner having a 5 percent or greater ownership interest;

e. If the applicant is a registered limited liability partnership pursuant to R.S. 9:3431 et seq., the managing partner and each partner having a 5 percent or greater ownership interest; and

f. If such shareholder, owner, partner, or member from Paragraphs a-e of this Subsection is a legal entity, each officer, director, manager or managing member and each person with an indirect ownership or economic interest equal to or greater than 5 percent in the applicant.

5. Submissions may be required by any person who in the opinion of the board or division:

a. Has significant influence over an applicant, licensee, or permittee;

b. Receives or may receive any share or portion of the gross fantasy sports gaming revenues generated by gaming activities subject to the limitations provided in R.S. 27:28(H)(2)(b);

c. Receives compensation or remuneration as an employee of an applicant, licensee or permittee in exchange for any service or thing provided to the applicant, fantasy sports contest operator, or permittee; or

d. Has any contractual agreement with applicant, licensee or permittee.

6. Failure to submit the documents required by this Section may constitute grounds for delaying consideration of the application or for denying the application.

E. Tax Clearances

1. The applicant and all persons required to submit to suitability pursuant to the Act or this Title shall provide tax clearances from the appropriate state agencies prior to the granting of a license or permit.

2. Failure to provide the tax clearances required by Subsection A of this Section may constitute grounds for delaying consideration or for denial of the application.

F. Fingerprinting

1. An initial application is not complete unless all persons required by the division have submitted to fingerprinting by or at the direction of the division.

2. Failure to submit to fingerprinting may constitute grounds for delaying consideration of the application or for denial of the application.

G. Truth of Information

1. All information included in an application shall be true, correct and a complete, accurate account of the information requested to the best of the applicant's knowledge as of the date submitted.

2. No applicant shall make any untrue statement of material fact in any application, form, statement, report or other document filed with the board or division.

3. An applicant shall not omit any material fact in any application, form, statement, report or other document filed with the board or division. The applicant shall provide all information that is necessary to make the information supplied in an application complete and accurate.

4. No applicant shall make any untrue statement in any written or verbal communication with the board or division.

H. Additional Information

1. Fantasy sports contest operator applicants shall submit evidence to the board that it has established and will implement commercially reasonable procedures for fantasy sports contests with an entry fee and that it complies with R.S. 27:308(A) – (C).

2. All applicants shall provide all additional information requested by the division. If applicants fail to provide all additional information requested by the division, the application shall be considered incomplete.

3. Upon request of the board or division for additional information, the applicant shall provide the requested information within 10 days of receipt of written notice of the request or within such additional time as allowed by the board or division.

I. Application, Fees

1. All costs associated with conducting an investigation for suitability shall be borne by the applicant, licensee or permittee or the person who is the subject of the investigation.

2. An applicant shall pay all fees and costs associated with the application and investigation of the application as may be determined by the board.

3. Application fees for a fantasy sports contest operator license shall be charged and paid in accordance with R.S. 27:306.

4. All costs associated with the application for and the investigation, granting, or renewal of licenses and enforcement of this Part shall be paid by the applicant.

5. In addition to the fees set forth in R.S. 27: 306(C) and (D), and pursuant to R.S. 27:304(C), the applicant shall pay an investigation fee of \$15,000 at the time of filing of the application or beginning of an investigation to defray administrative costs associated with the application for and the investigation, granting, or renewal of licenses and enforcement of this Part. If the cost to the division exceeds the initial submitted investigation fee, the division shall inform the applicant of the additional projected cost and shall require the applicant to remit additional funds to complete the initial investigation. Any portion of the investigation fee remaining upon completion of the investigation shall be refunded to the applicant.

J. Renewal Applications

1. The renewal application shall contain a statement made, under oath, by the applicant that any and all changes in the history and financial information provided in the previous application have been disclosed. This statement shall also be provided by each officer or director, each person with a 5 percent or greater economic interest in the applicant, and any person who, in the opinion of the board or division, has the ability to exercise significant influence over the activities of the applicant.

2. Renewal applications shall further contain:

a. A list of all civil lawsuits to which the applicant is a party instituted since the previous application;

b. A current list of all stockholders of the applicant, if the applicant is a corporation, or a list of all partners, if applicant is a partnership or limited partnership, or a list of all members if the applicant is a limited liability company, or a list of persons with a 5 percent or greater economic interest in the applicant. Applicants who are publicly traded corporations need not provide this information for any shareholder owning less than 5 percent of the applicant unless requested by the board or division;

c. A list of all administrative actions instituted or pending in any other jurisdiction against or involving the applicant, parent company of the applicant, or an affiliate related to gaming operations, fantasy sports operations, or alleged criminal actions or activities;

d. Prior year's corporate or company tax return of the applicant;

e. A list of all charitable and political contributions made by the applicant during the last three years, indicating the recipient and amount contributed.

f. A complete ownership chart with ownership percentage equaling 100%. Define all shareholders, parent companies, subsidiaries, holding companies, partnerships, and any joint ventures; and

g. A corporate structure flow chart illustrating all directors, key officers, positions and title for each entity(s) listed on their ownership chart.

K. Withdrawal of Application

1. A request to withdraw an application shall be made in writing to the chairman or division at any time prior to issuance of the determination with respect to the application. The board or division may deny or grant the request.

§309. Suitability and Requirements

A. An applicant and its associated persons shall be required to submit to an investigation to determine suitability, and shall meet and maintain the suitability standards provided for the Act or these regulations, including, but not limited to, R.S. 27:28 and Section 2901 of Part III of this Title.

B. The board or division shall not issue a license, permit or finding of suitability to any person who fails to prove by clear and convincing evidence that he is suitable and qualified in accordance with the provisions of the Act and these regulations.

C. The applicant must prove by clear and convincing evidence that it has the competence and experience to conduct fantasy sports contests, by demonstrating through training, education, business experience, or a combination thereof, the adequate business probity, competence, experience, and capability to conduct fantasy sports contests.

D. The applicant shall demonstrate that the proposed financing of the applicant and business operation is adequate for the nature of operating fantasy sports contests and is from a source suitable and acceptable to the board. Any lender or other source of money or credit that the board finds does not meet the standards set forth in this Subsection may be deemed unsuitable.

E. An application for a license to conduct fantasy sports contests constitutes a request for a suitability determination, as described in R.S. 27:28, of the general character, honesty, integrity, and ability of any person associated with the applicant to participate or engage in, or be associated with fantasy sports contests.

F. Before obtaining a license to offer fantasy sports contests in this state, an applicant shall:

1. Be a person domiciled in Louisiana or a domestic business entity with a certificate of existence from the Secretary of State and in good standing or a foreign corporation with a certificate of authority to transact business in this state from the Secretary of State and in good standing;

2. Obtain and maintain applicable parish and/or municipal occupational and other required permits and licenses to operate within said parish or municipality and pay all fees required to secure the aforementioned licenses and permits prior to being issued a license; and

3. Provide the board with financial statements indicating any gross fantasy sports contest revenue for the previous three years.

G. An applicant, licensee, and all associated persons shall remain current in filing all applicable tax returns and in the payment of all taxes, interest and penalties owed to the state of Louisiana and the Internal Revenue Service, excluding items under formal appeal in accordance with applicable statutes and regulations, and items for which the Department of Revenue and Taxation or the Internal Revenue Service has accepted a payment schedule for taxes owed.

§311. Continuing Suitability, Duty to Report

A. Suitability is an ongoing process. An applicant, licensee or permittee, or person required to submit to suitability by the Act or these regulations has a continuing duty to inform the board and division of any action which could reasonably be believed to constitute a violation of the Act or these regulations. This obligation to report is to be construed in the broadest possible manner; any question that exists regarding whether a particular action or circumstance constitutes a violation shall be decided in favor of reporting. The board and division shall be notified no later than 15 days from the date the applicant, licensee or permittee, or person knew or should have known of the possible violation. No person who so informs the board and division shall be discriminated against by an applicant, licensee or permittee because of supplying such information.

B. An applicant, licensee or permittee, or person required to submit to suitability by the Act or these regulations shall also have a continuing duty to inform the board and division of material changes in their affiliations, businesses, financial standing, operations, ownership relationships, corporate management personnel, officers or directors within 15 days of the change. However, in the case of a publicly traded company, this obligation shall be satisfied if such company files with the board and division copies of all form 10Ks, 10Qs, and 8Ks filed with the Securities and Exchange Commission within 15 days of the filing with the Securities and Exchange Commission.

C. An applicant, licensee or permittee, or person required to submit to suitability by the Act or these regulations shall also have a continuing duty to inform the board and division of all administrative actions instituted or pending in any other jurisdiction against or involving the applicant, licensee, permittee, or the parent corporation or affiliate of the applicant, licensee or permittee, within 15 days of receipt of notice of the administrative actions instituted or pending in any other jurisdiction.

D. Failure to report or provide notice required by this Section may constitute grounds for delaying consideration of the application or denial of the application, revocation, suspension, administrative action, or the imposition of a civil penalty.

§313. Other Considerations for Licensing

A. The board may consider the following criteria when deciding whether to issue a license or a finding of suitability to conduct fantasy sport contest or whether to continue licensing or finding a person suitable to participate in fantasy sports contests. The various criteria set forth may not have the same importance in each instance. Other

factors may present themselves in the consideration of licensing and a finding of suitability. The following criteria are not listed in order of priority:

1. Applicant or licensee and its operation is properly financed;
2. Adequate Security. The board may consider whether the platform is designed and secured in a manner that provides adequate security for all aspects of its operation and for players;
3. Character and Reputation. The board may consider the character and reputation of all persons identified with the ownership and operation of the applicant or licensee and their capability to comply with regulations and the Act; and
4. Miscellaneous. The board may consider such other factors as may arise in the circumstances presented.

§315. Surrender of a License

- A. A license may not be surrendered without the prior approval of the board.
- B. If a request to surrender a license is approved, the person is immediately eligible to apply for a license, unless the board or division has placed a condition that the applicant shall have to fulfill in order to reapply.

Chapter 5. Rules; Operations

§501. Fantasy Sports Contest Operator Requirements and Restrictions; Internal Controls

- A. Licensees may only conduct fantasy sports contests expressly authorized by the Act, these regulations, or its internal controls.
- B. Fantasy sports contests authorized by the Act shall be conducted pursuant to the Act, these regulations, and a licensee's internal controls.
- C. An applicant shall submit its internal controls with its application for licensing. Licensees shall submit updated internal controls to ensure the division is in possession of the licensee's current internal controls at all times.
- D. Licensee's internal controls shall implement commercially reasonable procedures for fantasy sports contests with an entry fee to ensure compliance with all requirements of the Act, these regulations and the following:
 1. Prohibit participation of a player in fantasy sports contests while the player is located in a prohibited parish;
 2. Comply with all applicable tax laws and regulations including, without limitation, laws and regulations applicable to winnings and tax withholding to taxing authorities and players;
 3. Prevent entries into fantasy sports contests as follows:
 - a. No more than one entry per player in a contest involving 12 or few entries;
 - b. No more than two entries per player in a contest involving 13 to 36 entries;
 - c. No more than three entries per player in a contest involving 37 to 99 entries; and
 - d. No more than the lesser of three percent of all entries or 150 entries in a contest involving one hundred or more entries.
 - e. Notwithstanding Subparagraphs a through d of this Paragraph, a licensee may establish fantasy sports contests in which there are no restrictions on the number of entries if those contests constitute less than two percent of the total number of contests it offers and if the licensee clearly discloses that there are no limits on the number of entries per player and the entry fee is fifty dollars or more per entry;
 4. Prevent players from entering into a fantasy sports contest where the entry fee is greater than the balance in the player's account;

5. Prevent employees of the licensee, and relatives of an employee living in the same household as an employee of a licensee, from competing in fantasy sports contests offered by a licensee in which the licensee offers a cash prize to the general public;

6. Prevent sharing of confidential information that could affect fantasy sports contests with third parties until the information is made publicly available;

7. That no winning outcome is based on the score, point spread, or any performance of any single real-world sports team or combination of such teams or solely on any single performance of an individual athlete or participant in any single real-world sporting event;

8. That the following persons do not participate in fantasy sports contests:

a. Athletes and individuals who participate in or officiate a game or competition that is a real-world sport or athletic event that is the subject of a fantasy sports contest; and

b. Any sports agent, team employee, referee, or league official associated with a real-world sport or athletic event that is the subject of a fantasy sports contest;

9. Verify that a fantasy sports contest player is 21 years of age or older;

10. Provide fantasy sports contest players with access to information on responsible play;

11. Provide fantasy sports contest players with access to the fantasy sports contest player's play history and account details that are not confidential;

12. Allow individuals to restrict themselves from entering a fantasy sports contest upon request and provide reasonable steps to prevent the person entering fantasy sports contests offered by a licensee;

13. Segregate fantasy sports contest player funds from operational funds or maintain a reserve that exceeds the amount of player funds on deposit, which may not be used for operational activities. Reserve funds may take the form of cash, cash equivalents, payment processor reserves, payment processor receivables, an irrevocable letter of credit, a bond, or a combination thereof, in the amount that must exceed the total balances of the fantasy sports contest players' accounts. If a licensee chooses to utilize a special purpose segregated account for the purpose of segregation or reserve funds, it shall submit to the division all information and documentation regarding the account and shall receive approval prior to using the account for such purposes;

14. Prohibit the use of unauthorized scripts or scripting programs for any contest that gives an unfair advantage over other players in fantasy sports contests and ensure that commercially reasonable measures are in place to deter, detect, and, to the extent reasonably possible, prevent cheating, collusion, and the use of cheating devices, including unauthorized software programs that submit entry fees or adjust the athletes selected by a player;

15. Not offer fantasy sports contests based on the performances of participants in high school or youth athletic events;

16. Not offer a fantasy sports contest to the general public that does not establish and make known all prizes and awards offered to winning players in advance of the game or contest;

17. Withhold all winnings from players determined to be under the age of 21 or determined to have participated in a fantasy sports contest from within a prohibited parish;

18. Allow players to file complaints regarding the fantasy sports contest operation and the handling of the player's fantasy sports contest account;

19. Verify the following for players requesting to open an account:

a. Identity; and

b. Date of birth.

20. Publish and facilitate parental control procedures to allow parents or guardians to exclude minors from access to any contest or platform; and

21. Determine the geographical location of a player when participating in a fantasy sports contest.

E. Licensees shall report all winnings withheld and remit all withheld amounts to the division quarterly.

F. Licensees shall provide information regarding the player's ability to file a complaint with the division, provide the information necessary to file such a complaint, and notify the division of any complaints.

G. Licensees shall ensure that all information required by the Act, these regulations, or its internal controls to be provided to players is easily accessible through the licensee's platform, is clear and concise in language, and provides a mean to contact the licensee with questions.

§503. Platforms; Identification of Licensee; Duties of Licensee

A. To ensure the protection of players, a platform shall identify the person or entity that is the licensee.

B. Licensees shall provide a set of terms and conditions readily accessible to the player on its platforms.

C. Licensees shall provide a readily accessible privacy policy to the player on its platforms. The privacy policy shall state the information that is required to be collected, the purpose for information collection, and the conditions under which information may be disclosed. Any information about a player's account that is not subject to disclosure pursuant to the privacy policy shall be kept confidential, except where the release is required by law or requested by the board or division. Player information shall be securely erased from hard disks, magnetic tapes, solid state memory, and other devices before the device is decommissioned. If erasure is not possible, the storage device must be destroyed.

D. A licensee shall ensure that fantasy sports contests on its platform comply as follows:

1. A licensee shall not offer or award a prize to the winner of, or athletes in, the underlying competition itself; and

2. A licensee shall not offer fantasy sports contests based on the performances of participants in high school or youth athletics.

E. A licensee shall have procedures that do all of the following prior to operating in this state:

1. Prevent unauthorized withdrawals from a player's account by the licensee or others;

2. Make clear that funds in a player's account are not the property of the licensee and are not available to the licensee's creditors;

3. Ensure any prize won by a player from participating in a fantasy sports contest is deposited into the player's account within forty-eight hours of winning the prize;

4. Ensure players can withdraw the funds maintained in their individual accounts in accordance with the Act and these regulations;

5. Allows a player to permanently close his account at any time for any reason; and

6. Offers players access to their play history and account details.

F. A licensee shall establish procedures for a player to report complaints to the licensee regarding whether his account has been misallocated, compromised, or otherwise mishandled, and a procedure for the licensee to respond to those complaints. Licensees shall maintain a record of all complaints.

1. A player who believes his account has been misallocated, compromised, or otherwise mishandled may notify the board or division. Upon notification, the board or division shall investigate the claim and may take any action the board deems appropriate pursuant to the provisions of the Act or these regulations.

G. A licensee shall not issue to a player any form of credit governed by the provisions of the Louisiana Consumer Credit Law, R.S. 9:3510 et seq.

H. If a session is terminated due to a player inactivity timeout, the player's device must display to the player that the session has timed out and inform him of the steps needed to be taken to reestablish the session. If the session is terminated due to a player inactivity timeout, no further participation is permitted unless and until a new session is established by the player. This process shall include, at a minimum, the manual entry of the player's secure password.

§505. Scripts

A. Licensees shall use commercially reasonable efforts to prevent the use of unauthorized scripts in fantasy sports contests. Unauthorized scripts include:

1. Those deemed to offer an unfair advantage over other players for reasons including, but limited to:

a. Facilitating entry of multiple fantasy sports contests with a single line-up;

b. Facilitating changes in many line-ups at one time; or

c. Facilitating use of commercial products designed to identify advantageous fantasy sports contest strategies.

B. Licensees may prohibit the use of any and all scripts.

C. Licensees shall monitor fantasy sports contests to detect the use of unauthorized scripts and restrict players found to have used such scripts from entering or participating in further fantasy sports contests.

D. Licensees shall make information regarding authorized scripts readily available to all players, provided that a licensee shall clearly and conspicuously publish its rules on what types of scripts may be authorized in the fantasy sports contest.

§507. Prohibited Parish; Geolocation, Geofencing; Proxy Servers

A. No licensee nor any licensee's employee shall allow a player to participate in a fantasy sports contest while located in a prohibited parish.

B. Licensees shall implement and abide by protocols and procedures to ensure a player is not utilizing a proxy server, virtual private network, spoofing, or other means to disguise their physical location or their computer or device's physical location when participating in or attempting to participate in a fantasy sports contest. Licensees shall use, at a minimum:

1. Geolocation and geo-fencing techniques and capability; and

2. Commercially reasonable standards for the detection and restriction of proxy servers, virtual private networks, spoofing, or other means of disguising one's location.

C. Licensees shall prohibit participation in a fantasy sports contest if a player is utilizing any means to disguise his identity or physical location or his computer or device's physical location or attempting to act as a proxy for another player.

D. If a licensee discovers a player utilizing any means to disguise their identity or physical location or their computer's or device's physical location or acting as a proxy for another player in order to participate in a fantasy sports contest, the licensee shall immediately suspend the player's participation in any fantasy sports contest and follow protocols to reach a final determination about the player's account and future access and account privileges. Licensees shall maintain a record of all information, documentation, or evidence of such activity.

E. Licensees shall immediately notify the division of any entries into fantasy sports contests made when the player was located in a prohibited parish and shall provide the division with all information, documentation, and other evidence of such activity.

F. Licensees who violate this Section shall be penalized in accordance with R.S. 27:309(C)(2).

§509. Player Registration with Licensee Required

A. A person shall register with a licensee prior to participating in fantasy sports contests on a platform that can be accessed by persons located in the State of Louisiana. Licensees shall not allow any person to participate in fantasy sports contests on its platform unless that person is registered.

B. With respect to registration, a licensee shall do all of the following:

1. Implement security standards to prevent participation in fantasy sports contests by a person whose location and age have not been verified in accordance with the Act, these regulations, or internal controls;

2. Ensure that all persons provide their age and state of residence, before participating in a fantasy sports contest;

3. Utilize commercially reasonable steps to confirm that a person registering for an account is at least twenty-one years of age before such person participates in fantasy sports contests; and

4. Clearly and conspicuously publish and facilitate parental control procedures to allow parents or guardians to exclude minors from access to any contest or platform.

C. During the registration process, a person shall agree to the privacy policy and the following applicable terms and conditions of service:

1. Registration information provided by the person to the licensee is accurate;

2. The person has been informed, and acknowledges, that as a player he is prohibited from allowing any other person access to or use of his account;

3. Specify the handling of entry fees where the entry of a player is canceled;

4. Specify the handling of entry fees for paid fantasy sports games that are voided or abandoned;

5. Clearly define the rules by which any unrecoverable malfunctions of hardware or software are addressed;

6. Advise the player to keep his password and login ID secure;

7. Advise the player on requirements regarding forced password changes, password strength, and other related items;

8. No individual less than twenty-one year of age is permitted to participate in fantasy sports contest;

9. The method by which players will be notified of updates to the terms and conditions and privacy policy;

10. The conditions under which an account is declared inactive and explain what actions will be undertaken on the account once this declaration is made including the forfeiting of any monies remaining in the account; and

11. Clearly define what happens to the entry fees placed if a player has entered a paid fantasy sports contest prior to any self-imposed or licensee-imposed exclusion, including the return of all paid entries to the player, or settling all entries, as appropriate.

§511. Limitation on Active Accounts; Obligations to Players

A. A licensee shall:

1. Limit each authorized player to one active and continuously used account and username;

2. Implement rules and publish procedures to terminate all accounts of any player that establishes or seeks to establish more than one username or more than one account, whether directly or by use of another person as a proxy;

3. Publish and facilitate parental control procedures to allow parents or guardians to exclude minors from access to any contest or platform. The procedures shall include a toll-free number to call for help in establishing such parental controls;

4. Make clear conspicuous statements that are not inaccurate or misleading concerning the chances of winning and the number of winners when referencing the chances or likelihood of winning;

5. Permit any player to permanently close an account registered to the player, on any and all platforms supported by the licensee, at any time and for any reason; and

6. Implement measures to protect the privacy and online security of players, their account, and their personal financial information.

§513. Designation of Players; Games Offered

A. A licensee shall identify all highly experienced players in any contest by a symbol attached to the players' usernames, or by other visible means, on all platforms supported by the licensee.

B. A licensee shall implement and maintain on-boarding procedures for new players that explain opportunities to learn about fantasy sports contest play and how to identify highly experienced players, and shall recommend beginner fantasy sport contests and low-cost private fantasy sports contests with friends for their value as a learning experience.

C. A licensee shall develop fantasy sports contests that are limited to beginner players and shall keep non-beginner players from participating, either directly or through another person as a proxy, in those fantasy sports contest games. A licensee shall suspend the account of any non-beginner player that enters a beginner player fantasy sports contest directly or through another person as a proxy and shall ban such individual from further play unless good faith can be demonstrated. A licensee may allow a non-beginner player who is not a highly experienced player to enter up to ten beginner player fantasy sports contests in any sport in which that player has not already entered 20 fantasy sports contests.

D. A licensee shall develop fantasy sports contest games in which highly experienced players cannot, either directly or through another person as a proxy, participate. A licensee shall suspend the account of any highly experienced player who enters a fantasy sports contest that excludes highly experienced players, directly or through another person as a proxy, and shall ban such individual from further play.

§515. Charging for Inactive Accounts

A. A licensee shall not charge a player for an inactive account.

B. A licensee shall charge players only for entry fees placed on contests entered. No player shall be charged for failure to enter a fantasy sports contest or for failure to deposit certain amounts of cash or cash equivalent into any account.

C. Licensees shall follow state law as it regards unclaimed property for inactive accounts.

§517. Protection for Problem or Compulsive Gamblers

A. Self-Restriction

1. Licensees shall allow a player to restrict themselves from entering a fantasy sports contest or accessing a fantasy sports contest account for a specific period of time, minimum of which shall be three months, as determined by the player and shall implement procedures to prevent the person from participating in the licensee's fantasy sports contests.

2. Licensees shall develop and maintain an online self-restriction form and a process to exclude any person from participating in fantasy sports contests who completes and submits the form to the licensee and shall provide a web link on its platforms to the online self-restriction form. The licensee shall retain each submitted online self-restriction form and restrict such persons from play and close the player's account for the specified time.

3. Online self-restriction is different than submitting a self-exclusion form excluding a person from a casino gaming establishment. When a player chooses the option of self-restriction, he shall be notified of the option to also self-exclude from casino gaming in Louisiana and the link to the self-exclusion form on the board's website.

B. Self-Imposed Limits

1. Licensees shall implement and maintain procedures that allow players to limit themselves from:

a. Entering into a maximum set number of fantasy sports contests in a set period of time;

b. Paying more than a certain amount of money for any entry fee; and

c. Depositing more than a set amount of funds into their account.

C. Players shall have the option to adjust the time period of the self-restriction or to adjust the self-limits to make them more restrictive as often as they choose, but shall not have the option to make the time period or limits less restrictive within 90 days of setting. Any change must provide a prompt to ensure the player is aware of the change and the player must then confirm the change.

D. Licensees shall enforce the limitations placed upon player accounts by:

1. Providing a plan to honor requests from players to self-restrict or self-limit;

2. Providing a plan to ensure that, immediately upon a player self-restricting from participating, no new entry fees or deposits are accepted from that player until the self-restriction expires or is removed;

3. Providing a plan to allow a player that self-restricts to access and withdraw remaining funds from his account;

4. Ensuring self-restricted persons do not receive marketing or advertisement during the period of self-restriction.

E. Licensees shall train employees on problem and compulsive gambling. Such training shall include, but not be limited to: training on policies and best practices for identifying and assisting players who may be problem or compulsive gamblers.

§519. Advertising, Mandatory Signage

A. A licensee shall not advertise fantasy sports contests to a person by phone, email, or any other form of individually targeted advertisement or marketing material if the person has self-restricted or is excluded pursuant to the provisions of the Act or these regulations, or if the person is otherwise barred from participating in fantasy sports contests (including, but not limited to, advertisements targeted to persons under the age of twenty-one).

B. Advertisements and marketing material shall not depict minors, students, schools, or school settings.

C. A licensee shall not advertise or run promotional activities at any primary or secondary schools, as defined by Louisiana law and including elementary, middle, and high schools, or sports venues exclusively used for primary or secondary schools.

D. Licensees shall ensure that all advertisements of fantasy sports contests and prizes do not target prohibited players, persons under the age of twenty-one, or self-restricted persons.

E. A licensee shall not misrepresent the frequency or extent of winning in any fantasy sports contest advertisement.

F. A licensee shall provide on its platform, any websites, and in any advertisement of fantasy sports contests or prizes for such the toll-free telephone number available for information and referral services regarding compulsive or problem gambling as required in R.S. 27:27.3.

G. A licensee shall comply with the provisions of Section 2927 of Part III of this Title.

Chapter 7. Records; Accounting; Confidentiality

§701. Financial Statements and Records

A. Each licensee, in such manner as the division may approve or require, shall keep accurate, complete, legible, and permanent records of all transactions pertaining to revenue that is taxable or subject to fees under the Act.

B. Each licensee shall keep general accounting records on a double entry system of accounting, with transactions recorded on a basis consistent with generally accepted accounting principles, maintaining detailed, supporting, subsidiary records, including but not limited to:

1. Records identifying:
 - a. Revenues by day;
 - b. Expenses;
 - c. Assets;
 - d. Liabilities;
 - e. Location percentage;
2. Records required by the internal controls;
3. Journal entries and all work papers, electronic or manual, prepared by the licensee and their independent accountant;
4. Financial statements and supporting documents; and
5. Any other records the division requires.

E. Each licensee shall create and maintain records sufficient to accurately reflect income and expenses relating to its operations.

F. If a licensee fails to keep the records used to calculate net revenue, gross fantasy sports contest revenues, and location percentages, or if the records are not adequate to determine these amounts, the division may compute and determine the amount of net revenues, gross fantasy sports contest revenues or location percentages based on an audit and statistical analysis conducted by the division.

G. Reporting gross fantasy sports contest revenues.

1. Each licensee shall report gross fantasy sports contest revenues in accordance with requirements provided by the division.

2. The payment of taxes in accordance with R.S. 27:316 shall be paid monthly and is due by the twentieth of the following month. If the due date is a non-banking day, the fees are due the closest banking day prior to the twentieth unless it is more than two days before the twentieth in which case the taxes are due the first banking day after the twentieth.

3. Taxes shall be deposited electronically in accordance with guidelines provided by the division. Overpayments may be deducted from future taxes owed, but shall not result in a refund to the licensee unless caused by the division or if the licensee is withdrawing from the state and returning its license to operate.

H. In accordance with R.S. 27:306(B)(3), licensees shall submit to the division financial statements indicating any gross fantasy sports contest revenue for the previous three years at the time of application.

§703. Record Retention and Backup

A. Upon request and at a location designated by the division, each licensee shall provide the division with the records required to be maintained by this Chapter. Each licensee shall retain all such records for a minimum of five years in a location approved by the division. In the event of a change of ownership, records of prior owners shall be retained in a location approved by the division for a period of five years unless a different period is authorized by the division. Electronic records may be maintained in other locations if access to the records is available on computers located at the principal place of business or other location approved by the division.

B. Each licensee shall conduct a complete system data backup to an off-site location a minimum of once a month. For purposes of this Section, the licensee shall submit the name, location, and security controls of the off-site storage facility to the division. Licensees shall submit changes to the location and security controls of the off-site storage facility at least 30 days prior to the change. Any changes less than 30 days in advance must include justification

for the late submission. For licensees using managed cloud service backups, the name of the cloud service and region where the primary copy of the data shall be provided at the time of licensure and at the time of any change thereafter. A complete system data backup includes, but is not limited to:

1. All revenue reports;
2. All fantasy sports contest results;
3. Patron account information; and
4. The geographical location of every player participating in a fantasy sports contest on a platform of the licensee.

C. Licensees shall have a written contingency plan in the event of a system failure or other event resulting in the loss of system data. The plan shall address backup and recovery procedures and shall be sufficiently detailed to ensure the timely restoration of data in order to resume operations after a hardware or software failure or other event that results in the loss of data.

§705. Funds; Segregation of Funds

A. Licensees shall

1. Segregate fantasy sports contest player funds from operational funds in accordance with R.S. 27:308(A)(9); or

2. Maintain a reserve in the form of cash, cash equivalents, payment processor reserves, payment processor receivables, an irrevocable letter of credit, a bond, or a combination of these sources that is at least equal to the amount of money deposited in fantasy sports contest player accounts.

B. Licensees may satisfy the requirements of Subsection A by establishing a special purpose segregated account that is maintained and controlled by a properly constituted corporate entity that has a governing board that includes one or more independent corporate directors. The corporate entity must require a unanimous vote of all corporate directors to file bankruptcy and must have articles of incorporation that prohibit commingling of funds with those of the fantasy sports contest operator, except as necessary to reconcile the accounts.

1. Licensees shall provide the division with any and all information and documentation regarding its special purpose segregated account and shall receive approval of such account by the division prior to the implementation of such.

C. Licensees shall provide the division with documentation of the amount of deposits in Louisiana players' accounts and the amount in cash reserves as of the last day of each month by the tenth day of the following month.

D. Licensees shall continuously monitor and maintain a record of all player deposits and its cash reserves to ensure compliance with the cash reserves requirement. If at any time the licensee's total available cash and cash equivalent reserve is less than the amount required, the licensee shall notify the division within 48 hours of the deficiency, the reason, and the resolution to correct the deficiency.

E. Licensees shall prohibit a player from transferring funds through his account or the platform to any other player.

F. Except as provided in subsection (E), licensees shall allow a player to withdraw the funds maintained in his account within five business days of the request being made. For purposes of this Paragraph, a request for withdrawal is considered honored if it is processed by the licensee but delayed by a payment processor, credit card issuer, or by the custodian of a financial account through no fault, action or inaction of the licensee.

G. A licensee may decline to honor a player's request to withdraw funds only if the licensee believes in good faith that the player engaged in fraudulent conduct or other conduct that would put the licensee in violation of the Act or these regulations. In such cases, the licensee may withhold the funds for a reasonable investigatory period until the investigation is resolved, if the licensee provides notice of the nature of the investigation to the player and conducts its investigation in a reasonable and expedient fashion providing the player additional written notice of the status of the investigation every tenth business day starting from the day the original notice was provided to the player.

§707. Audits and Reporting

A. Licensees shall comply with the provisions of R.S. 27:308(D) and 310.

B. Licensees shall provide the following information upon demand by the division. As appropriate, the information shall include, at a minimum, month to date and year to date:

1. For each paid fantasy sports contest offered, the following information:

a. The date and time the fantasy sports contest started (began accepting entries) and ended (results finalized);

b. The contest identifier;

c. The prize structure;

d. The players who entered the fantasy sports contest;

e. The selections each player made for their team;

f. The total number of points earned by each player's team;

g. The total amount of entry fees paid;

h. The results, including the points earned by the winning player or players;

i. The total amount of winnings to the players;

j. The total amount of cash equivalents awarded to the players; and

k. The information used to determine the location percentage.

2. Overall reports providing the following information for all players associated with the licensee:

a. Total player deposits for the requested period;

b. Total player withdrawals for the requested period;

c. Total entry fees collected from players;

d. Total winnings paid to players; and

e. The same information in Subparagraph c and d of this Paragraph for Louisiana players included in the calculation of the location percentage.

3. A time-stamped player log of the following:

a. A unique player identification;

b. All deposits to the player's account;

c. All withdrawals to the player;

d. All cash equivalents added to the player's account; and

e. All manual adjustments or modifications to the player's account.

4. The following player account information:

a. A unique player identification;

b. The player's identity details including, but not limited to: participant's legal name; age; and address;

c. Any self-restrictions;

d. Any previous accounts; and

e. The date and IP address from which the player account was registered or accessed.

C. Annual financial statements shall be provided to the division not later than May 1 each year or 120 days after the end of the fiscal year if not December 31.

D. A licensee shall submit to the division one copy of any report required to be filed with the Securities and Exchange Commission or other domestic or foreign securities regulatory agency by the licensee, and their holding company, intermediate company, or parent company. These reports shall be delivered to the division within 15 days of the time of filing with such commission or agency or within 15 days of the due date prescribed by such commission or regulatory agency, whichever comes first.

E. Each licensee shall submit to the division annual audited financial statements reflecting all financial activities of the licensee's fantasy sports contest operations subjected to an examination conducted according to generally accepted auditing standards by an independent Certified Public Accountant (CPA).

1. This shall include auditing total entry fees, entry fees from players located in Louisiana, location percentage calculations, winnings paid, net revenue, and taxes paid to Louisiana based on net revenues. The auditor shall reconcile these audited amounts to similar amounts on the annual audited financial statements and system reports.

2. All audits and reports required by this Section shall be prepared at the sole expense of the licensee.

F. Annual Review of Operations

1. Each licensee shall require the independent CPA, engaged for purposes of examining the financial statements, to submit to the licensee two signed copies of a written report detailing the continuing effectiveness and adequacy of the internal controls.

2. The auditor shall include in this report any items discovered by the auditor or brought to the auditor's attention where the operator does not act in accordance with the internal controls and procedures provided to the division. The report should also include notification and explanation for all occasions when the operator denies a player's request to withdraw funds and all occasions when the operator discovers the use of unauthorized scripts on its platform.

a. Denial of a withdrawal means the operator or its agent issues the decision to deny a player's request to withdraw. Issues not controlled by the operator, such as banking system issues, incorrect deposit account numbers, or other issues not controlled by the operator are not included.

b. Reportable script items includes unauthorized scripts discovered on the platform whether used or not.

3. This report is due no later than 30 days after the due date of the audited financial statements required in Subsection C of this Section.

G. Each licensee shall engage an independent Certified Public Accountant (CPA). The CPA shall examine the statements in accordance with generally accepted auditing standards. The CPA is prohibited from providing internal audit services. Should the CPA previously engaged as the principal accountant to audit the licensee's financial statements resign or be dismissed as the principal accountant, or if another CPA is engaged as principal accountant, the licensee shall file a report with the division within 10 days following the end of the month in which the event occurs, setting forth the following:

1. The date of the resignation, dismissal, or engagement;

2. Any disagreements with a former accountant, in connection with the audits of the two most recent years, on any matter of accounting principles, or practices, financial statement disclosure, auditing scope or procedure, which disagreements, if not resolved to the satisfaction of the former accountant, would have caused him to make reference in connection with his report to the subject matter of the disagreement; including a description of each such disagreement; whether resolved or unresolved;

3. Whether the principal accountant's report on the financial statements for any of the past two years contained an adverse opinion or a disclaimer of opinion or was qualified. The nature of such adverse opinion, disclaimer of opinion, or qualification shall be described; and

4. A letter from the former accountant furnished to the licensee and addressed to the division stating whether the CPA agrees with the statements made by the licensee in response to this Section.

H. Unless the division approves otherwise in writing, the statements required must be presented on a comparative basis. Consolidated financial statements may be filed by commonly owned or operated operations, but the consolidated statements must include consolidating financial information or consolidated schedules presenting separate financial statements for each licensee. The CPA shall express an opinion on the consolidated financial statements as a whole and shall subject the accompanying consolidating financial information to the auditing procedures applied in the examination of the consolidated financial statements.

I. Each licensee shall submit to the division two originally signed copies of its audited financial statements and the applicable CPA's letter of engagement not later than May 1 or 120 days after the last day of the licensee's business year if not December 31.

J. If a licensee changes its fiscal year, the licensee shall prepare and submit to the division audited financial statements covering the period from the end of the previous business year to the beginning of the new business year not later than 120 days after the end of the period.

K. Each licensee shall submit a quarterly financial report including gross fantasy sports contests revenues, net revenues, location percentage calculations, and taxes paid on net revenues. The report shall be forwarded to the division not later than 30 days after the last day of the applicable quarter.

L. The division may request additional information and documents from either the licensee or their CPA, regarding the financial statements or the services performed by the CPA. The division may review any and all work papers of the CPA at a time and place determined by the division. These requirements shall be included in agreements between the licensee or its affiliates and the CPA.

M. The licensee shall submit to the division, postmarked by the United States Postal Service or deposited for delivery with a private or commercial interstate carrier, or in another manner approved by the division, any audit report prepared by the Internal Revenue Service (IRS) and issued to the licensee. The report is due within 30 days of receipt from the IRS.

N. Impairments to the independence of a CPA to perform a financial audit include, but are not limited to:

1. During the period of professional engagement to perform an audit, or at the time the opinion was issued, the auditing person:

a. Had or was committed to acquire any direct or indirect financial interest in the licensee;

b. Was a trustee of any trust or executor or administrator of any estate if the trust or estate had or was committed to acquire any direct or indirect financial interest in the licensee;

c. Had any joint closely held business investment with the licensee or any key person or owner thereof that was material in relation to the auditing person or the auditing person's firm's net worth; or

d. Had any loan to or from the licensee or any key person or owner thereof, when made under normal lending procedures, terms, and requirements, except:

i. Loans that are not material to the net worth of the borrower;

ii. Home mortgages; or

iii. Other secured loans, except loans guaranteed by the auditing person's firm that are otherwise unsecured.

2. During the period covered by the licensee's financial statements, during the period of the professional engagement to perform an audit, or at the time the opinion is issued, the auditing person was:

a. Connected with the licensee as a promoter, underwriter, voting trustee, key employee, or in any capacity equivalent to that of a key employee; or

- b. A trustee for any pension or profit-sharing trust of the licensee;
- 3. Functioning as if a key employee of the licensee;
- 4. Performing an audit of the independent CPA or independent CPA's firm's own work;
- 5. Advocacy for the licensee; or
- 6. Having any other role with the licensee or its affiliates other than as independent auditor.

§709. Public and Confidential Records

A. Except as provided in Louisiana Revised Statutes Title 44:1 et seq. and R.S. 27:21, records of the board and division shall be public records.

B. Louisiana Revised Statutes Title 44:1 et seq., R.S. 27:21, and Chapter 39 of Part III of this Title shall govern this Part.

Chapter 9. Computer Systems and Platforms; Security

§901. Computer Systems and Platforms

A. Licensees shall implement, maintain, and comply with procedures, protocols, and security measures required by Chapter 28 of Part III of this Title and this Part.

B. Licensees shall utilize a designated gaming laboratory specified by the division or board to complete an initial technical certification of the fantasy sports operator's platform to ensure the platform is in operational compliance with the Act, these regulations, division technical guidelines, and internal controls. A copy of the certification report shall be included with the information and documentation submitted to the division when applying for and renewing a license. The certification report shall, at a minimum, identify applicable methods, programs, protocols and security measures implemented by the licensee, a permittee, or an approved third party for the following:

- 1. Player identification and age verification;
- 2. Location verification methods utilized by the platform;
- 3. Detection of proxy server or VPN use;
- 4. Methods to detect unauthorized scripts;
- 5. Process to detect or prevent unauthorized access to sensitive areas of the platform; and
- 6. Procedures to prevent unauthorized access to or manipulation of sensitive player data.

C. At the discretion of the division, additional testing or certification of the platform by a designated gaming laboratory specified by the division or board may be required. The licensee shall incur all costs associated with the testing of the platform. Failure on the part of the licensee to incur these costs may be grounds for administrative action by the Division.

§903. Data Security

A. Licensees shall comply with all applicable state and federal requirements for data security.

Chapter 11. Procedures; Access; Investigations

§1101. Access to Premises and Records

A. The board and division, upon displaying proper credentials, shall be given immediate access to any premises, platform, and geolocation systems to be used in the operation of an applicant or licensee for the purpose of inspecting or examining:

1. Premises, platforms, geolocation systems, etc. belonging to or under the control of or related to the operation of fantasy sports contests and any activity relating to the provisions of the Act and these regulations;

2. Records or documents required to be kept under the provisions of the Act and these regulations;

3. Gaming equipment to be used in the licensed operation; or

4. The conduct of any gaming activity in the licensed operation.

B. The board and division are empowered to inspect, examine, audit, photocopy and if necessary seize, all papers, books, records, documents, information and electronically stored media of an applicant or licensee pertaining to the operation or activity on all premises where such information is maintained. The division shall provide an evidence receipt to the applicant or licensee providing a general description of all documents and items seized.

C. Board and division agents shall have unrestricted contemporaneous access to all records, data, documents and electronic media of a licensee and its operation.

D. Failure to allow access and inspection as provided in this Section may constitute grounds for delaying consideration of the application, denial of the application, or administrative action against the licensee.

§1103. Refusal to Answer

A. Refusal to provide information to, answer questions of, or cooperate in any investigation by the division or board, or a claim of privilege with respect to any testimony or evidence, may constitute sufficient grounds for denial of the application or administrative action including revocation, suspension, and penalty.

§1115. Assisting in or Notification of Violations

A. No licensee or their employee, agent, or representative shall assist another person in violating any provision of the Act or these regulations; any order, authorization or approval from the board or division; or the internal controls. Such assistance shall constitute a violation of these regulations.

B. It is incumbent upon a licensee or their employee, agent, or representative to promptly notify the division of any possible violation of any federal, state or municipal law, the Act, these regulations, any order, authorization or approval from the board or division, or the internal controls.

Chapter 13. Hearings; Administrative Actions; Penalties

§1301. Administrative Actions

A. The board or division may initiate administrative action authorized by the Act for any violation of the Act or of the rules after notice of the proposed administrative action and after opportunity to request a hearing before the board.

B. The board or division may initiate administrative action authorized by the Act for any violation of any condition, restriction, or limitation imposed by the board on a license or permit.

C. The board or division may initiate administrative action against a licensee, permittee, or person required to submit to suitability by the Act or these regulations who, or whose affiliate or parent company, has been subject to administrative action in another jurisdiction for gaming related activity.

D. The board or division may initiate administrative action authorized by the Act for violation of a licensee's internal controls as approved by the division.

E. Administrative action includes revocation, suspension, finding of unsuitability, or conditioning of a license or permit, imposition of a civil penalty or such other costs as the board or division deems appropriate. The appropriate sanction may be determined by considering factors contained in the Act including, but not limited to:

1. The risk to the public and the integrity of fantasy sports contest operations created by the conduct;

2. The seriousness of the conduct and whether the conduct was purposeful and with knowledge that the conduct was in violation of the Act or rules promulgated in accordance with the Act;

3. A justification or excuse for the conduct;

4. The history of the licensee or permittee with respect to gaming activity and the operation of fantasy sports contests;

5. The corrective action taken to prevent similar misconduct from occurring in the future;

6. Whether there was any material involvement, directly or indirectly, with the licensee or permittee by a disqualified person as defined in the Act; and

7. In the case of a civil penalty or fine, the amount of the fine in relation to the severity of the misconduct and the financial means of the licensee or permittee.

§1303. Civil penalties

A. Pursuant to R.S. 27:311, and these regulations, the division may impose a civil penalty as provided for in the penalty schedule contained in Subsection B of this Section.

B. Penalty Schedule

<u>Section Reference</u>	<u>Description</u>	<u>Proscriptive Period (Months)</u>	<u>1st</u>	<u>2nd</u>	<u>3rd or Subsequent</u>
<u>Revised Statutes, Title 27. Louisiana Gaming Control Law</u>					
<u>27:309(A)(1)</u>	<u>A Person Under 21 Participating in Fantasy Sports Contest When Fantasy Sports Contest Operator or Agent Reasonably Believes Person was 21 or Older per R.S. 27:309(C)(1)(a)</u>	<u>12</u>	<u>\$1,000 or Admin Action</u>	<u>\$1,000 or Admin Action</u>	<u>Admin Action</u>
<u>27:309(A)(1)</u>	<u>A Person Under 21 Participating in Fantasy Sports Contest When Fantasy Sports Contest Operator or Agent is Shown to Have Known or Reasonably Believed Person was Under 21 or if Person was Under Age of 15 Regardless of Knowledge or Reasonable Belief per R.S. 27:309(C)(1)(b)</u>	<u>12</u>	<u>\$1,000 or Admin Action</u>	<u>\$1,000 or Admin Action</u>	<u>Admin Action</u>
<u>27:309(A)(2)</u>	<u>A Person Participating in Fantasy Sports Contest While Located in a Parish that Voted Against Fantasy Sports Contests per R.S. 27:309(C)(2)</u>	<u>12</u>	<u>\$1,000 or Admin Action</u>	<u>\$1,000 or Admin Action</u>	<u>Admin Action</u>

AUTHORITY NOTE: Promulgated in accordance with R.S. 27:15 and 24.

HISTORICAL NOTE: Promulgated by the Department of Public Safety and Corrections, Gaming Control Board, LR.

Public Hearing

In accordance with the provisions of the Administrative Procedure Act, specifically at R.S. 49:968(H)(2), the board gives notice of a public hearing on these substantive amendments to the proposed Rule. The hearing will be held at 10:00 a.m. on Monday, November 23, 2020 at the Louisiana State Police Headquarters, Room B located at 7919 Independence Blvd., Baton Rouge, Louisiana 70806.

Michael Noel
Chairman